

Commercial Real Estate QUARTERLY MARKET SURVEY

FEBRUARY 2013

COMMERCIAL
Real Estate



NATIONAL
ASSOCIATION *of*
REALTORS®

Commercial Real Estate QUARTERLY MARKET SURVEY

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The REALTORS® Commercial Real Estate Market Survey measures quarterly activity in the commercial real estate markets. The survey collects data* from commercial REALTORS®. The survey is designed to provide an overview of market performance, sales and rental transactions, along with current economic challenges and future expectations.

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THE NATIONAL ASSOCIATION OF REALTORS®, “*The Voice for Real Estate*,” is America’s largest trade association, representing 1.0 million members involved in all aspects of the residential and commercial real estate industries..

Although the information presented in this survey has been obtained from reliable sources, NAR does not guarantee its accuracy, and such information may be incomplete. This report is for information purposes only.

NOTE: In January 2013, NAR invited a random sample of 43,205 REALTORS® with an interest in commercial real estate to fill an on-line survey. A total of 370 responses were received, for an overall response rate of 0.9 percent.

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2012.Q4 Survey Highlights

- REALTOR® commercial markets recorded improved sales conditions, with stabilization of fundamentals.
- Sixty-eight percent of commercial REALTORS® closed a sales transaction during the quarter.
- Sales volume rose 18.0 percent from a year ago.
- Sales prices declined 4.0 percent on a year-over-year basis.
- Leasing activity advanced 3.0 percent from the previous quarter.
- Rental rates declined 2.0 percent compared with the previous quarter.
- Concession levels declined 1.0 percent on a quarterly basis.
- Financing remains at the top of the current challenges list, followed by inventory availability.
- The estimated average transaction rose from slightly under \$1.0 million to \$1.2 million from the prior quarter.

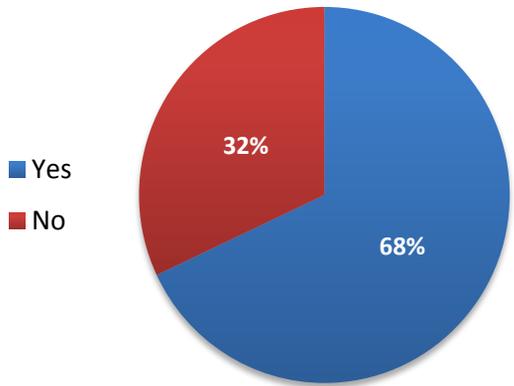
REALTORS® Commercial Activity – 2012.Q4

Sales Volume Compared with Previous Quarter	↑	Up 11%
Sales Volume Compared with Previous Year	↑	Up 18%
Sales Prices Compared with Previous Quarter	↓	Down 3%
Sales Prices Compared with Previous Year	↓	Down 4%
Expected Inventory Availability for the Next 12 Months	↑	Up 3%
Rental Volume Compared with Previous Quarter	↑	Up 3%
Rental Rates Compared with Previous Quarter	↓	Down 2%
Level of Rent Concessions Compared with Previous Quarter	↓	Down 1%
Volume of New Construction Compared with Previous Quarter	↓	Down 1%
Direction of Business Opportunities Compared with Previous Quarter	↑	Up 6%

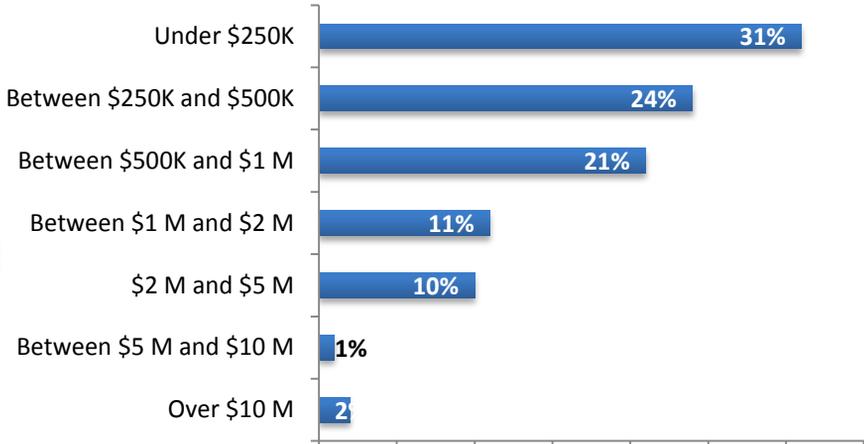
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Did you complete a sales transaction?



