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CCIM and RERC Report sees upturn in retail and apartment real estate

May 26, 2010 - Retail

Commercial real estate is positioning itself to be an attractive investment on a risk-adjusted basis in 2010 and 2011, according to the CCIM Institute and the Real Estate Research Corporation (RERC). Property prices in the retail and apartment sectors showed moderate increases in fourth quarter 2009, breaking the string of significant price declines throughout the previous 12 months.

"The latter part of 2008 and all of 2009 were definitely the shock years, and we're looking to 2010 as the recovery year," said Richard Juge, CCIM, the 2010 president of the CCIM Institute. "We will see more activity, perhaps not in gross dollar levels, but in the volume of deals that close in 2010. This is the time to buy."

Additionally, CCIM and RERC say that weighted average capitalization rates for the office, industrial, retail, and apartment sectors increased by 20 to 30 basis points in the fourth quarter.

"This is also part of the market re-pricing of risk, as cap rates expand to provide a more attractive income component to the investment," said Juge. "This is in contrast to the cap rate compression era several years ago."

The groups' RERC/CCIM Investment Trends Quarterly Report also shows that 12-month trailing transaction volume increased slightly in the apartment and retail sectors, hinting that volume also may be starting to bottom out for these property types. However, transaction volume for the office and industrial sectors continued to decline, but at a much slower rate in the fourth quarter than in the previous three quarters.

"This is the first step toward recovery, and the market is ready to move on and prepare for the next phase," said Kenneth Riggs, CCIM, president and CEO of Real Estate Research Corp.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540