Commercial Real Estate
QUARTERLY MARKET SURVEY

JANUARY 2012

COMMERCIAL Real Estate

REALTOR®

NATIONAL ASSOCIATION *of* REALTORS®

Commercial Real Estate
QUARTERLY MARKET SURVEY

JANUARY 2012

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 member Realtors® with an overview of their markets' performance, sales and rental transactions, along with current economic challenges and future expectations. The questions are designed to capture the effects of the existing economic conditions on the commercial real estate business. Each quarter, participants respond to questions regarding the current demand for commercial properties, price, cap rates, rental concessions and other economic factors.

Download this report from:

http://www.realtor.org/research/research/cre_market_survey

THE NATIONAL ASSOCIATION OF REALTORS®, *"The Voice for Real Estate,"* is America's largest trade association, representing 1.1 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.

JANUARY 2012

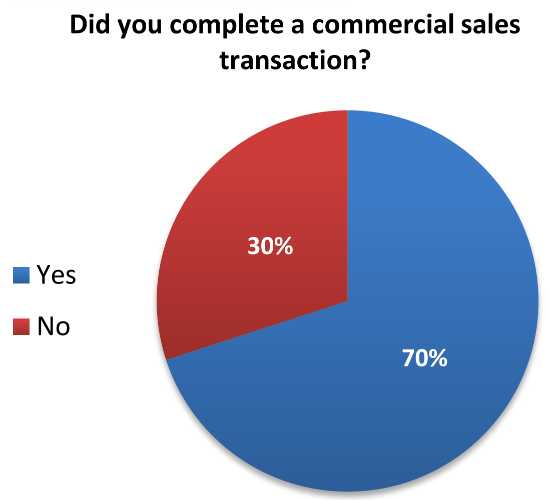
2011.Q4 Survey Highlights

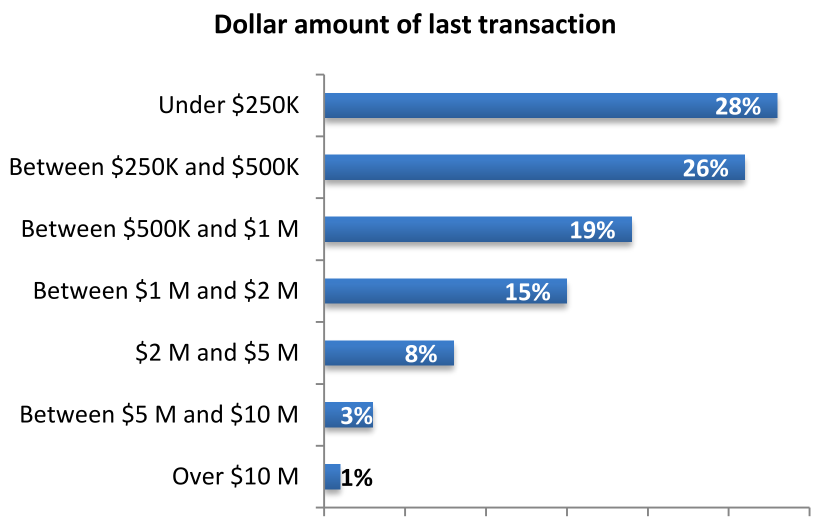
- Commercial markets decline continued to slow during the quarter.
- Seven in ten commercial Realtors® closed a sales transaction during the quarter.
- Sales volume declined one percent from a year ago.
- Sales prices declined 10 percent on a year-over-year basis.
- Leasing activity advanced 2 percent from the previous quarter.
- Rental rates declined 4 percent compared with the previous quarter.
- Concession levels were virtually flat on a quarterly basis.
- Financing remains at the top of the current challenges list, followed by the economy.
- The estimated average transaction rose to $1.2 million from $1.1 million in the previous quarter.

REALTORS® Commercial Activity – 2011.Q4		
Sales Volume Compared with Previous Quarter	↓	Down 2%
Sales Volume Compared with Previous Year	↓	Down 1%
Sales Prices Compared with Previous Quarter	↓	Down 6%
Sales Prices Compared with Previous Year	↓	Down 10%
Expected Inventory Availability for the Next 12 Months	↑	Up 2%
Expected Cap Rate Movement for the Next 12 Months	↑	Up 4 bps
Rental Volume Compared with Previous Quarter	↑	Up 2%
Rental Rates Compared with Previous Quarter	↓	Down 4%
Level of Rent Concessions Compared with Previous Quarter	↑	Up 0.8%
Direction of Business Opportunities Compared with Previous Quarter	↑	Up 3%
Volume of New Construction Compared with Previous Quarter	↓	Down 7%