Dollar amount of last transaction



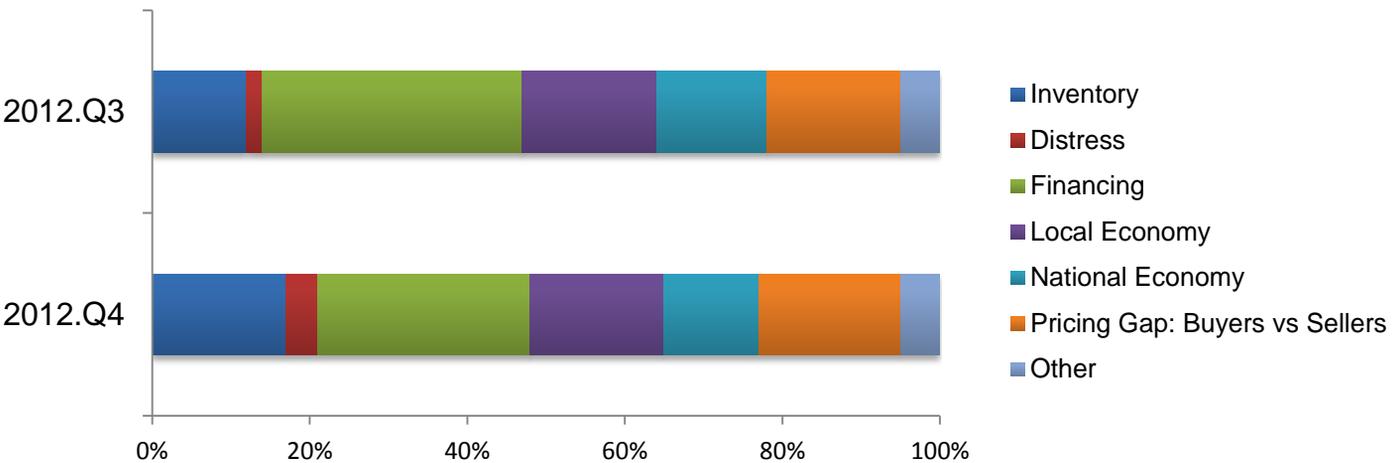
2012.Q4 Cap Rates

Office	8.7%
Industrial	8.2%
Retail	8.5%
Multifamily	7.6%
Hotel	9.0%
Development	11.9%

