COMMERCIAL REAL ESTATE
# OUTLOOK

AUGUST 2009

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# ECONOMIC OVERVIEW

## Distressed properties reflect struggling market fundamentals

*By George Ratiu*

Commercial real estate closed the first half of the year with weakened fundamentals and a slow pace of transactions amid difficult economic conditions. Demand for commercial properties dropped precipitously, bringing down prices and rents. In addition, maturing commercial debt was met with little available credit, leading to a jump in delinquencies and distressed properties. As space flooded the market, vacancy rates have been rising across the board. And while the economic decline is showing signs of a slowdown, commercial real estate continues to face strong headwinds.

In an encouraging sign, gross domestic product (GDP) declined only 1.0% in the second quarter of 2009. The move comes after a 6.4% decline in the first quarter of the year and a 5.4% decrease in the fourth quarter of 2008. Consumer spending declined 1.2%, with motor vehicles and parts being a major downward driver. Investments declined 20.4%, still a considerable negative change, but considerably slower than the previous quarter's 50.5% drop. Government spending provided a boost to the GDP figures with a 10.9% increase at the federal level and a 2.4% rise at the state and local level.

Against this backdrop, employment losses are also showing some signs of a slowdown. On an annual basis, payroll employment was down 4.5% during the second quarter, with the largest losses concentrated in mining and logging (down 17.8%), construction (down 16.4%) and manufacturing (down 14.0%). In service-providing industries, employment was down 2.6%. Government as well as education and health services posted employment growth of 0.9% and 1.6%, respectively.

While an economic recovery sign is welcome, negative changes continue to impact commercial real estate. For the third quarter 2009, net absorption is expected to be down 21.8 million square feet for office space and 64.4 million square feet for industrial. Retail space will likely see 4.9 million square feet of negative net absorption. Apartments are expected to maintain a more resilient pace of 41.7 thousand units.

In light of the general deterioration in demand for space, vacancy rates are climbing across all property types. Availability rates for the third quarter are expected to reach 16.5 percent for office properties, 13.6 percent in the industrial sector, 12.2 percent for retail and 7.4 percent for multi-family. Considering these figures, it is not surprising that rent rates are being slashed to attract tenants. On an annual basis, rent rates are expected to decline 14.1% for office properties, 11.4% for industrial, 6.1% for retail and 1.5% for apartments.

Furthermore, credit availability continues to pose a major threat to commercial real estate. April's bankruptcy filing by General Growth Properties was a stark illustration of the difficulty not only in securing acquisition funding but also in servicing existing debt. Reeling from last year's financial crisis and faced with declining property values, banks have tightened lending requirements considerably. Commercial mortgage backed securities (CMBS) and Wall Street financing, which provided over half of commercial acquisition funds, have been mostly absent from the markets.

Not surprisingly, the number of properties in default, foreclosure or bankruptcy is rising.

*(continued on page 2)*

**NAR FORECAST:** Commercial real estate will continue to face negative absorption, increasing vacancies for all property types and declining rents. Commercial debt continues to pose a major threat. Extension of TALF funds for commercial lending should provide liquidity, particularly in the CMBS market. Investments may rise due to distressed properties and lower prices.

## SIOR MARKET INDEX

**SECOND QUARTER SIOR MARKET INDEX CONTRACTS**

**July 2009** – More than 650 SIOR market experts across the country weighed in on local Industrial and Office market conditions for the Second Quarter 2009 SIOR Commercial Real Estate Index, compiled by the SOCIETY OF INDUSTRIAL AND OFFICE REALTORS (SIOR) in association with the NATIONAL ASSOCIATION OF REALTORS (NAR).

SIOR members report that the national economic recession is continuing to have a significant negative effect on local industrial and office markets. Development activity continues to deflate across the country to the point where 80% of SIORs say it is virtually nonexistent in their markets. A meager 5% of respondents feel that site prices are stable—while 94% feel it is a buyer's market. Unfortunately, the lack of a market to develop for means that developers can't afford to develop. Most SIOR members surveyed are seeing sales prices that are lower than replacement costs.