Commercial Real Estate
QUARTERLY MARKET SURVEY

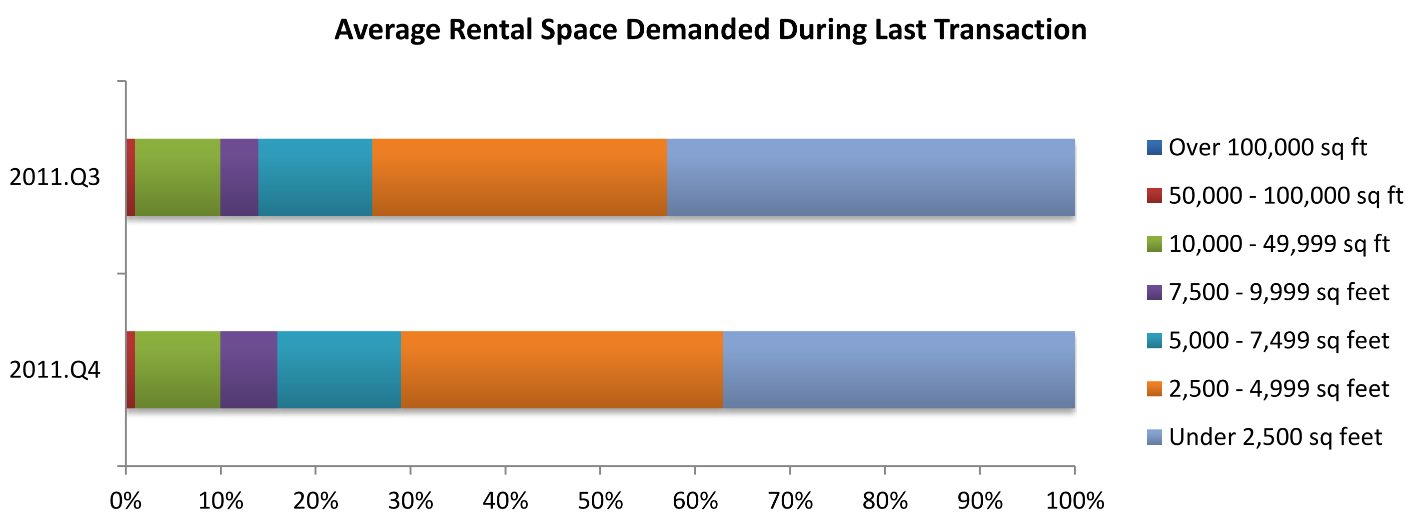
JANUARY 2012



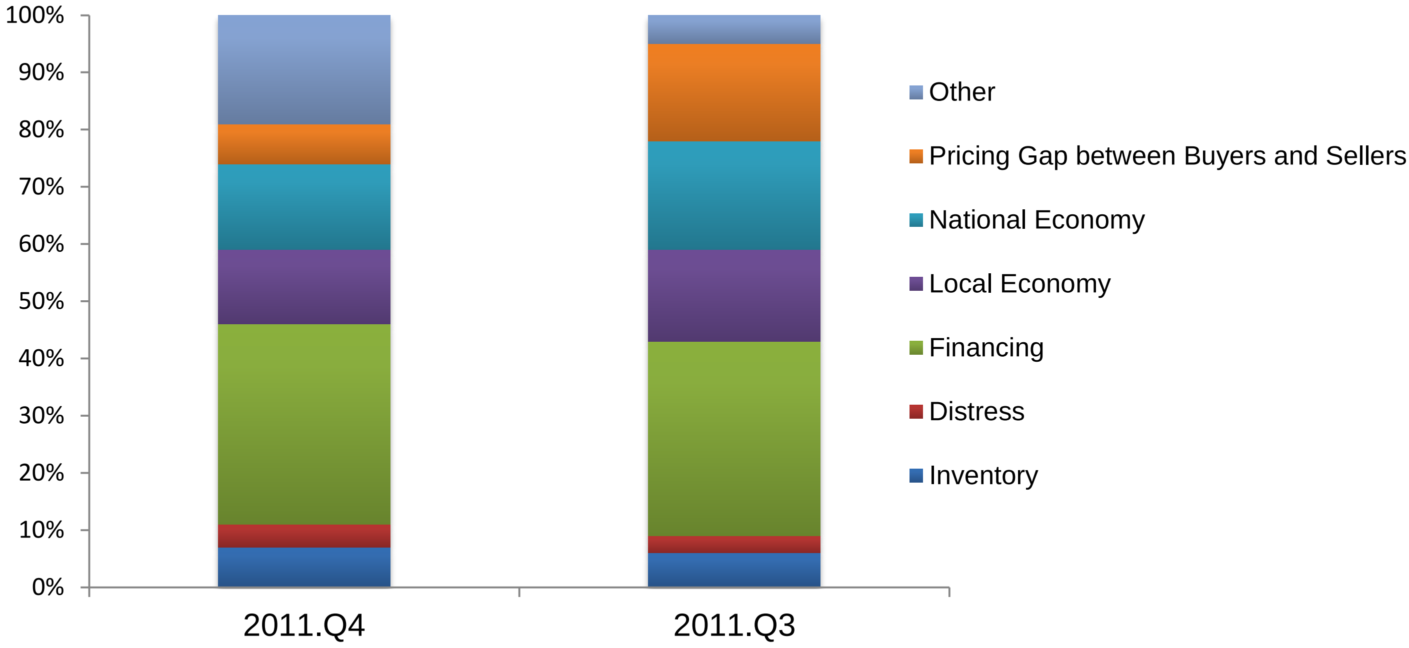


2011.Q4 Cap Rates	
Office	8.2%
Industrial	8.7%
Retail	9.3%
Multifamily	8.9%
Hotel	8.6%
Development	9.2%

2011.Q4 Vacancy Rates	
Office	18.8%
Industrial	17.1%
Retail	16.9%
Multifamily	9.7%
Hotel	20.4%



REALTORS® Most Pressing Challenges



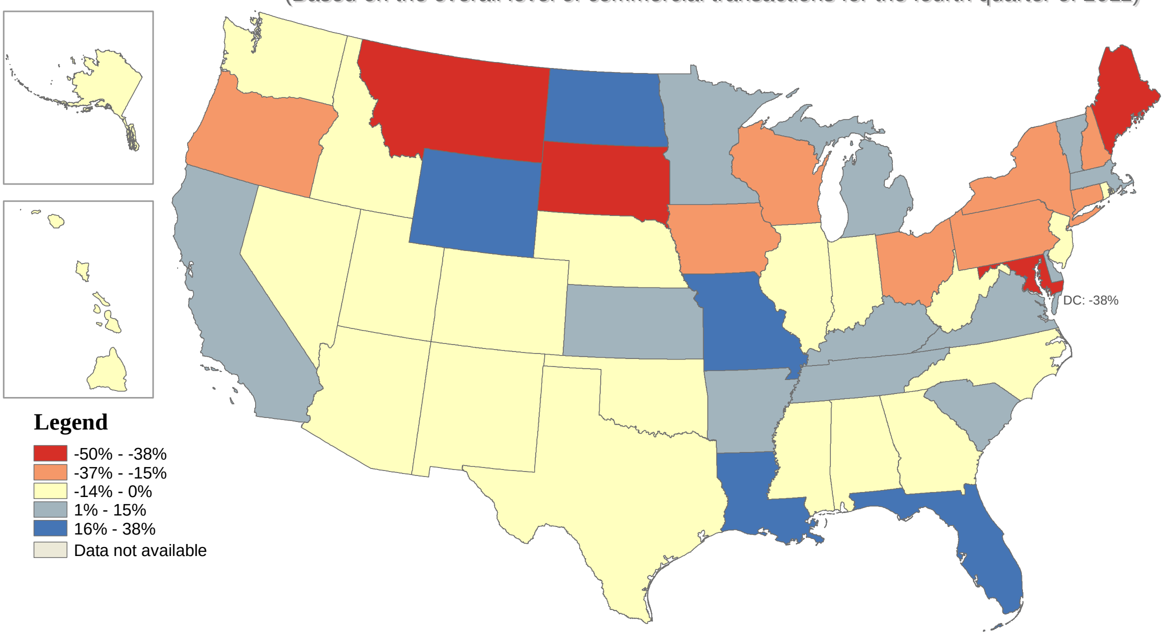
- All of the above
- Appraisals
- Buyers believing market has changed up
- Employment, consumer confidence, and capital for small business
- Extreme failure and lack of leadership at the national level
- Financing and Appraisal
- Foreign financial currency and debt turmoil, higher Global fiscal taxation policies implemented, lower foreign discretionary funds availability as non-US residents investors' loans are discontinued, with higher dollars against many currencies curbing purchase benefits/deals
- Overtaxing and too much regulation