2012.Q4 Vacancy Rates

Office	18.2%
Industrial	15.7%
Retail	16.1%
Multifamily	7.3%
Hotel	20.8%

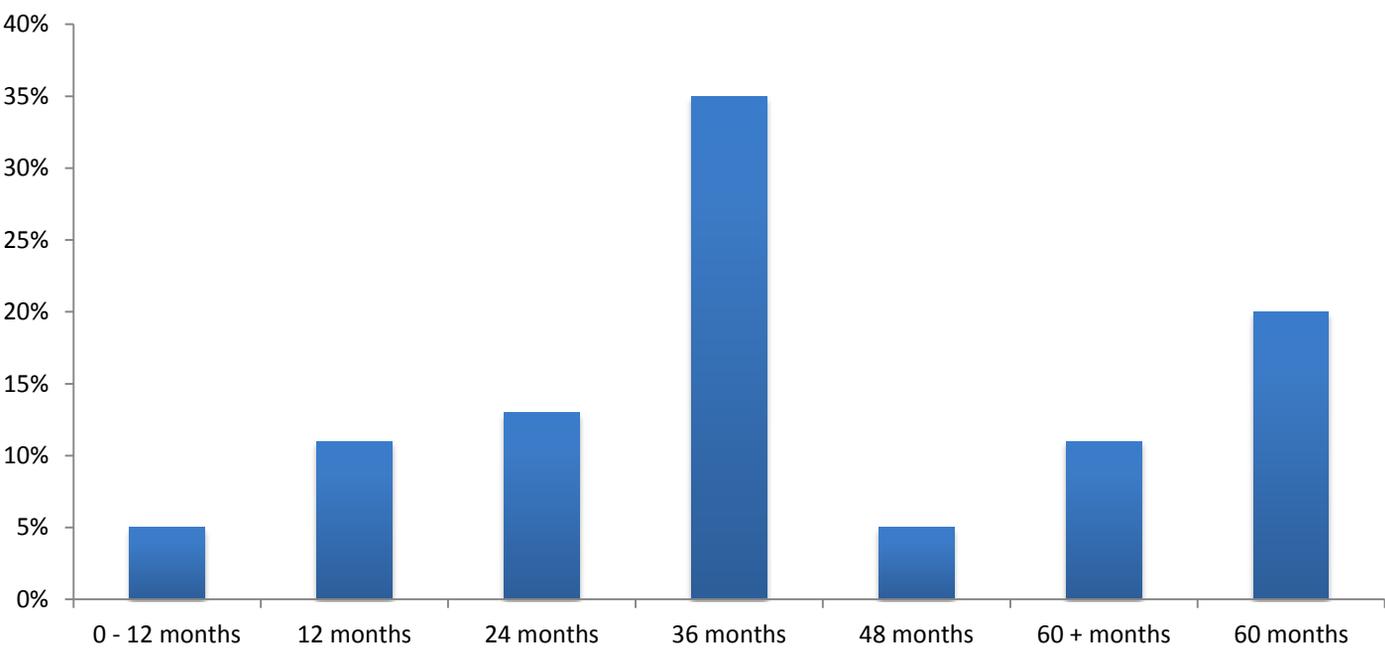
REALTORS® Most Pressing Challenges



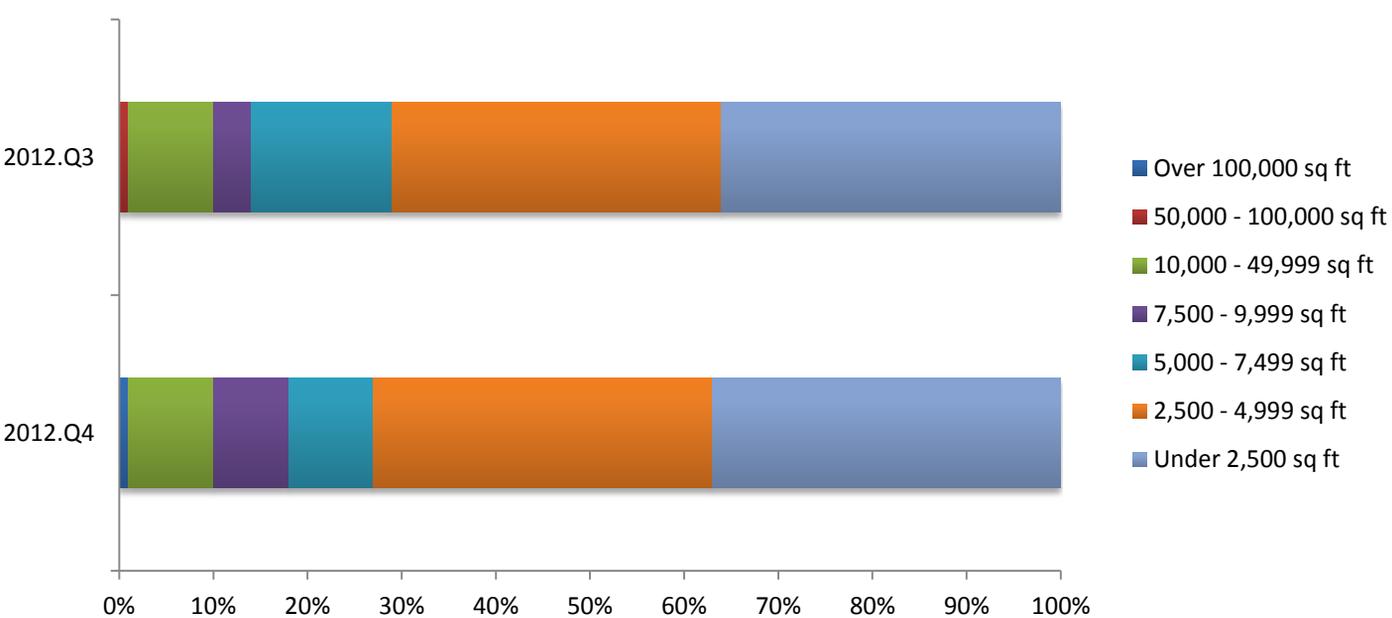
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Average lease term during last transaction