*(continued on page 3)*

# ECONOMIC OVERVIEW

**(continued from page 1)**

As of August 2009, there were 6,473 properties in some form of distress, valued at over $128 billion. With General Growth's bankruptcy filing, the retail sector comprises the largest number of distressed properties by value, at $32.7 billion. The multi-family sector comes in second place based on volume of distress, with $19.0 billion of distressed properties. The office and industrial sectors have, proportionately, much lower levels of distressed properties. However, by dollar volume, they are both still adding weight to a market under pressure, with a combined distress valued at $20.6 billion.

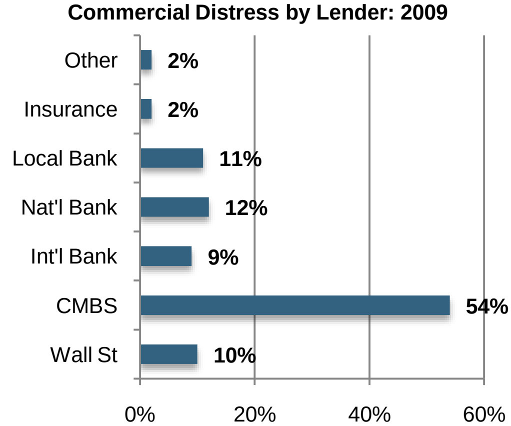
Transaction activity for commercial properties continued to decline. However, the silver lining to the decline has been an increase in the number of transactions. During the second quarter of 2009, 650 major properties exchanged hands, a slight increase from last quarter's 627 properties. The sales volume reached $9.1 billion in the second quarter, a 6.6% decline from the previous quarter. On a year-over-year basis, investments were down 78.1%. Looking across property types, apartments and industrial properties garnered increased attention from investors during the second quarter—both posted increased sales transactions compared with the previous quarter. Apartment investments were up 42.5% while industrial investments rose 53.3%. However, office and retail properties recorded declines in quarterly sales activity of 40.0% and 25.2%, respectively.

Given these factors, how are transactions being completed? While all-cash transactions have gained considerable ground, the majority of deals continue to require financing. Consequently, assumable mortgages and seller financing have become principal alternatives for acquisition financing. In fact, for the first half of 2009, assumed debt has accounted for about 50% of acquisitions. At the same time, property sellers are the second-fastest growing source of financing, filling in about seven percent of the financing market.

Major national banks have maintained an even presence in the market. On the other hand, regional and community banks doubled their market share of financing, from about six percent during 2007 to about twelve percent over the first half of 2009. Insurance and finance companies also increased their activity during 2008, but have slowed their lending over the past six months. The other entities to increase their lending have been Fannie Mae and Freddie Mac, although their financing has been focused in the multi-family sector.

Based on these factors, it is obvious that commercial real estate faces a period of stress and uncertainty. Credit availability is central to revitalizing the transaction market and avoiding the deepening of the slump due to the coming wave of debt refinancing. The Federal Reserve and Treasury's initiative to expand the Term Asset-Backed Securities Loan Facility (TALF) to cover commercial loans has shown some results. The program has been responsible for $669 million in requests for financing. The Federal Reserve and Treasury also recently approved to extend TALF loans against newly issued ABS and legacy CMBS through March 31, 2010, and newly issued CMBS through June 30, 2010. In addition, the CMBS market posted $638.5 million in new issuance in June, with another $250 million in July. While this does not begin to fully address the remaining commercial debt needing refinancing, it provides a slight measure of progress.

**Commercial Distress by Lender: 2009**




Source: Real Capital Analytics, August 2009

## SIOR MARKET INDEX

# SIOR COMMERCIAL REAL ESTATE INDEX 2nd QUARTER 2009 RESULTS

**(Continued from page 2)**

As a sign of the times, 96% of SIOR respondents report deep discounts and increased tenant concessions this quarter. There are no SIORs who feel their market favors landlords. But even in this tenant's market, the vast majority of SIORs report leasing activity is below historic levels—with more than 67% citing activity is much lower than normal. They also report high vacancy levels and ample sublease space.