Commercial Real Estate
QUARTERLY MARKET SURVEY

JANUARY 2012

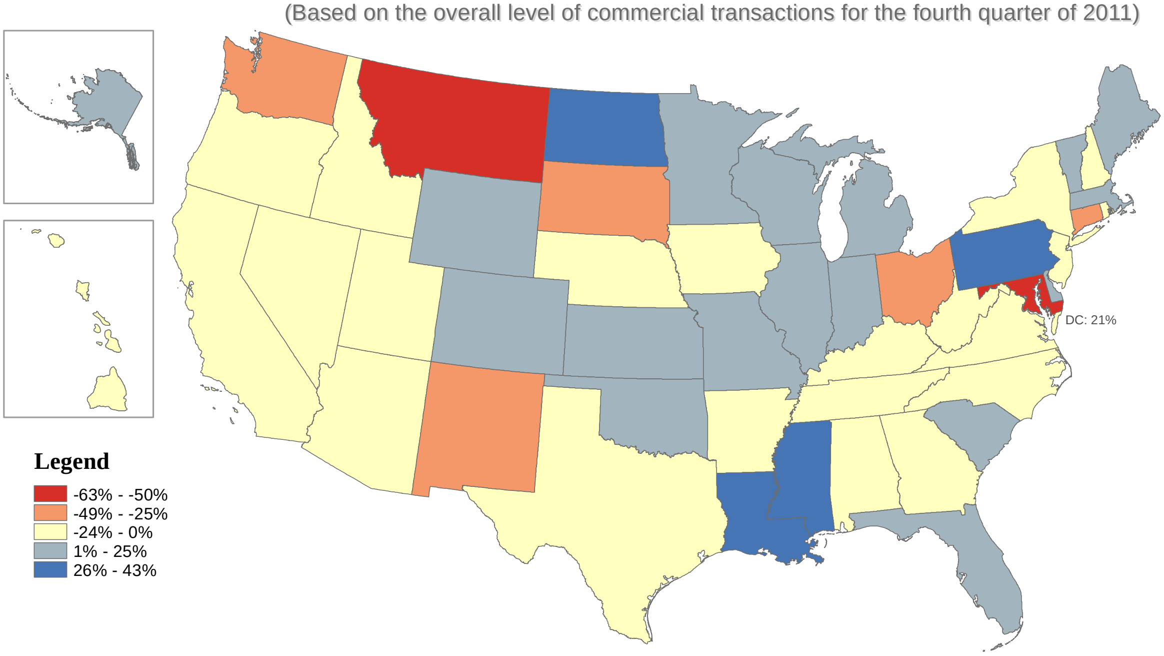
Sales Volume Compared with Previous Quarter

(Based on the overall level of commercial transactions for the fourth quarter of 2011)



Sales Volume Compared with Previous Year

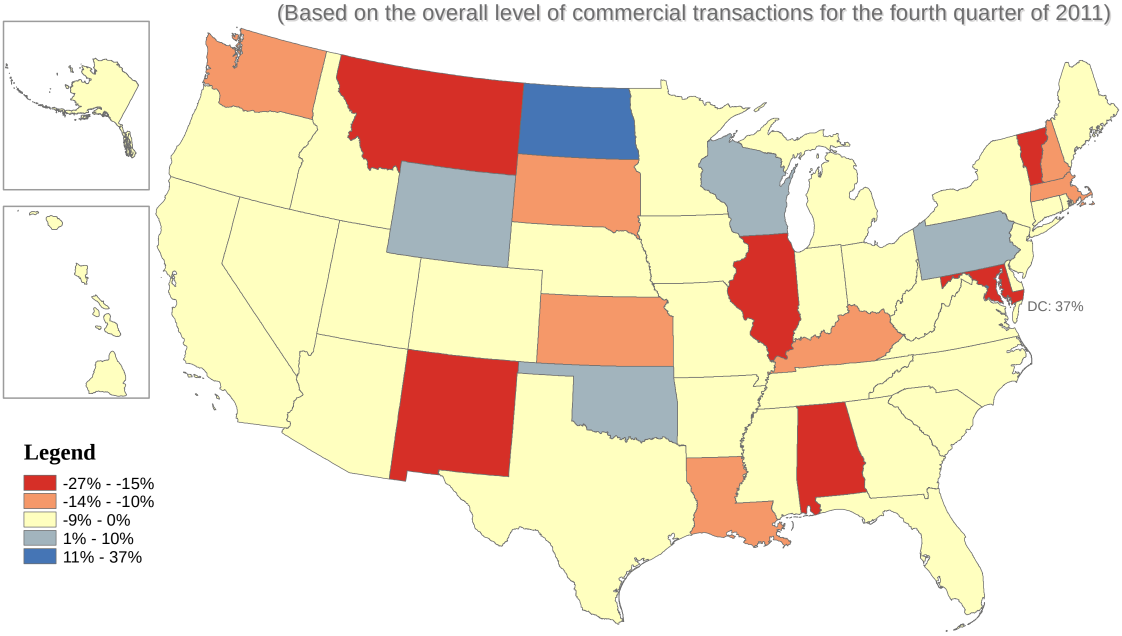
(Based on the overall level of commercial transactions for the fourth quarter of 2011)



