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Commercial market holds on much better than residential

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By all measures, the results of the Fall 2007 SIOR Index survey show members across the country reporting a definite downswing in their markets. Representing third quarter data and evaluated by the N.A.R., the index posted the steepest quarterly decline since SIOR began its project in 2005.

The national index, which measures ten variables pertinent to the performance of industrial and office markets, dropped 6.5 points to a reading of just 107.2. Still higher than value of 100, it indicates a balanced office and industrial marketplace.

The score does reflect positive conditions in the commercial RE industry for landlords and sellers. But it is clear that the robust market enjoyed until recently has been broken, at least temporarily. Some 54% of SIORs indicated that leasing activity was normal or a little higher, while only 40% reported lower activity. The index was based on replies from 371 member participants who provided their views on conditions in their respective markets in early to mid-October.

At year end 2007 the commercial market had held on much better overall than the residential market.

Latest job figures in our sector of RE showed 334,000 more jobs than existed during the cyclical low in Feb. 2004. The multi year job gains reflected a strong rise in commercial RE spending. On non-residential, spending construction totaled \$483 billion (annualized) as of the third quarter 2007, considerably higher than the 277 billion and \$298 billion recorded in 2003 and '04 respectively. In Q3, 2007, the office market experienced the most significant index decrease, dropping 11.7 points from the Q2 high of 115.9 points, but still higher than the indication of a balanced market. The decline represented a drop of office leasing and building transactions.

Concerns about the subprime loan fallout and Wall St. prompted a slowdown in leasing in the northeast. The need for warehouse/distribution space is not as great when we export as it is when we import products.

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