The SIOR Index, which measures 10 variables pertinent to the performance of U.S. industrial and office markets (see Methodology), dropped for an 10th straight quarter to an overall total of 36 points—a far cry from the 119.7 points in the glory days of Spring 2006, when total points were 19.7 points above the 100 points that indicate a balanced market. The national economic scene and its epidemic of layoffs, downsizing, bankruptcies, and business closures continues to make itself felt in the local industrial and office real estate markets.

**Office Market**

Overall Office activity has increased by .7 points from last quarter—not much to cheer about there, but it may be a sign of the beginning of recovery in the Office market. However the Office market has more sublease space available than the Industrial market this quarter and office shadow space cannot be dismissed.

**Industrial Market**

The Industrial market is bearing the brunt of the economy this quarter. The Industrial marketplace is suffering from decreased leasing activity, a steeper decline in rental rates, and higher levels of tenant concessions. It is also expecting higher vacancy rates. Prospects for improvement in the next three months remain dim.

**Regional Breakdown**

The West (28.9 points) is in the worst condition of any other region in the country. Its overall market is suffering from the largest decline in asking rents, the lowest level of leasing activity, the highest level of available sublease space, the deepest level of landlord concessions, and higher vacancy rates. The short term outlook for the West is the lowest of all regions.

The South (39.6 points) is hanging on as the region with the greatest overall points and has the highest performing submarket—the West South Central—which scored 49.1 points.

The Northeast (42.2 points) led all regions with stronger numbers in most categories this quarter. Translated, the Northeast posted slightly higher leasing activity, less rent decline, less sublease space, and fewer concessions than the other regions.

The Mid-West (34.9 points) is not quite as bad as the West, but comes in at a close second to many of the woes affecting the West. Investment prices continued their decline, producing a strong buyer's market. The region appears to be more negatively affected by the local economy.

METHODOLOGY

The SIOR Commercial Real Estate Index is constructed as a "diffusion index," a very common and familiar indexing technique for economic measures. In the SIOR Commercial Real Estate Index, a value of 100 represents a well-balanced market for industrial and office property. Values significantly lower than 100 indicate weak market conditions; values significantly higher than 100 indicate strong market conditions. The theoretical limits of this Index are a low of zero, and a high of 200, though it is unlikely that such limits would be approached as long as the property markets are operating efficiently.

The Index is based on a survey questionnaire with ten topics. The topics covered are (1) recent leasing activity; (2) trends in asking rents; (3) trends in vacancy rates; (4) subleasing conditions; (5) levels of concession packages in leases; (6) development activity; (7) site acquisition activity; (8) investment pricing levels; (9) the impact of the local economy on the property market; and, (10) the effect of the national economy on the property market. Survey respondents are given five choices. For each topic, five choices are provided, corresponding to conditions that are very weak, moderately weak, well-balanced, moderately strong, or very strong.

For each question, answers are tallied and the percentage of responses for each of the five choices is calculated. If survey panelists indicate "very weak" conditions (the "a" choices in the questionnaire), the answer is assigned 0 (zero) points; "moderately weak" ("b" answers) earn 5 points; an indication of "market balance" ("c") receives 10 points; "moderately strong" indications ("d") score 15 points; and "very strong" ("e") responses receive a maximum 20 points. Thus a score of 10 for a given question can be earned if responses are evenly distributed across all five choices, if all responses were "c", or if the answers form a "bell-shaped curve" centered around the "c" choice. The total index value is derived by summing the scores for all ten questions. Index values for each of the two property types are similarly calculated.

The survey was developed by Hugh F. Kelly, CRE, clinical professor at New York University, who worked with SIOR on research projects since 1989.

