

News Release



NATIONAL ASSOCIATION OF REALTORS®
The Voice For Real Estate®

500 New Jersey Avenue, NW
Washington DC 20001

PUBLIC AFFAIRS

For Further Information Contact:
Walter Molony, 202/383-1177
wmolony@realtors.org

Commercial Real Estate Remains Soft but Favors Business Expansion

WASHINGTON (August 26, 2010) – Commercial real estate sectors, hurt by weak job growth, are offering incentives in many areas that are conducive to business expansion, according to the National Association of Realtors®.

[Lawrence Yun](#), NAR chief economist, said fallout from the recession continues to impact commercial real estate. “Vacancy rates are beginning to level off in some sectors, but rent discounts and moderate levels of landlord concessions are widespread,” he said. “This is very much a tenant’s market, which is quite favorable for businesses that are considering expansion. It’s also encouraging that there is a modest improvement in the sentiment of commercial real estate practitioners.”

[The Society of Industrial and Office Realtors®](#), in its SIOR Commercial Real Estate Index, an attitudinal survey of more than 600 local market experts,¹ shows vacancy rates are beginning to level, but rents remain depressed, and subleasing space is high.

The SIOR index, measuring 10 variables, rose 2.8 percentage points to 41.0 in the second quarter, but remains well below a level of 100 that represents a balanced marketplace. This is the third consecutive quarterly improvement after nearly three years of decline; the last time the commercial market was in equilibrium at the 100 level was in the third quarter of 2007.

Fifty-seven percent of respondents expect improvements in the office and industrial sectors in the third quarter.

Commercial real estate development remains stagnant in all regions with low investment activity; 88 percent of respondents said it is virtually nonexistent in their markets, but development acquisitions are beginning to grow in many areas in what is described as a buyer’s market.

Looking at the overall market, vacancy rates will shift modestly in the coming year according to NAR’s latest *COMMERCIAL REAL ESTATE OUTLOOK*.² The NAR forecast for four major commercial sectors analyzes quarterly data in the office, industrial, retail and multifamily markets. Historic data were provided by CBRE Econometric Advisors.

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Commercial Real Estate Forecast/Market Report – add 1

Office Markets

Vacancy rates in the office sector, with high levels of available sublease space, are expected to increase from 16.7 percent in the second quarter of this year to 17.0 percent in the second quarter of 2011, and then ease later next year.

The markets with the lowest office vacancy rates in the second quarter were New York City, Honolulu and Long Island, N.Y., with vacancies around the 9 to 11 percent range.

Annual office rent should fall 2.7 percent this year and decline another 2.1 percent in 2011. In 57 markets tracked, net absorption of office space, which includes the leasing of new space coming on the market as well as space in existing properties, is projected to be a negative 13.6 million square feet this year and then a positive 22.6 million in 2011.

Industrial Markets

Industrial vacancy rates are likely to decline from 14.1 percent in the second quarter of 2010 to 13.7 percent in the second quarter of 2011, and then continue to ease modestly as the year progresses.

The areas with the lowest industrial vacancy rates in the second quarter were Los Angeles, San Francisco and Kansas City, with vacancies ranging between 8 and 11 percent.

Annual industrial rent is estimated to drop 5.4 percent this year, and to decline another 4.7 percent in 2011. Net absorption of industrial space in 58 markets tracked is seen at a negative 31.7 million square feet this year and a positive 157.2 million in 2011.

Retail Markets

Retail vacancy rates should hold steady at 13.1 percent in both the second quarter of this year and in the second quarter of 2011, with a level pattern for most of next year.

Markets with the lowest retail vacancy rates in the second quarter include San Francisco, Honolulu and Miami, with vacancies of 7 to 8 percent.

Average retail rent is expected to decline 2.6 percent in 2010 and then flatten out, slipping 0.1 percent next year. Net absorption of retail space in 53 tracked markets is forecast to be a negative 2.3 million square feet this year and then a positive 6.4 million in 2011.

Multifamily Markets

The apartment rental market – multifamily housing – is benefiting from modestly higher demand. Multifamily vacancy rates are likely to decline from 6.0 percent in the second quarter of this year to 5.6 percent in the second quarter of 2011.

Areas with the lowest multifamily vacancy rates in the second quarter include San Jose, Calif.; Pittsburgh; and Philadelphia, with vacancies of less than 4 percent.

Commercial Real Estate Forecast/Market Report – add 2

With additions from new construction, average rent should slip 0.6 percent in 2010, and then hold even in 2011. Multifamily net absorption is expected to be 105,200 units in 59 tracked metro areas this year, and another 138,000 in 2011.

