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## It's midyear - Where are we?

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It seems that we have survived the first half of 2009 and, apparently, nearly a year since the big meltdown in late summer and early fall of 2008. Survival is important, however, it is equally important to gauge where the market is on the curve.

Two sources which I feel are particularly important in gauging our position are the Korpacz Real Estate Investors Survey and the S&P Case-Shiller Home Price Indices.

On the residential market, the Case-Shiller data is particularly informative. As noted in their release of June 30th, "The pace of decline in residential real estate slowed in April. Furthermore, every metro area except Charlotte recorded an improvement in monthly returns over March." It is certainly clear that one month's data (or four month's data) does not provide the definitive answer. However, this information indicates that some stabilization is occurring and we may be nearing a bottom. It is important to note that we may bump along the bottom for a while; in fact, some forecasters believe we have another six months of lackluster performance in the residential markets ahead of us.

As noted in the Korpacz Survey, the opposite may be true in the commercial and industrial real estate markets. They note that deteriorating fundamentals and a nearly frozen investment market are the current condition.

Although the results of their survey of market participants have to be considered in a larger context, it is interesting to see the definitive nature of their opinions. Overall, survey participants suggest that property values in the commercial and industrial sector will decline as much as 15-50% over the next 12 months across the major property sectors. The survey participants, on average however, expect value loss across all sectors in the next 12 months to be approximately 10%.

The respondents are most negative regarding CBD office sector where the consensus is a decline of nearly 11.4%. They are more optimistic about national strip shopping centers - 7% and the national warehouse market - 8.2%

It appears we have entered the period which has been forecast by a number of experts. That is, steady improvement in the residential markets and the delayed deterioration becoming evident in the commercial and industrial sectors. This is certainly positive news on the residential side and may, in fact, be positive news for the commercial property markets. I say this because we have long been in a period of denial and a re-pricing of real estate assets is a necessary part working our way out of the recession.

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