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

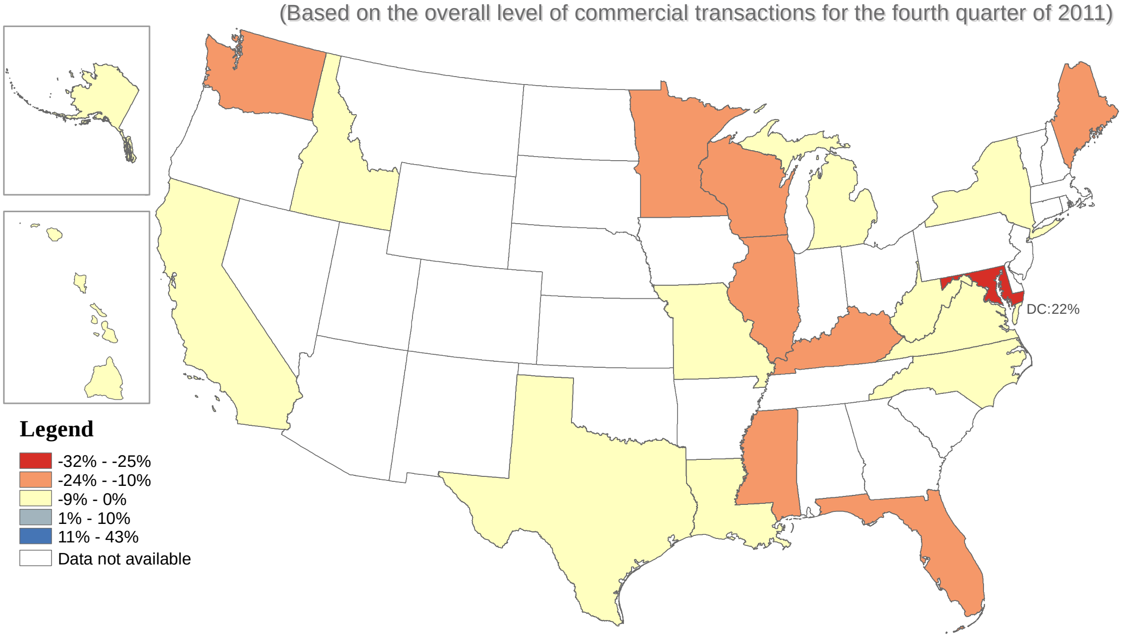
Sales Prices Compared with Previous Quarter

(Based on the overall level of commercial transactions for the fourth quarter of 2011)



Sales Prices Compared with Previous Year

(Based on the overall level of commercial transactions for the fourth quarter of 2011)



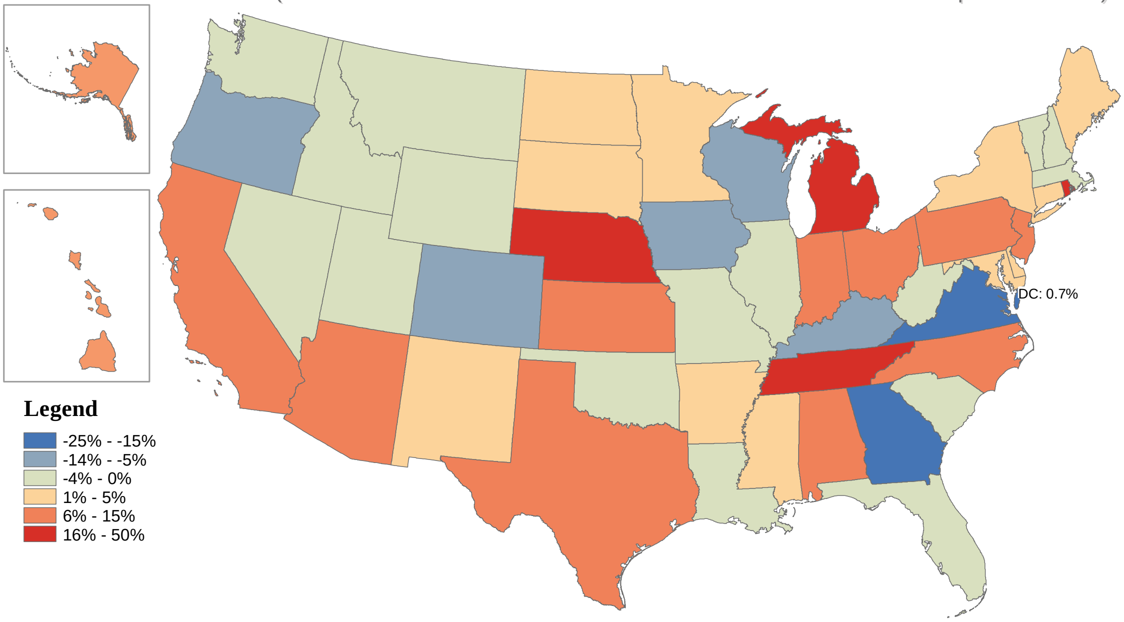
State-level data may register large fluctuations from one period to the next due to small sample sizes in some states.

Commercial Real Estate
QUARTERLY MARKET SURVEY

JANUARY 2012

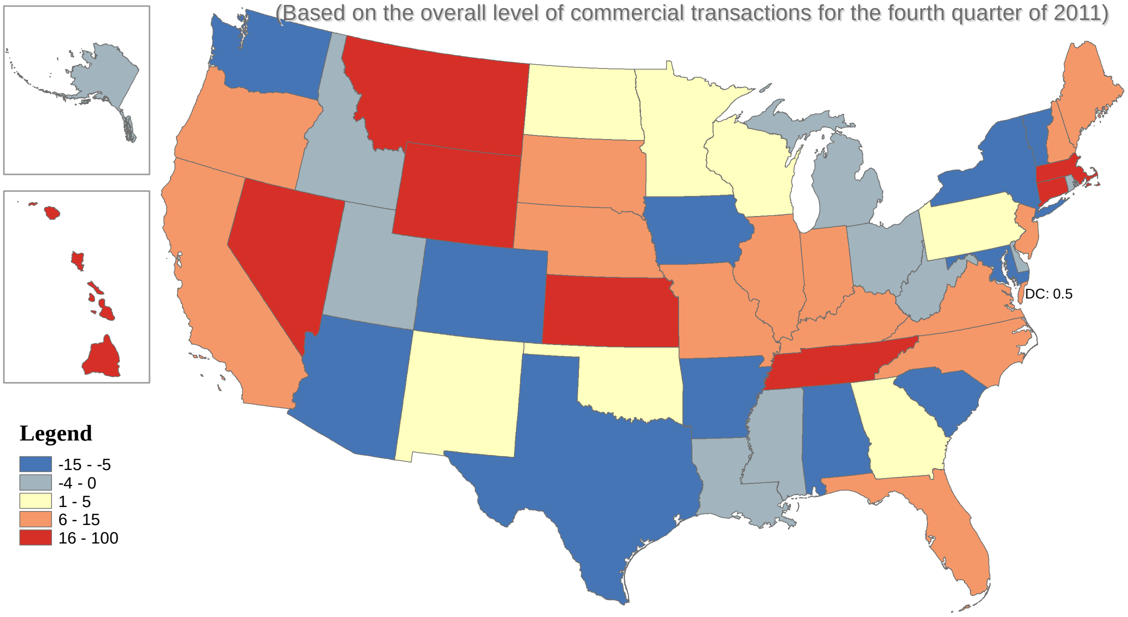
Expected Inventory Availability for the next 12 months