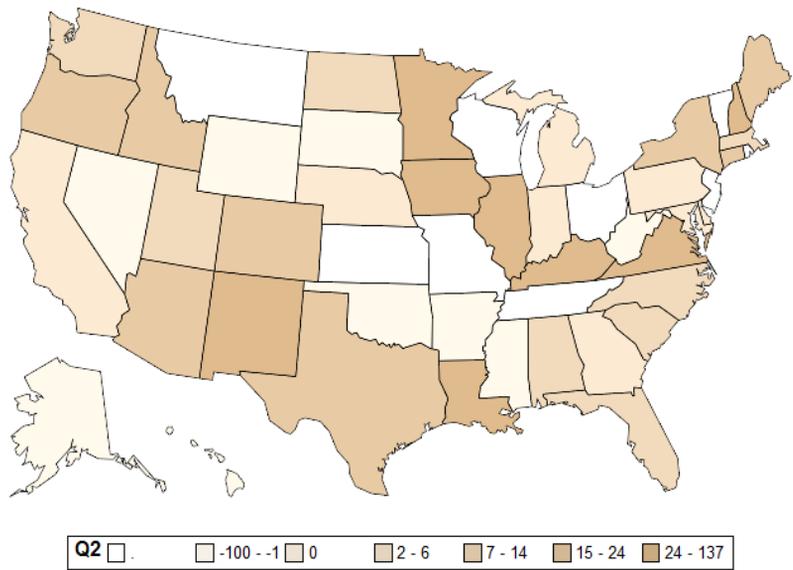
Average Rental Space Demanded During Last Transaction



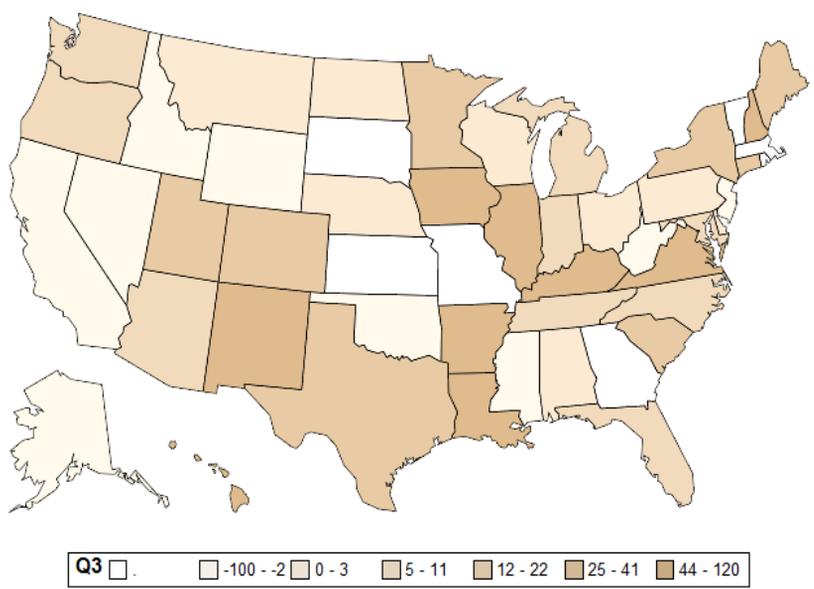
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Sales Volume Compared with Previous Quarter (% Chg.)