# AUGUST 2009 ECONOMIC FORECAST

| | 2008 III | 2008 IV | 2009 I | 2009 II | 2009 III | 2009 IV | 2010 I | 2010 II | 2010 IIII | 2010 IV | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Annual Growth Rate (%)* | | | | | | | | | | | | | |
| Real GDP | -2.7 | -5.4 | -6.4 | -1.0 | 0.7 | 1.3 | 2.5 | 2.5 | 2.4 | 2.5 | 0.4 | -2.9 | 1.5 |
| Nonfarm Payroll Employment | -1.5 | -3.7 | -5.9 | -4.6 | -2.2 | -0.4 | 0.1 | 1.1 | 1.3 | 1.5 | -0.4 | -3.5 | 0.0 |
| Consumer Prices | 6.2 | -8.3 | -2.4 | 1.3 | 2.8 | 1.2 | 1.8 | 2.0 | 2.0 | 2.4 | 3.8 | -0.5 | 2.0 |
| Real Disposable Income | -8.5 | 2.9 | 6.0 | -1.5 | 1.3 | 1.1 | 1.5 | 1.5 | 1.9 | 2.4 | 1.3 | 1.4 | 1.3 |
| | | | | | | | | | | | | | |
| Consumer Confidence | 57 | 41 | 30 | 48 | 46 | 48 | 47 | 51 | 55 | 60 | 58 | 43 | 53 |
| | | | | | | | | | | | | | |
| Unemployment (%) | 6.0 | 6.9 | 8.1 | 9.3 | 10.0 | 10.4 | 10.2 | 10.0 | 9.9 | 9.8 | 5.8 | 9.5 | 10.0 |
| | | | | | | | | | | | | | |
| *Interest Rates (%)* | 2008 III | 2008 IV | 2009 I | 2009 II | 2009 III | 2009 IV | 2010 I | 2010 II | 2010 IIII | 2010 IV | 2008 | 2009 | 2010 |
| Fed Funds Rate | 1.9 | 0.5 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.8 | 1.5 | 2.0 | 1.9 | 0.1 | 1.1 |
| 3-Month T-Bill Rate | 1.5 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.9 | 1.6 | 2.1 | 1.4 | 0.3 | 1.2 |
| Prime Rate | 5.0 | 4.1 | 3.3 | 2.9 | 3.0 | 3.0 | 3.0 | 3.3 | 4.0 | 4.8 | 5.1 | 3.1 | 4.1 |
| Corporate Aaa Bond Yield | 5.7 | 5.8 | 5.3 | 5.5 | 5.8 | 5.8 | 5.9 | 5.9 | 5.9 | 6.0 | 5.6 | 5.7 | 5.9 |
| 10-Year Government Bond | 3.9 | 3.3 | 2.7 | 3.3 | 3.7 | 3.7 | 3.8 | 3.8 | 3.9 | 4.0 | 3.7 | 3.4 | 3.9 |
| 30-Year Government Bond | 4.4 | 3.7 | 3.5 | 4.5 | 4.4 | 4.5 | 4.6 | 4.6 | 4.7 | 4.7 | 4.3 | 4.2 | 4.7 |

Source: NAR

## AUGUST 2009 COMMERCIAL FORECAST

| OFFICE | 2008 IV | 2009 I | 2009 II | 2009 III | 2009 IV | 2010 I | 2010 II | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vacancy Rate | 13.9% | 14.7% | 15.5% | 16.5% | 17.4% | 18.2% | 18.8% | 13.4% | 16.0% | 18.9% |
| Net Absorption ('000 sq. ft.) | -6,893 | -16,563 | -15,668 | -21,788 | -21,004 | -19,102 | -15,133 | 12,271 | -75,023 | -47,229 |
| Completions ('000 sq. ft.) | 12,888 | 12,746 | 15,040 | 15,988 | 13,916 | 12,315 | 7792 | 68,187 | 57,690 | 27,197 |
| Inventory ('000,000 sq. ft.) | 3,480 | 3,523 | 3,547 | 3,563 | 3,577 | 3,589 | 3,597 | 3,480 | 3,577 | 3,605 |
| Rent Growth | -0.6% | -3.0% | -6.3% | -2.3% | -2.5% | -2.4% | -2.5% | -0.4% | -14.1% | -10.0% |