(Based on the overall level of commercial transactions for the fourth quarter of 2011)



Expected Cap Rate Movement for the next 12 months (in basis points)

(Based on the overall level of commercial transactions for the fourth quarter of 2011)



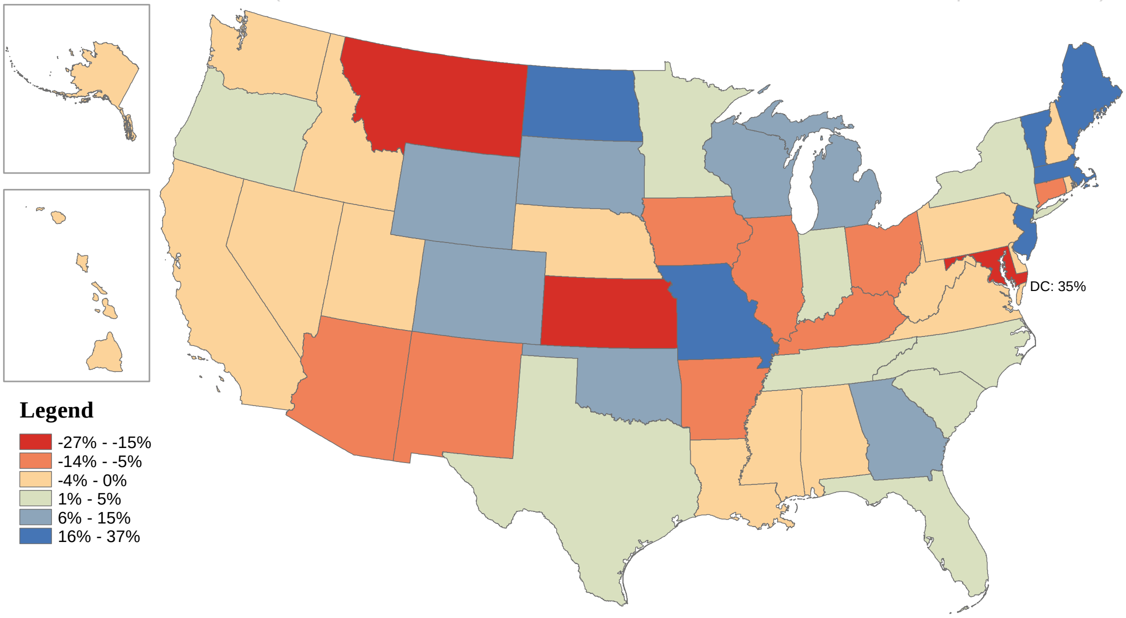
State-level data may register large fluctuations from one period to the next due to small sample sizes in some states.

Commercial Real Estate
QUARTERLY MARKET SURVEY

JANUARY 2012

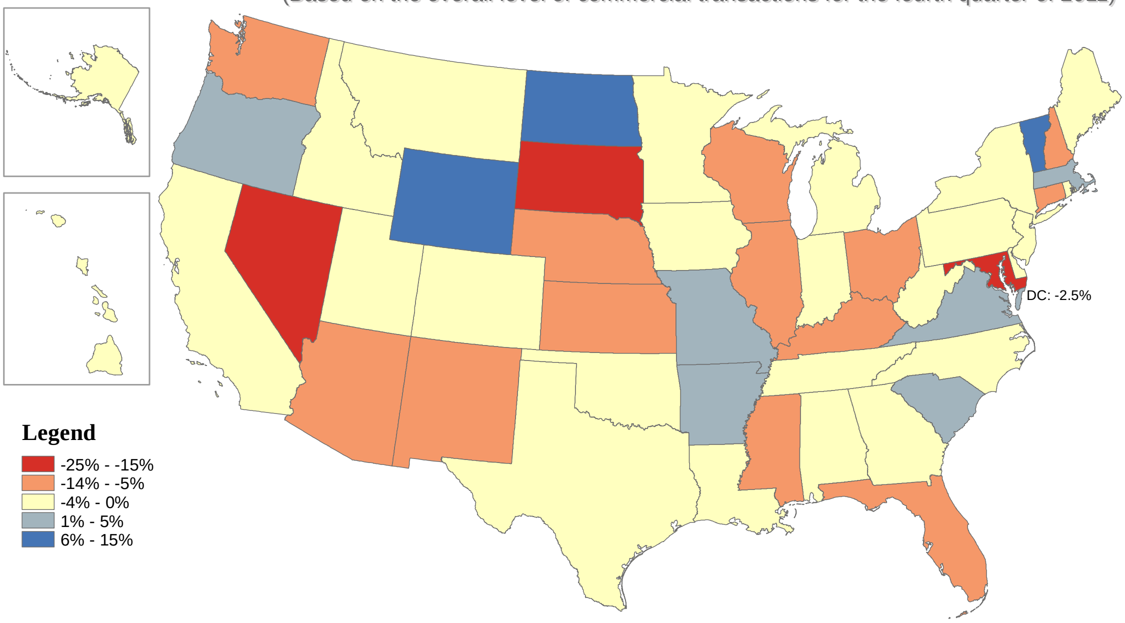
Leasing Activity Compared with Previous Quarter

(Based on the overall level of commercial transactions for the fourth quarter of 2011)