Sales Volume Compared with Previous Year (% Chg.)

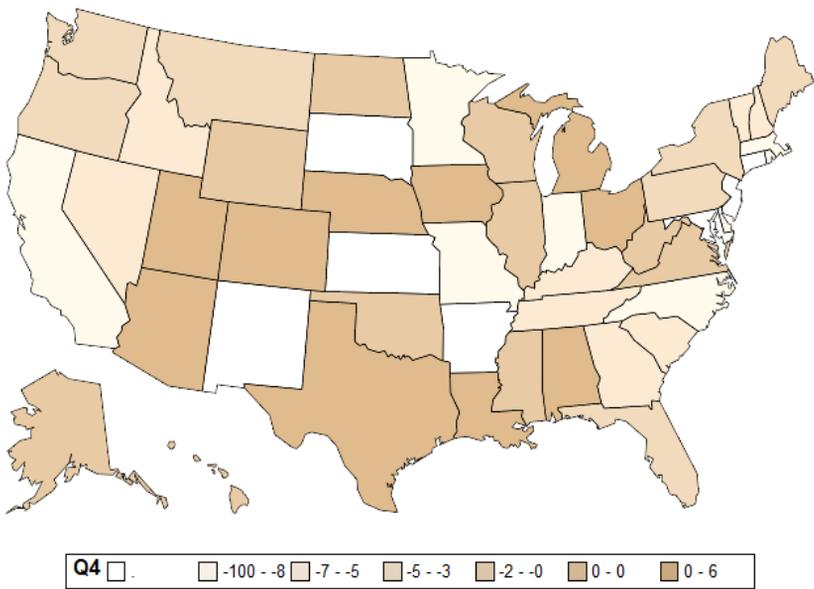


State-level data may register large fluctuations from one period to the next due to small sample sizes in some states.

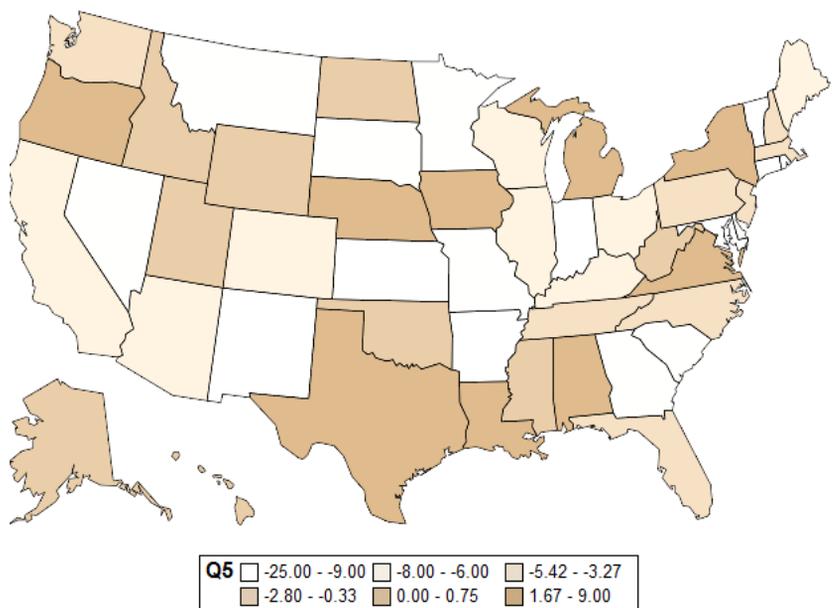
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Sales Prices Compared with Previous Quarter (% Chg.)



Sales Prices Compared with Previous Year (% Chg.)

