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## **Mike Tarello - Guest speaker at IAAO Northeast Regional meeting**

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I had the pleasure of being a guest speaker at the International Assessing Association Organizations (IAAO) Northeast Regional Meeting. It was held at the Mohegan Sun in Connecticut on May 16th. This is the annual meeting for the northeast region with an attendance of over 130 people. The topic was "2011 Regional Valuation Market Conditions and Trends." Below is a summary of the presentation.

The presentation dealt with the current status of the economy as a whole. It discussed capital market forecasts and then went into a review of different office markets, including New York City, Boston, Hartford and Providence. It concluded with a summary of the effects the commercial market is having on local communities. The data came from various sources including reports from Colliers, CB Richard Ellis, Cushman & Wakefield and Realty Rates.com

The national economy continued to improve in 2010 and early 2011, but at a slower pace than expected. Businesses are finally being forced to rehire staff, which is creating a demand for real estate space. The education and healthcare sectors are continuing to see growth, while the construction sector is starting to rebound. Manufacturing jobs are strengthening in the short term, but will have difficulty in sustaining these increases in the long term. The multifamily and retail markets are also starting to rebound, due to the Eco-Boomer generation which is mostly renting and finally has excess resources for retail purchases.

The 2010 capital markets started to recover after a 40% decline in market value in 2008 and 2009. Transaction volume is now closer to traditional 2000 levels, but supplies are still low as owners wait for prices to rise. The markets appear to be returning to a more balanced lending, which includes insurance companies, banks and REIT's. During the boom years of 2004-2007 capitalization rates ranged from 5% to 7%. In 2011 they are closer to 7% to 9%, which are more reflective of industry standards.

The major cities in the northeast are finally starting to see stabilized office vacancy and rental rates.

Below is a summary of these rates for the end of 2010.

Area Availability - Office Ave Asking Rent:

- \* NY Downtown -13.2% - \$39.33
- \* NY Midtown - 12.3% - \$58.14
- \* Boston - 16.4% - \$40.63
- \* Hartford - 22.3% - \$18.84
- \* Providence - 21.7% - \$19.00

Overall the impact on local communities seems to indicate that rental rates are stabilizing or actual slightly rising. Vacancies appear to have peaked and cap rates are starting to decline. In general, this is creating a stabilizing effect on values for most of the major cities in the northeast.

Please visit our website at [www.ma-appraisalinstitute.org](http://www.ma-appraisalinstitute.org) for our listing of educational offerings and meetings. I look forward to seeing you at our next event.

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