Rental Rates Compared with Previous Quarter

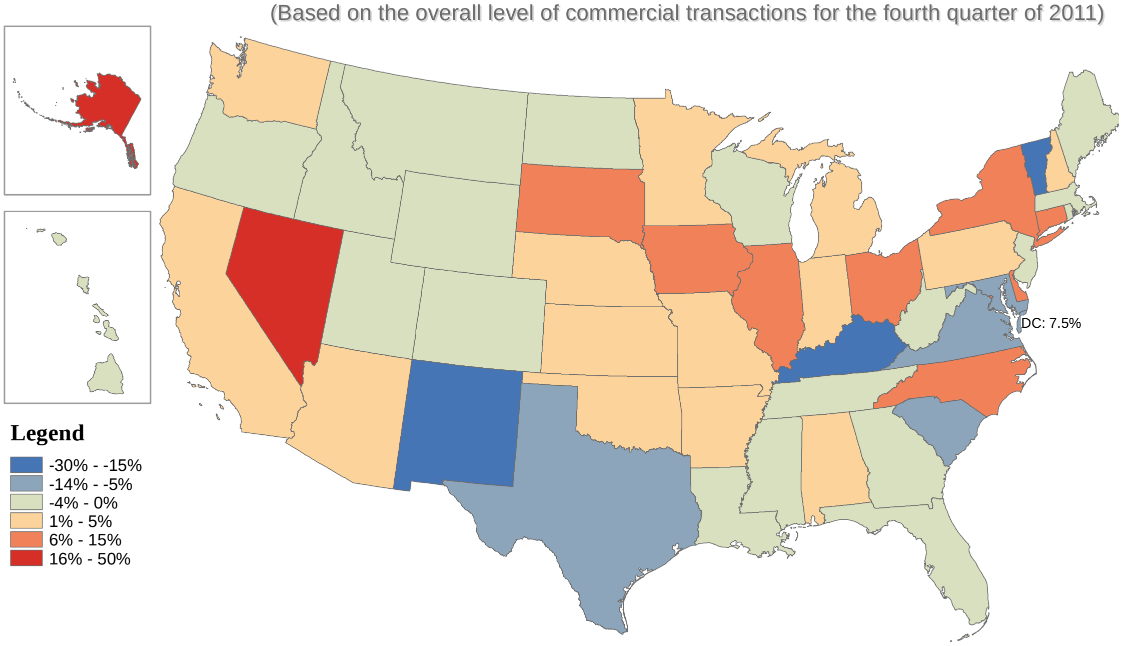
(Based on the overall level of commercial transactions for the fourth quarter of 2011)



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

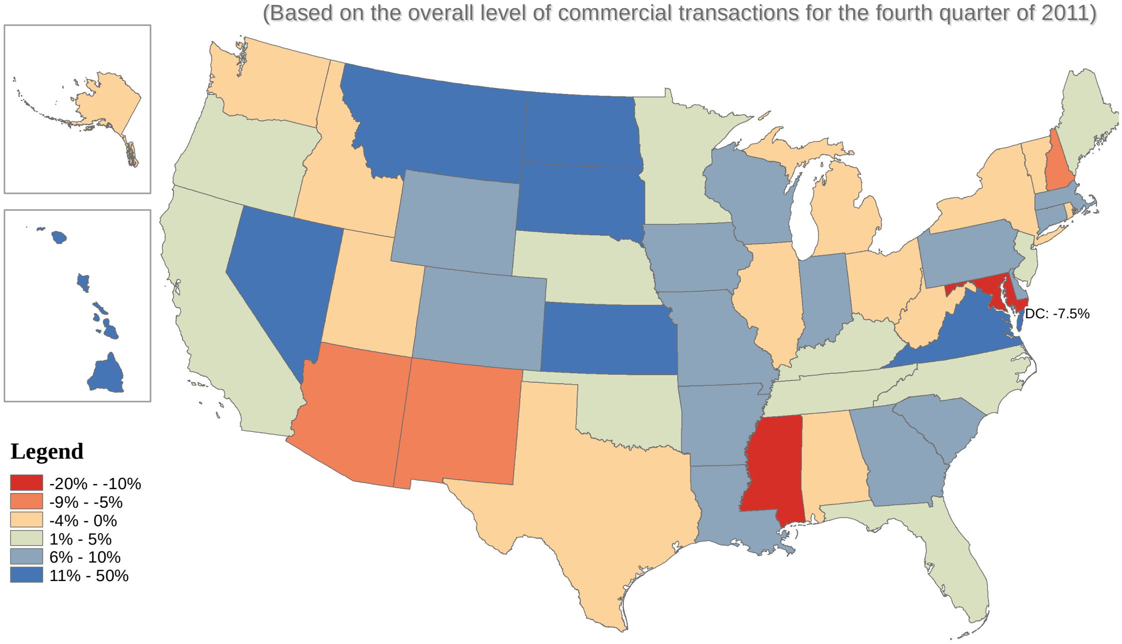
Level of Rent Concessions Compared with Previous Quarter

(Based on the overall level of commercial transactions for the fourth quarter of 2011)



Direction of Business Opportunities Compared with Previous Quarter

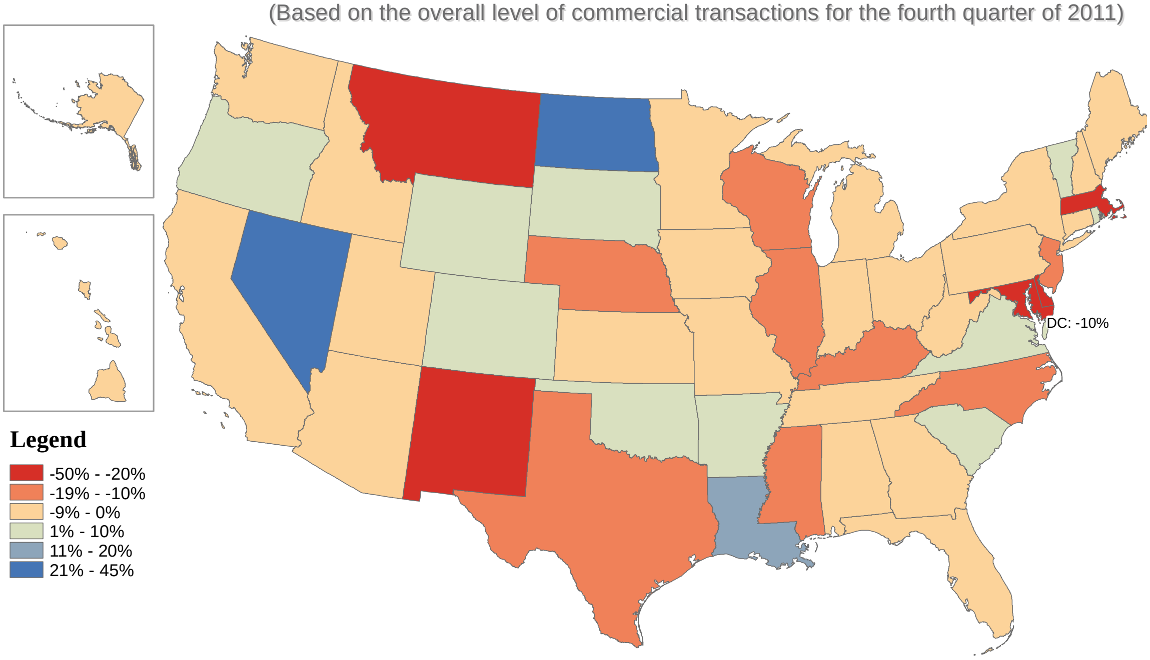
(Based on the overall level of commercial transactions for the fourth quarter of 2011)