| INDUSTRIAL | 2008 IV | 2009 I | 2009 II | 2009 III | 2009 IV | 2010 I | 2010 II | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vacancy Rate | 11.1% | 12.2% | 13.0% | 13.6% | 14.2% | 14.7% | 15.0% | 10.4% | 13.3% | 15.1% |
| Net Absorption ('000 sq. ft.) | -5,795 | -89,886 | -80,296 | -64,399 | -64,939 | -51,847 | -35,766 | -57,241 | -299,520 | -111,987 |
| Completions ('000 sq. ft.) | 57,280 | 24,199 | 16,151 | 13,703 | 22,345 | 4,094 | 15,771 | 179,613 | 76,398 | 48,751 |
| Inventory ('000,000 sq. ft.) | 12,923 | 13,026 | 12,963 | 12,977 | 12,999 | 13,003 | 13,019 | 12,923 | 12,999 | 13,048 |
| Rent Growth | -0.8% | -3.7% | -2.6% | -2.3% | -2.8% | -2.8% | -2.9% | -0.8% | -11.4% | -11.7% |

| RETAIL | 2008 IV | 2009 I | 2009 II | 2009 III | 2009 IV | 2010 I | 2010 II | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vacancy Rate | 10.8% | 11.1% | 11.7% | 12.2% | 12.6% | 12.8% | 12.9% | 9.7% | 11.9% | 13.0% |
| Net Absorption ('000 sq. ft.) | -8,784 | -10,723 | -5,456 | -4,949 | -4,768 | -2,295 | -1,371 | -7,315 | -25,896 | -3,620 |
| Completions ('000 sq. ft.) | 8,674 | 2,908 | 3,025 | 3,562 | 3,272 | 558 | 306 | 26,286 | 12,767 | 6,454 |
| Inventory ('000,000 sq. ft.) | 1,621 | 1,618 | 1,658 | 1,662 | 1,665 | 1,666 | 1,666 | 1,621 | 1,665 | 1,672 |
| Rent Growth | -4.2% | -0.6% | -0.5% | -2.4% | -2.6% | -1.9% | -1.3% | -2.0% | -6.1% | -4.9% |

| MULTI-FAMILY | 2008 IV | 2009 I | 2009 II | 2009 III | 2009 IV | 2010 I | 2010 II | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vacancy Rate | 6.1% | 6.6% | 7.4% | 7.4% | 7.9% | 7.6% | 7.1% | 5.7% | 7.3% | 6.9% |
| Net Absorption (Units) | 12,001 | -1,028 | 37,535 | 41,663 | -48,104 | 59,030 | 95,516 | 24,390 | 30,066 | 246,432 |
| Completions (Units) | 55,926 | 43,031 | 55,638 | 40,032 | 29,578 | 20,917 | 15,156 | 220,773 | 168,279 | 64,634 |
| Inventory (Units in millions) | 14.2 | 14.3 | 14.3 | 14.4 | 14.4 | 14.4 | 14.4 | 14.2 | 14.4 | 14.4 |
| Rent Growth | 0.6% | -0.6% | -1.2% | -0.1% | 0.4% | 0.2% | 0.2% | 2.9% | -1.5% | 0.8% |

Source: NAR/TWR

For detailed analysis of commercial real estate market sectors, please visit:

