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Commercial market still struggling, but Realtors focus on positive trends

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While the commercial real estate market may not have fully recovered, National Association of Realtors (NAR) chief economist Lawrence Yun has identified some developing, positive trends in the market that could eventually lead to recovery at the recent "Economics Issues and Commercial Business Trends Forum."

The forum was part of a three-day real estate summit, Realtors on the Rise: Stabilizing the U.S. Mortgage Finance Delivery System, during NAR's Midyear Legislative Meetings & Trade Expo in Washington, D.C.

"With the momentum of a broader economic expansion and the recent creation of jobs, the commercial market is showing slight signs of improvement," said Yun. "There will likely be weaker figures through 2010, but it's important to keep in mind that commercial real estate almost always lags the economy by a full year."

Yun said jobs only began increasing a couple of months ago and are still below peak. "We have turned a corner in terms of jobs, but we still have a long way to go," he said.

The commercial market has seen a few improving trends in recent months. The market is experiencing an increase in transactions due to more distressed properties available, and prices are beginning to stabilize. Yun believes within the next year more lending will slowly become accessible to commercial property owners. Two commercial sectors showing the most promise are manufacturing and multifamily. Manufacturing activity and employment have risen recently and because household formation is also rising, the multifamily sector will likely fare the best during this economy.

Despite some of these promising trends, the commercial market is still experiencing high vacancy rates and rent concessions. "All real estate is local, but I expect to see vacancy rates bottoming out and rent rising by next year," said Yun.

Yun also warned against some of the possible risks commercial practitioners may experience in the future such as high interest rates and inflation, as well as increased taxes for commercial real estate investors.

During the session, Yun was joined by two leading economic experts, Diane Swonk, Mesirow Financial and Brendan Reilly, Commercial Mortgage Securities Association. The panelists agreed that an improving economy and job creation continue to be the two main factors when it comes to restoring the commercial real estate market.

"The commercial market may not be where we would like to see it right now, but it is trending up," said Swonk. "The economy is slowly stabilizing and jobs are steadily rising, but full recovery cannot happen without liquidity. Liquidity is the fuel for the engine in the commercial real estate market."

While in D.C., Realtors were actively engaging policymakers on Capitol Hill in an effort to enhance liquidity in the commercial real estate market to avoid driving down economic recovery. Realtors support an increase to the cap on credit union business lending and urge lawmakers to take a more active role in addressing the problems facing commercial real estate markets.

The National Association of RealtorsÂ®, "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.

REALTORS Land Institute Presents Hot Topic Web Seminar

New Taxes, New Tactics. On June 23 from 1-1:30 p.m. EST, the REALTORS@ Land Institute offers a program about new tax initiatives and creative strategies to reduce tax pain. NAR Tax Advisor, Linda Goold; H. Quincy Long, President, Entrust Retirement Services; and James Miller, Attorney, VP of Investment Properties Exchange Services will share their knowledge. They'll cover: new health care insurance law taxes, tax treatment of capital gains, 1031 exchanges, self-directed retirement funds and reducing tax obligations. Cost: Member $59; Non-Member $89; CD, live and link options also available. For details and registration, call Michele Cohen, RLI Education Manager at 312-329-8837.