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The industry today is a tale of two markets: Investment sales and related pricing, and the overall fundamental picture of the market. The value cycle is accelerating into a down market much faster than historical norms would suggest, as the debt markets impact the overall deal flow and subsequently establish a less competitive investment sales market. On the fundamental side, (vacancy, absorption, supply and rent growth) the market has been disciplined as a higher level of transparency has been created by the securitized debt markets and institutional investors. As such, the markets overall have not been over-supplied. As demand for space declines, the market will be impacted but should remain relatively healthy. Of course, the fundamental picture is subject to further correction depending on the length and severity of the overall economic downturn.

Below is a brief snapshot of some current industry trends – an outlook for 2008.

The Market

- Continued influx of capital in the sector as a result of the volatile equity markets.
- Foreign investors increasing their positions in the U.S. markets – led primarily by European, Australian and Middle East investors.
- Ruther price declines (8% - 15 %) for investment properties.
- Leverage remains scarce (primarily balance sheet lenders only).
- Underwriting standards remain tight for both debt and equity.
- Deal volume down significantly.
- Sale inventory increasing significantly but no “fire sales”.
- Institutions and other low leverage buyers taking advantage of increasing capitalization rates and being very active in the market.
- Flight to quality assets for investment as CAP rates rise and rental increases slow.
- Fundamentals remain sound. A transitioning market but the picture is not an unhealthy one.

The Services Industry

- Revenues will be off in sales and leasing by 5% to 10% (sales and leasing account for 85% of a brokerage firm’s revenue stream).
- Focus on ancillary services (property, project and asset management, valuation, lease administration, consultative services) for recurring income streams.
- Consolidation of providers (mergers and acquisitions) will continue. We would expect to see at least one major acquisition and or consolidation this year.
- Both end-user clients and service providers will continue to focus on global capability. Clients will focus on consistency and continuity of services and the ability to outsource real estate departments as they look to reduce costs.
- Focus on revenue diversification and finding niche services or product offerings.
- Market Knowledge – not information will drive “off-market” opportunities.
- Look for synergies and platform enhancements through joint ventures or strategic alliances.
- Focus on recurring client relationships vs. transactional orientation only.