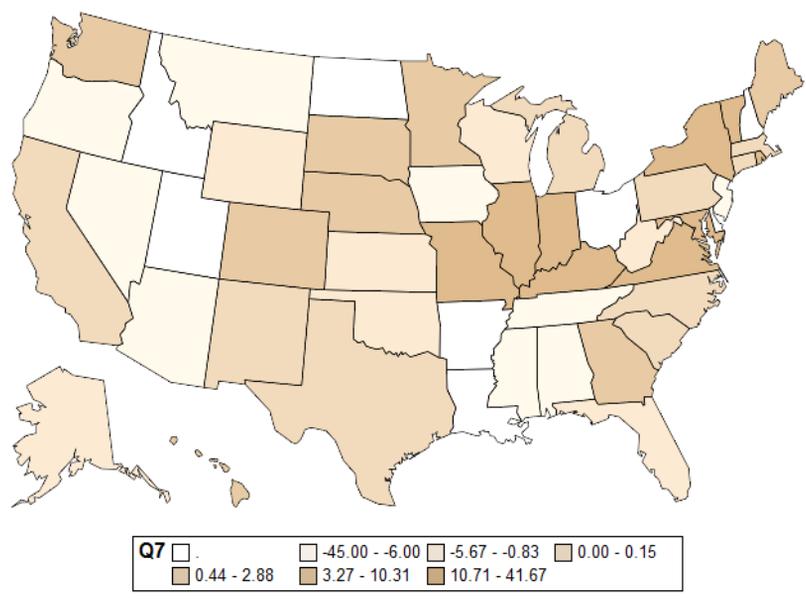


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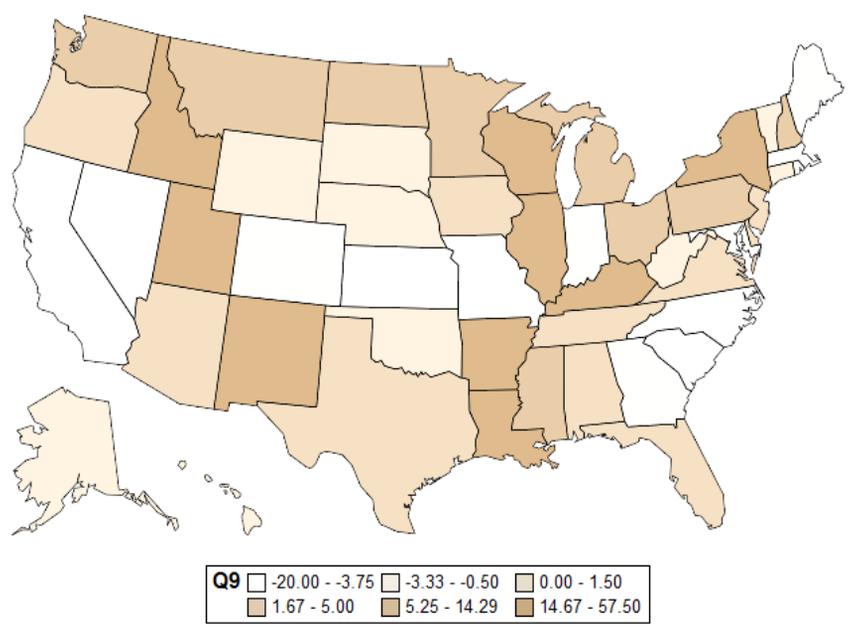
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Expected Inventory Availability for Next 12 Months (% Chg.)



Rental Volume Compared with Previous Quarter (% Chg.)