http://www.realtor.org/research/economists_outlook/commentaries

## 2009.Q3 METRO ESTIMATED VACANCY RATES

| | VACANCY RATE | | | |
|---|---|---|---|---|
| | Office | Industrial | Retail | Multi-Family |
| Albuquerque, NM | 15.8% | 12.1% | 9.1% | 5.5% |
| Atlanta, GA | 20.0% | 17.9% | 15.4% | 10.6% |
| Austin, TX | 20.3% | 16.5% | 11.5% | 8.2% |
| Baltimore, MD | 15.0% | 16.2% | 11.9% | 6.3% |
| Boston, MA | 12.7% | 16.9% | 11.1% | 5.7% |
| Charlotte, NC | 15.5% | 13.6% | 13.4% | 9.3% |
| Chicago, IL | 18.5% | 14.4% | 13.9% | 8.0% |
| Cincinnati, OH | 16.0% | 11.5% | 17.0% | 7.7% |
| Cleveland, OH | 16.3% | 11.0% | 16.6% | 7.9% |
| Columbus, OH | 16.2% | 16.7% | 18.2% | 6.3% |
| Dallas, TX | 21.9% | 15.8% | 16.9% | 8.8% |
| Denver, CO | 18.1% | 12.9% | 13.7% | 7.5% |
| Detroit, MI | 23.9% | 20.8% | 19.2% | 8.7% |
| Fort Lauderdale, FL | 19.6% | 11.8% | 12.5% | 7.2% |
| Fort Worth, TX | 16.0% | 14.4% | 17.7% | 8.8% |
| Hartford, CT | 17.3% | 12.9% | - | - |
| Honolulu, HI | 9.7% | - | 7.1% | 6.8% |
| Houston, TX | 16.5% | 9.7% | 14.0% | 9.5% |
| Indianapolis, IN | 16.9% | 12.3% | 16.6% | 9.9% |
| Jacksonville, FL | 21.8% | 14.7% | 13.0% | 12.3% |
| Kansas City, MO | 16.3% | 9.7% | 15.3% | 8.3% |
| Las Vegas, NV | 21.6% | 9.8% | 7.1% | 9.6% |
| Long Island, NY | 12.3% | 9.7% | 7.4% | - |
| Los Angeles, CA | 15.3% | 8.2% | 8.2% | 5.9% |
| Miami, FL | 19.1% | 12.4% | 7.3% | 6.8% |
| Minneapolis, MN | 18.7% | 11.5% | 8.9% | 6.5% |
| Nashville, TN | 14.0% | 12.4% | 8.0% | 7.4% |
| New York, NY | 9.9% | 11.9% | 11.6% | 6.5% |
| Northern New Jersey (Newark) | 15.2% | 12.8% | - | 4.3% |
| Oakland, CA | 15.4% | 13.9% | 9.5% | 6.3% |
| Orange County, CA | 19.6% | 11.7% | 7.1% | 6.4% |
| Orlando, FL | 19.0% | 14.5% | 11.1% | 9.2% |
| Philadelphia, PA | 14.5% | 13.1% | 11.7% | 5.1% |
| Phoenix, AZ | 25.9% | 18.6% | 13.3% | 12.0% |
| Pittsburgh, PA | 12.1% | - | - | 3.5% |

## 2009.Q3 METRO ESTIMATED VACANCY RATES

| | VACANCY RATE | | | |
|---|---|---|---|---|
| | Office | Industrial | Retail | Multi-Family |
| Portland, OR | 15.3% | 11.1% | 9.5% | 7.6% |
| Raleigh, NC | 14.9% | - | - | 8.2% |
| Riverside, CA | 23.4% | 15.9% | 13.5% | 7.9% |
| Sacramento, CA | 20.6% | 16.3% | 13.9% | 7.7% |
| Salt Lake City, UT | 15.8% | 10.4% | 8.1% | 7.7% |
| San Diego, CA | 20.5% | 14.5% | 9.7% | 5.1% |
| San Francisco, CA | 12.9% | 10.2% | 7.2% | 6.2% |
| San Jose, CA | 25.5% | 14.8% | 6.9% | 5.5% |
| Seattle, WA | 16.4% | 10.9% | 11.6% | 7.2% |
| St. Louis, MO | 15.4% | 12.5% | 14.1% | 8.3% |
| Stamford, CT | 13.2% | 18.3% | - | - |
| Tampa, FL | 21.2% | 12.5% | 10.3% | 8.7% |
| Tucson, AZ | 17.8% | 11.1% | 15.0% | 11.3% |
| Ventura, CA | 16.7% | 12.2% | 9.3% | - |
| Washington, DC | 14.7% | 15.2% | 10.4% | 5.5% |
| West Palm Beach, FL | 22.0% | 14.3% | 11.7% | 7.7% |
| Wilmington | 18.7% | 14.1% | 14.8% | - |
| National Averages* | 16.5% | 13.6% | 12.2% | 7.4% |

