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**After a monumental shock to the system,
where do we go from here?**

Colliers International Issues '09 Outlook Based on Client Survey

Amid what's been a crippling credit crisis, real estate investors look toward 2009 with marked conservatism and caution, believing a bounce-back should not be expected until well into next year – according to a survey conducted by Colliers Investment Services Group, a division of Colliers International, a leading global real estate services firm. Despite an overarching wish for a more liquid market, the consensus among investors is that transaction volumes will not pick up until Q3 2009, at the earliest.

Colliers' survey and resulting 2009 outlook indicates that 22 percent of investors foresee being active buyers in the first half of 2009, but an overwhelming 78 percent said they wouldn't venture back into the market until the latter half of the year. A number of concerns govern this majority mindset. Deflation is a major issue, and many investors believe values will continue to trend downward well into the coming year. The frozen credit markets are an ongoing stressor, as well, and have left many investors "sitting on the sidelines" and carefully guarding capital, effectively in a state of avoidance until the debt markets reopen. On the flip side, sellers are also relatively non-participatory, being quite resistant to sell at today's prices.

"Even with extensive monetary and fiscal stimulus by U.S. policymakers and others, including this week's historic Fed rate cut, the banking sector has undergone significant damage, and this has greatly diminished the appetite for lending," remarked Bob Pinkard, chairman of Colliers Pinkard, the D.C.-area affiliate of Colliers International. "Deleveraging is underway in all asset classes, and the U.S. commercial real estate market is no exception."

This scenario, however, will not last forever. In the coming months, the credit markets will begin to stabilize, as will the economy, and investors will begin dipping their toe back in the water. Colliers foresees very little in the way of new commercial real estate construction in 2009, and ongoing weak demand for all types of space – but leases will be signed, and properties will trade hands, albeit on a more limited scale.

“Who will be buying and selling in 2009? In every downturn, opportunistic buyers have always stepped forth,” remarked Ross Moore, Colliers International’s executive vice president of market & economic research. “High net-worth individuals, off-shore investors and private equity groups will be scouring the market in search of attractively-priced properties. Institutional investors with a long-term investment horizon will also be availing themselves of the opportunities that are certain to arise, even if the near-term outlook is gloomy. Sellers will include lenders looking to off-load assets they no longer want to carry; private investors seeking to free up capital for other uses; institutions that aren’t prepared to actively manage impacted real estate; and finally funds that will have been forced to liquidate as investors call in redemptions.”

So what will prompt participants’ re-entry into the market? Colliers’ survey respondents cite available debt, some semblance of stability in the job market, a sense that we’ve hit bottom and a pick-up in sales volume – which would provide the comparables so sought-after by investors.

Indeed, as 2009 unfolds, the market will show new glimmers of stabilizing, but much of the year will be spent trying to re-price assets and determine the “new” value of real estate. The CMBS market is unlikely to stage any type of quick comeback, so adequate access to private debt capital will be crucial. Furthermore, successfully refinancing debt that’s coming due will be a key element in any return to a “more normal” market. These factors, over time, will be instrumental in establishing a new foundation – and the latter half of 2009 should mark the start of a new beginning for commercial real estate.

About The Survey

Colliers Investment Services Group conducted an informal survey of clients during the first week of December. The survey's questions were focused on how the current economic and financial conditions have impacted investors and current projections on when and under what circumstances they might re-enter the market as either a buyer or seller. Over 120 companies, consisting of public and private developers, REIT's and owners contributed to the survey results summarized here.