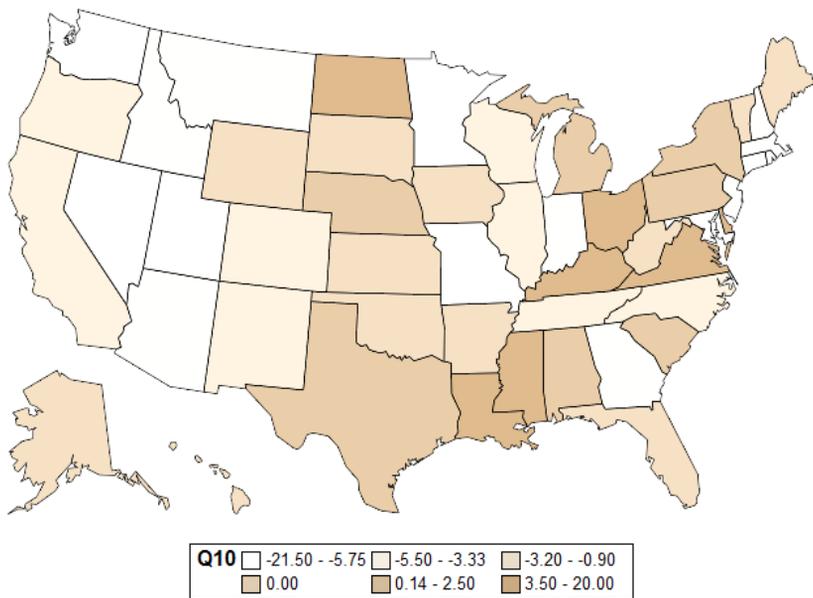


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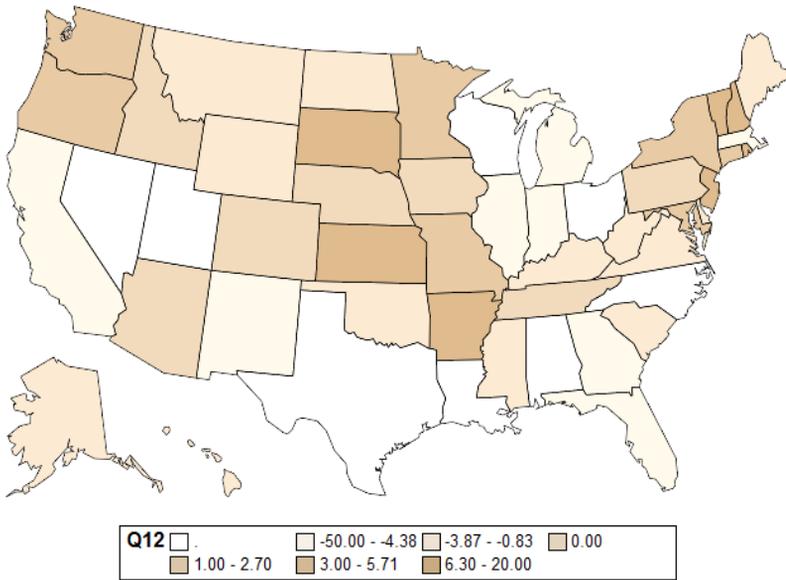
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Rental Rates Compared with Previous Quarter (% Chg.)



Rent Concessions Compared with Previous Quarter (% Chg.)



State-level data may register large fluctuations from one period to the next due to small sample sizes in some states.

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The REALTORS® Commercial Real Estate Quarterly Market Survey asks participants to comment on current conditions in their markets. Below are a few of the comments about the latest quarter environment.

2012 was a much better year vs. 2011. My commissions earned were 2.5 times higher than the 3 previous years.

A firmer national economy will certainly boost lease and sale activity.

A lot of pocket listings and offers to unlisted properties.

Activity is picking up.

Banks have almost destroyed our profession locally.

Banks need to start making loans again on commercial property to get this market going. It is almost impossible to get financing, yet banks say there is no loan demand.

Business is up slightly.

Commercially I work primarily land sales. The good land has all been purchased over the past two years. What is left is too far out for immediate development.

Consumer sentiment seems to actually pick up.

Current political and tax uncertainty has brought commercial sales to a halt in our region.

Federal gridlock still causing hesitancy.

FLAT. Investors are uncertain.

Force the banks to unload property faster before it deteriorates.

Has improved, and expect it to continue.

I am trying to get involved in more commercial business.

I believe commercial markets will recover after it continues to go through a market auto adjustment period that will push prices lower to a reasonable level that will help to decrease the gap between buyers and sellers. Most of the market is overpriced.

I primarily sell vacant land and the supply exceeds the demand. The only prices that increased are for farm land. The Dodd Frank act will hurt land sales where the only finance options are seller financing. This will make it more complicated in a market that's already struggling.

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The REALTORS® Commercial Real Estate Quarterly Market Survey Comments—continued.

I see my last year record production going higher this year by at least 25%.