The *COMMERCIAL REAL ESTATE OUTLOOK* is published by the NAR Research Division for the commercial community. [NAR's Commercial Division](#), formed in 1990, provides targeted products and services to meet the needs of the commercial market and constituency within NAR.

The NAR commercial components include commercial members; commercial committees, subcommittees and forums; commercial real estate boards and structures; and the NAR commercial affiliate organizations – CCIM Institute, Institute of Real Estate Management, Realtors® Land Institute, Society of Industrial and Office Realtors®, and Counselors of Real Estate.

Approximately 79,000 NAR and institute affiliate members specialize in commercial brokerage services, and an additional 263,000 members offer commercial real estate as a secondary business.

The National Association of Realtors®, “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.

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¹ The SIOR Commercial Real Estate Index, conducted by SIOR and analyzed by NAR Research, is a diffusion index based on market conditions as viewed by local SIOR experts. For more information contact Richard Hollander, SIOR, at 202/449-8200.

²Publication of additional analyses will be posted under Economists’ Commentary in the Research area of Realtor.org in coming days.

The next commercial real estate forecast and quarterly market report will be released on November 29.

Information about NAR is available at www.realtor.org. This and other news releases are posted in the News Media section. Statistical data, charts and surveys also may be found by clicking on Research.



COMMERCIAL FORECAST – AUGUST 2010

OFFICE	2009 IV	2010 I	2010 II	2010 III	2010 IV	2011 I	2011 II	2009	2010	2011
Vacancy Rate	16.3%	16.9%	16.7%	16.9%	17.0%	17.1%	17.0%	15.7%	16.9%	16.8%
Net Absorption ('000 sq. ft.)	-216	-11,099	3,042	-4,315	-1,144	1,760	3,801	-38,106	-13,516	22,569
Completions ('000 sq. ft.)	10,854	9,688	5,611	3,702	3,373	4,320	1,283	52,787	22,374	7,532
Inventory ('000,000 sq. ft.)	3,572	3,582	3,574	3,578	3,581	3,586	3,587	3,572	3,581	3,589
Rent Growth	-1.2%	-0.6%	-0.5%	-0.8%	-0.8%	-0.6%	-0.5%	-12.7%	-2.7%	-2.1%
INDUSTRIAL	2009 IV	2010 I	2010 II	2010 III	2010 IV	2011 I	2011 II	2009	2010	2011
Vacancy Rate	13.9%	14.3%	14.1%	14.1%	14.0%	13.9%	13.7%	13.2%	14.1%	13.5%
Net Absorption ('000 sq. ft.)	-38,103	-44,729	-5,186	1,330	16,880	28,002	36,206	-258,071	-31,705	157,246
Completions ('000 sq. ft.)	14,761	12,300	6,551	6,020	4,846	9,217	11,824	70,082	29,717	47,872
Inventory ('000,000 sq. ft.)	13,110	13,123	13,219	13,225	13,230	13,239	13,251	13,110	13,230	13,277
Rent Growth	-2.2%	-1.1%	-1.3%	-1.6%	-1.4%	-1.3%	-1.3%	-10.9%	-5.4%	-4.7%
RETAIL	2009 IV	2010 I	2010 II	2010 III	2010 IV	2011 I	2011 II	2009	2010	2011
Vacancy Rate	12.4%	12.6%	13.1%	13.2%	13.2%	13.2%	13.1%	12.0%	13.0%	13.1%
Net Absorption ('000 sq. ft.)	-667	-1,017	-637	-524	-74	632	1,287	-18,325	-2,252	6,352
Completions ('000 sq. ft.)	2,778	1,267	762	857	1,054	212	322	12,034	3,940	4,862
Inventory ('000,000 sq. ft.)	1,659	1,660	1,644	1,645	1,646	1,646	1,646	1,659	1,646	1,651
Rent Growth	-1.2%	-0.7%	-1.0%	-0.6%	-0.3%	-0.1%	0.0%	-4.0%	-2.6%	-0.1%
MULTI-FAMILY	2009 IV	2010 I	2010 II	2010 III	2010 IV	2011 I	2011 II	2009	2010	2011
Vacancy Rate	7.4%	7.3%	6.0%	5.8%	6.2%	6.0%	5.6%	7.4%	6.3%	5.6%
Net Absorption (Units)	12,501	27,197	90,474	47,143	-59,601	46,898	63,531	105,458	105,213	138,034
Completions (Units)	29,578	20,917	15,193	12,268	11,011	11,534	12,360	177,589	59,389	54,912
Inventory (Units in millions)	14.4	14.4	14.5	14.6	14.6	14.6	14.6	14.4	14.6	14.6
Rent Growth	-1.0%	-0.3%	-0.1%	-0.2%	0.0%	-0.1%	0.0%	-3.6%	-0.6%	0.0%