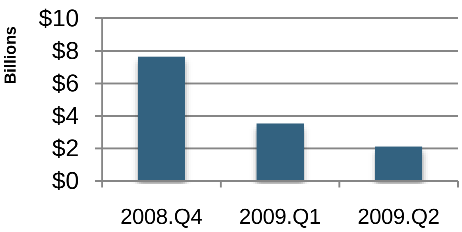
Source: NAR/TWR

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

## AUGUST 2009

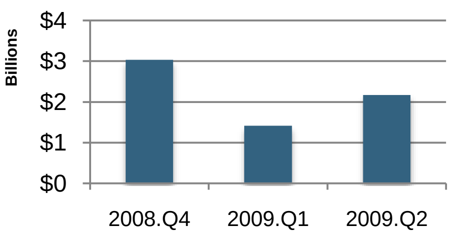
# INVESTMENT TRENDS AT A GLANCE

Office Sales Volume



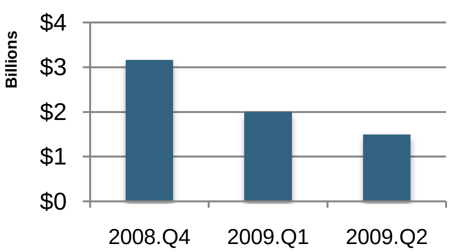

| OFFICE | | |
|---|---|---|
| **Region** | Average Cap Rate | Average Price ($/Sq. Ft.) |
| Mid-Atlantic | 8.1% | $184 |
| Midwest | 7.8% | $146 |
| Northeast | 7.7% | $319 |
| Southeast | 7.4% | $102 |
| Southwest | 8.4% | $101 |
| West | 7.3% | $219 |

Industrial Sales Volume



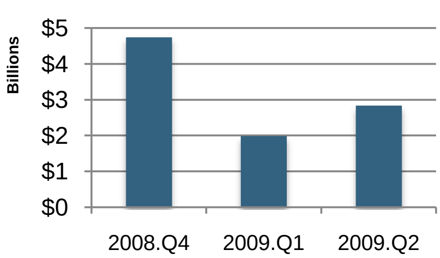

| INDUSTRIAL | | |
|---|---|---|
| **Region** | Average Cap Rate | Average Price ($/Sq. Ft.) |
| Mid-Atlantic | - | $64 |
| Midwest | 8.8% | $64 |
| Northeast | 8.3% | $81 |
| Southeast | 7.4% | $40 |
| Southwest | 7.7% | $50 |
| West | 7.9% | $97 |

Retail Sales Volume




| RETAIL | | |
|---|---|---|
| **Region** | Average Cap Rate | Average Price ($/Sq. Ft.) |
| Mid-Atlantic | 7.7% | $156 |
| Midwest | 7.5% | $67 |
| Northeast | 6.8% | $186 |
| Southeast | 8.3% | $131 |
| Southwest | 7.5% | $290 |
| West | 6.6% | $183 |

Multi-family Sales Volume




| MULTI-FAMILY | | |
|---|---|---|
| **Region** | Average Cap Rate | Average Price ($/Unit) |
| Mid-Atlantic | 7.3% | $91,701 |
| Midwest | 7.3% | $60,644 |
| Northeast | 6.5% | $117,394 |
| Southeast | 7.8% | $71,226 |
| Southwest | 7.1% | $58,708 |
| West | 6.1% | $129,546 |

Source: Real Capital Analytics, July 2009

**National Council of Real Estate Investment Fiduciaries Property Index Q2/2009**

| | |
|---|---|
| Total Returns | -5.20% |
| Office Returns | -6.52% |
| Industrial Returns | -5.09% |
| Retail Returns | -3.03% |
| Multi-Family Returns | -5.13% |

*Source: NCREIF*

# NAR Research…

NAR Research also provides analysis of monthly economic indicators, such as GDP and employment data that clearly impact commercial markets over time.

If you have questions or comments regarding this report or any other commercial real estate research, please contact George Ratiu, NAR Economist, at gratiu@realtors.org.



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