I think all aspects are improving but don't know how for how long or how steady the improvement will be. National Debt Crisis could derail the recent turnaround and progress that is in the works.

I work in a micro market where there is no outside interest.

Investors and business owners are concerned about the future of the economy, taxes and regulations.

It is getting better !

It is moving on a good direction.

Looking much stronger, despite the election results.

Looking up slightly but we have a LOOONG way to go to return to anything near normalcy.

My main business is property management which includes one 60,00 sq. ft. retail shopping center that rarely has any vacancies. I also have background in retail leasing which I have not been pursuing. So, my answers are based on my business activities as they now stand.

My market is not typical and by and large does not track the national or global economy.

Need banks to start financing deals for qualified deals.

Need more inventory.

Noticeable increase in activity including some new construction.

Personal business is strong.

Phones are ringing. Lots of buyers are now active. Should be a great year.

Pretty strong in our area because of energy development and ag commodity prices.

Queries for lease space have increased in 1st Q 13. Lease renewals for 5,000 sf + users command 5-10% rent concessions and increased TI allowances. Strong tenant market.

Retail inventory in community shopping centers slowly being absorbed. New neighborhood centers remain mostly vacant.

"Sequestration" is a big issue for this region of Virginia. We derive 45% of GDP from the military. All the numbers are at risk in today's environment.

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The REALTORS® Commercial Real Estate Quarterly Market Survey Comments—continued.

Some of the major structural economic issues have passed, and the more normal/routine economic and leasing realities remain. rental rates, concessions, terms are favorable. financing is still nearly impossible, even on LTVs of < 50% with DCR 1.4 or >, due to inconsistencies in underwriting and "reasons not to finance".

South Florida will outperform the National Market because of local developments of the seaports and airports.

Still a great deal of uncertainty in the economy, and this results in buyers not wanting to expand or relocate.

The commercial market is slowly improving in this part of Maine.

The economy is so bad in the past 10 years I have carried approximately 20 to 28 commercial listings and have only sold 4 in this area! I do not believe we in small town America are given much emphasis on!

The local economy and financing are the main difficulty in commercial RE transactions here in Port Angeles WA.

The market does not seem to have a large variance from a year ago in the Bay area, although there seems to be more interest.

The market in 2012 was excellent for commercial. I completed 35 transactions, \$10M volume.

The Middle Tennessee area is thriving with new industries and business investments.

The State of Texas has a Fantastic Business Climate w/o hindrances of State Income Tax, good roads, & opportunity to succeed - we are seeing business moving in town & State in alarming #'s diversifying a once energy dependent State & Local Economy. With the new Shale Discoveries & Drilling technology on the Rise, I have a great deal of satisfaction the Market Trends in Texas will continue with Great Growth.

There seems to be an appreciable increase in leasing activity over the last 6 months.

Very challenging, due to economic forecast and financing; regulatory environment of current administration.

We are continuing to see record numbers of companies moving to our area. The demand for Class A office space is at a premium while we are experiencing an unprecedented demand with extremely low inventory.

We are seeing interest in all market in NW Colorado. Inventory is dwindling and hard to find certain properties. Lots of talk on new building starts this year. market is turning. buyers need to buy now before the deals are gone. some have already missed the boat.

We need new Business in the area! Local government is very hard to get permits and new businesses started. Taxes high, utilities the highest in nation, building inspectors hard to deal with; top priorities are social services than helping business succeed.

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NATIONAL ASSOCIATION OF REALTORS® RESEARCH DIVISION

The Research Division of the NATIONAL ASSOCIATION of REALTORS® produces the Commercial Real Estate Outlook, a quarterly report forecasting commercial market fundamentals. The Research Division also issues the annual Commercial Member Profile, detailing the business and demographic characteristics of commercial members.

Additionally, NAR Research examines how changes in the economy affect the commercial real estate business, and evaluates regulatory and legislative policy proposals for their impact on REALTORS®, their clients and America's property owners.

If you have questions or comments regarding this report or any other commercial real estate research, contact George Ratiu, Manager, Quantitative & Commercial Research, at gratiu@realtors.org.

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