Source: NAR/CBRE-EA

To access the Commercial Real Estate Outlook report, please visit:

<http://www.realtor.org/research/research/commercialhome>



COMMERCIAL FORECAST – METRO VACANCY RATES: 2010.Q3

	Office	Industrial	Retail	Multifamily
Albuquerque, NM	18.3%	13.4%	11.8%	4.1%
Atlanta, GA	21.2%	18.3%	16.5%	8.5%
Austin, TX	17.8%	16.5%	12.2%	5.4%
Baltimore, MD	16.2%	15.8%	10.2%	4.6%
Boston, MA	13.1%	18.2%	9.6%	3.9%
Charlotte, NC	16.7%	16.4%	14.2%	7.0%
Chicago, IL	19.1%	15.1%	14.2%	5.6%
Cincinnati, OH	18.1%	13.6%	17.8%	6.4%
Cleveland, OH	17.5%	12.2%	17.6%	6.1%
Columbus, OH	18.3%	16.0%	17.4%	5.6%
Dallas, TX	22.7%	16.1%	17.1%	7.7%
Denver, CO	17.2%	13.5%	13.1%	5.0%
Detroit, MI	25.6%	20.9%	18.9%	7.7%
Fort Lauderdale, FL	17.8%	12.2%	12.7%	4.6%
Fort Worth, TX	15.7%	15.5%	17.0%	8.4%
Hartford, CT	19.5%	17.3%		
Honolulu, HI	9.6%		7.7%	6.8%
Houston, TX	17.7%	10.8%	14.4%	9.6%
Indianapolis, IN	18.3%	12.4%	18.5%	9.3%
Jacksonville, FL	22.5%	14.6%	14.7%	9.2%
Kansas City, MO	16.8%	10.5%	17.8%	7.3%
Las Vegas, NV	24.8%	13.6%	17.3%	8.0%
Long Island, NY	11.2%	11.1%	8.9%	
Los Angeles, CA	17.0%	8.0%	8.7%	4.2%
Miami, FL	21.9%	12.4%	8.1%	4.5%
Minneapolis, MN	19.4%	11.8%	14.2%	4.0%
Nashville, TN	14.4%	12.9%	12.4%	4.5%
New York, NY	8.9%	11.9%	8.4%	5.6%
Northern New Jersey (Newark)	15.0%	12.9%		3.8%
Oakland, CA	17.4%	15.1%	9.1%	3.7%
Orange County, CA	20.7%	11.4%	8.3%	4.3%
Orlando, FL	18.3%	16.1%	14.3%	6.4%
Philadelphia, PA	15.1%	13.5%	12.9%	3.6%

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COMMERCIAL FORECAST – METRO VACANCY RATES: 2010.Q2

	Office	Industrial	Retail	Multifamily
Phoenix, AZ	25.8%	19.0%	16.3%	8.9%
Pittsburgh, PA	12.1%			3.3%
Portland, OR	16.7%	10.5%	11.8%	4.0%
Raleigh, NC	15.4%			4.8%
Riverside, CA	22.7%	15.6%	14.1%	5.3%
Sacramento, CA	22.0%	17.7%	16.1%	6.2%
Salt Lake City, UT	16.4%	10.8%	15.4%	6.3%
San Diego, CA	19.2%	14.9%	10.0%	3.7%
San Francisco, CA	14.5%	10.4%	7.1%	4.8%
San Jose, CA	22.6%	15.0%	8.3%	2.9%
Seattle, WA	17.4%	11.9%	11.9%	4.8%
St. Louis, MO	16.1%	15.8%	15.2%	8.2%
Stamford, CT	12.3%	19.5%		
Tampa, FL	23.7%	13.4%	13.3%	6.3%
Tucson, AZ	16.4%	12.8%	16.7%	8.4%
Ventura, CA	19.6%	12.6%	9.9%	
Washington, DC	13.3%	15.5%	9.6%	4.1%
West Palm Beach, FL	22.7%	14.3%	12.6%	5.3%
Wilmington, DE	19.2%	15.0%	13.9%	
National Averages*	16.9%	14.1%	13.2%	5.8%

N.B. *Not all markets are represented in chart above.

Source: National Association of REALTORS® / CBRE-Econometric Advisors

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