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

Volume of New Construction Compared with Previous Quarter

(Based on the overall level of commercial transactions for the fourth quarter of 2011)



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

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.

100% of my business is land. I hold an ALC designation. I find that people do not want to purchase unless they can get it for 30% to 50% less than 2005 prices and they do not want to work through a REALTOR if the sales price is greater than $200,000. Purchases greater than $200,000 are by auction.

2011 saw a real decrease in commercial sales from USA clients. We are seeing the Canadian buyer more and more.

4th quarter finished solid...1st quarter 2012 starting strong.

Activities abound for smaller players and there is a regain of interest for multi-units between 3 to 12.

Activity is on the increase sales and leasing is up.

Although the market is very sluggish, I am hearing positive comments from other agents, and, i am hopeful that the market is improving... I do see some ground being moved.

Bank owned is bringing the prices down creating a big chain reaction of short-sales.

Buyer offers lower due to drop in overall market sales price in recent years.

Cash is king for investors. When fundamentals stabilize in financial markets, sanity may return for credit clients. This commercial-market wild ride isn't over yet!

Commercial rentals seem to have picked up some. Residential, multi-family rentals in our area are just not enough. We have people living in Hotels and with Families. We are in need of residential rentals bad.

Conditions are improving in our area for those that do not really need financing. If you need a lender... it is difficult to secure a loan.

Current local market is improving. Guarded outlook from businesses, but since they were on the sidelines most of '09 and '10 they are considering increasing business activity as an alternative to stagnating.

Demand for invest properties is up in all segments....bigger dollars, 5 million plus.

Discouraging. The only buyer price opportunities are the discounted sales of bank owned properties. Then, the banks take an inordinate amount of time to make a decision.

Doing nothing in real estate is costly. Sellers and Tenants are finally getting their heads out of the sand and reducing their liability and costs. The market is slowly picking up despite our local, state and federal governments.

Election year. Not going to be better until 2013.

Energy is driving our economy. It is very strong at this time.

Few want to sell and many are afraid to buy if it is for sale except multi-family.

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

Financing continues to be a major problem. Continued concern about market stability and oil prices are major concerns.

Financing from all typical sources is difficult, slow to process and conservative. The Charleston, SC market will improve more rapidly than the State and region. Financing is essential to growth.

FINANCING IS HARD TO GET. THE DOWN PAYMENT REQUIREMENT OF 30%+ IS DIFFICULT

Financing is over regulated. Let the bankers be bankers

For me the usual business I have is Sales and Rentals of warehouses and office space and lots. I have gotten involved with tax credits and wetlands which have caused my learning curve to increase; therefore, I have new interest, new Buyers and new sources of income.

Get the government off the backs of business.

Getting better everyday!!!

Growing interest example: I have a 22 block of homes for sale through Loopnet in the last 90 days, I have had 3800 inquires.

Hopefully we will see improvement after the national elections.

I do sales and leasing. The market is definitely improving. I was swamped with work straight through the holidays with no let up. It was GREAT!

I find the market to have a slow but steady growth pattern. There are funds that have been stockpiled and lenders are ready to make loans to qualified buyers and businesses.

I had a very good 4th quarter. January is off to a mixed start, but cautiously optimistic for a good 2012.

I think, the market is held back due to the lack of financing, no jobs, of course poor credit of those trying to borrow, due to the economy. Many people are waiting on the election coming up.

If the banks would start lending there is a huge amount of pent up demand.

In the Atlanta market we still have a significant amount of inventory in all product lines with the exception of Apartment. Some of this inventory is geographically challenged while properties in good areas are seeing much higher occupancies. In well located areas we are seeing the inventory burning off and in some cases even a small amount of new construction. However the overall market statistics are still somewhat dismal and paint the overall market with a gloomy brush.

It seems that we have hit bottom and are starting to rebound.

Just lost a $772,500 multi building sale due to low appraisal, appraisal came in at $720,000. EXTREMELY conservative, bank financing at 50%!

Lack of buyer/tenant confidence. More clients want to "wait 'til next fall".

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

Lack of inventory for multifamily in Minneapolis/St. Paul, MN. High vacancies/inventory for retail/office. Lack of development continues. Land sales slow.

Lease rates in the office/warehouse are down between 20% and 25%.

Locally we have a strong market, but the national news still impacts buyers willingness to pay local prices

Locally, because we did not overbuild, our market is different than national market. Financing is the big issue and new instruments will need to be developed to redevelop class C office space, refinance, and for new development.

Market for special assets is improving, have a lot of investors looking for the right transaction

Market is unsophisticated; whereby only the few sophisticated brokers and clients making deals happen.

MF will be the new driver for growth and office and retail will need to adjust to fit the new norm

My last commercial transaction which closed 9/30/11 was a church, and the buyer was another regional church with cash. It seems non-profits may be one of the only entities with cash. The only other inquiries I had on this property were for very inexpensive leases from small local churches. This building and land could have been reworked to be used for other commercial uses, but I believe financing was the big obstacle on that option.

New construction for retail and office is almost completely dead, with lots of vacant space to b e filled. Land sales are quite low with 3% valuation drop for last three years. There is new low income housing tax credit multifamily construction in the pipeline, but very little market rate apartment construction. Two major hospitals corps are building new satellite family and urgent care clinics in outlying suburbs to demand for increased health care enrollment. Senior assisted care apartments strong, too.

