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Fourth quarter commercial real estate stats released

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As I am writing this article during February, our chapter is planning a March 2nd "Overview of the Real Estate Market" with our CRE member, Ray Torto of CB Richard Ellis. In preparation of the event, I stumbled upon a recent release from the Society of Industrial and Office Realtors on the state of the office and industrial markets that might be of interest. The SIOR press release was during January, 2010 to reflect the fourth quarter of 2009.

More than 700 SIOR market experts across the country weighed in on local industrial and office market conditions for the Fourth Quarter 2009 SIOR Commercial Real Estate Index, compiled by the Society of Industrial and Office Realtors (SIOR) in association with the National Association of Realtors (NAR). SIOR members again report that the national economic recession continues to have a significant negative affect on local industrial and office markets. However, 55% of SIOR members expect the market to improve next quarter. Although only an 8% positive increase over the 3rd quarter sentiment, optimism, none the less, continues to increase.

Investment activity continues to be down across the board as 86% of SIOR experts report prices are below replacement costâ€"only 12% of respondents report prices in line with replacement costs.

Development activity continues to evaporate across the country as 98% of SIORs reported that development was down, with 87% saying that development is virtually nonexistent in their markets. SIORs overall report a buyer's market for development sitesâ€"48% indicated a strong buyer's market while 49% indicated they were experiencing a buyer's market, but prices were stable.

Tenants continue to reap a benefit of today's economy as 97% of SIOR respondents report either deep discounts to asking rents or moderate levels of tenant concessions. Only 3% of SIORs feel they are experiencing a normal negotiating balance. Leasing activity continues to be below historic levels, vacancy rates remain high, and asking rents are low.

The SIOR Index, which measures 10 variables pertinent to the performance of U.S. industrial and office markets (see Methodology), rose slightly following 11 quarters of straight decline. It gained a miniscule .2% finishing at 35.5 pointsâ€"100 points signifies a balanced market. The market has not experienced equilibrium (100 points) since third quarter 2007.

Office Market:

The national economy clearly is taking its toll on both the industrial and office markets. Leasing activity and rental rates for the office market are slightly stronger than the industrial market. However the office market has more sublease space available and their prospects for improvement in the next three months are lower than the industrial market.

Industrial Market:

Overall, the fourth quarter Industrial market points remained the same as the 3rd quarter. However, it experienced a slightly higher increase in vacancy rates, higher levels of tenant concessions, and falling prices.

Regional Breakdown:

The west (27.1 points) continues to be in the doldrums. Its overall market is suffering from the lowest level of leasing activity of all regions, the largest decline in asking rents, and the deepest level of concessions. Consequently, the short term outlook for the west is the lowest of all regions.

The south (37.8 points) has the highest performing submarketâ€"the west south centralâ€"which scored 44.7 points. The region posted the best vacancy rates of the four regions. While it is a buyer market in all regions, the South is experiencing prices that are slightly more stable.

The northeast (43.7 points), although declining 2.4 points from 3rd quarter 2009, the northeast continues to lead all regions scoring the highest total points this quarter. The region is finding prices that are slightly more stable, the amount of sublease space subsiding, and a slightly better level of development and leasing activity than other regions.

The mid-west (36.3 points) did not change from 3rd quarter. Although the national economy is still having a negative affect in all markets, it is hitting the mid-west more than other regions.

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