Office leasing activity is slowly increasing. Smaller office spaces are leasing pretty well; however, the larger spaces that consist of empty floors in Class A Office Buildings are absorbing slowly. Small buildings for sale with adequate parking are still selling for very high prices for square foot.

Our area was hit very hard in this recession and it is not recovering very fast. We are in need of diversified businesses to come into our local market. And of course there is the financing or lack thereof.

Overall our market remains sluggish. On average I do 6 to 12 multi-million dollar sales coupled with 60 to 70 leases per year. In 2011 I completed 4 multi-million dollar sales and 30 leases, which represents half of my typical average leasing and sales volume. Medical is the main push on sales very little investor activity except for bank owned reo @ distressed below market prices

Plenty of interested buyers. Just no one can meet the tight scrutiny of financing. Need sellers (occupiers and banks) to recognize the need for both price aggressiveness, and seller assisted financing or create a USA model of the Chinese property sponsorship fund.

Property management business is growing while sales continues to falter and prices continue to drop although at a much lower rate than previous years.

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

Rental rates are stabilizing. Sales prices are going up. Shortage of large class A warehouses. Multi-family buildings in very, very short supply and asking prices high while cap rates are low.

Rentals and Sales are heavily affected by the lack of jobs and the increase in taxes. Joining that lethal combination are the banks that although they say they are business friendly and are advertising low mortgage rates, they are not lending and if they do they want astronomical guarantees and down payments.

San Francisco is one of the hottest markets in the country. It is benefitting from all the bay area technology companies who are hiring like it's 1999. This is putting demands on office space and apartment units. Lack of affordable housing, low vacancy rates, low interest rates, increasing rents and reasonable prices are spurring investor interest.

Seeing a lot of office being leased because of downsizing which is putting more on the market

Should be interesting. It's a perfect storm, where the rates and prices are lowering. I think the next 5 years will dictate the next fifty. Dynamics are changing all over the place.

Steady in core Denver. Not so in surrounding counties!

The activity has increased at a decent pace in the last quarter

The current market activity is disaster. It has been so bad over the last 3 or 4 years that the quarterly change is not that significant because activity is nearly non-existent. To put out a statement that quarterly decrease is not significant does not tell the whole story.

The current market looks to be improving rapidly in both commercial and residential. We have considerable business growth in our area.

The Federal Regulations and Intimidation combined with Dodd-Frank are killing the lending market as banks and appraisers savage the hopes of sellers and buyers.

Those few lease deals that exist are a reflection of tenants using the capital of owners who are trying to hang on to their ownership. I don't think that a reason exist to own investment real estate. Big bank lenders such as Bank of America are unwilling to extend or work out problems with good property. I suppose that the Government will end up owning all real estate!

The good and the bad of it all is that property prices are low, space is available but no one is really pulling the trigger on any major moves at this point market "feels" like it's waiting for something to happen.

The last quarter of the year seemed to have final stopped the fall even though more properties are being taken back by lenders or hedge funds who have bought pools of lender properties

The local market has bottomed out and we may begin to see improvement this year.

The market appears to have hit bottom.

The market for Office and Industrial properties in Atlanta continues to be challenging. Tenants are scared to do much of anything as far as hiring new employees with the current political situation. Banks continue to take back property and this continues to further complicate pricing. Very challenging real estate environment. Bracing for more of the same this year.

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

The market for sales and leasing is down in our area and I do not foresee improvement for more than 12 months.

The market is currently slow with few sales and tough financing. Commercial as well as residential building permits have been falling since 2007 thus there are few new buildings and an oversupply of commercial/industrial tracts. Prices are stable to falling in some categories. Thus we are seeing a widening cost versus value spread as material costs such as steel, concrete, and other materials climb values are not keeping pace. I do not see a down market but a stagnant one for the next few years. The biggest problem is getting lenders to finance a broader range of properties and at least here SBA is even getting picky on the properties they will finance. By the way most rentals, vacancies, cap rates are not a single figure but a spread so remember that using an average means half are above and half are below that figure.

The market is so bad that after 11 years I gave up Commercial membership.

The morale and climate has improved significantly, it is the best it has been in 4 years.

The outlook for 2012 seems more positive. I expect to do much better than 2011.

The perception is improving. Owners of small properties are offering owner financing if they really want to sell.

There seems to be a pickup of calls on many of our properties. It seems some semblance of confidence is starting to show itself.

Things may improve in 2012 due to the election, but 2013 will see the start of the inevitable double digit inflation and we will be back in the depression again.

Troubled assets continue to be the market driver (down) and this will continue in 2012 although the quality of the inventory will be improved for this year. We see a significant slowing in new distressed inventory in the pipeline for late 2012 and into 2013.

Tulsa, OK is a stable economy. Manufacturing for the energy industry is very strong. Downtown Tulsa is currently the most active area in Tulsa's real estate market which is experiencing a renaissance with a good deal of activity. Downtown Tulsa has recently opened a new Arena, Baseball Park, a major mixed use project including office space, hotel, and retail which is currently under construction. Several loft apartment projects have also recently opened in downtown Tulsa.

Very challenging - lack of realistic and affordable financing, low appraised values because of distressed sales being weighted the same as normal transactions by appraisers, and price expectation gaps between buyers and sellers are all contributing to the issues.

We have the natural gas field--Haynesville Shale---caused a big bump in retail business in this area of NW Louisiana

We need money available for small business growth

We need to address and unbundle the GSA National brokers Contract

We see a trend in an up market. The last most recent sale was 3 years ago. In the last 6 months we have sold 3 properties. One Leasehold for $300,000; a 15,000SF Flex Building for $2,400,000 and a 21,000SF Industrial building for $2,500,000.

Commercial Real Estate
QUARTERLY MARKET SURVEY

JANUARY 2012

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, please contact George Ratiu, Manager, Quantitative & Commercial Research, at gratiu@realtors.org.

To find out about other products from NAR's Research Division, visit www.REALTOR.org/research.

500 New Jersey Avenue, NW • Washington, DC 20001 – 2020
800.874.6500 • www.REALTOR.org

COMMERCIAL Real Estate REALTOR® NATIONAL ASSOCIATION of REALTORS®