

Survey: CRE Hopes Cautiously Rising

By Erika Morphy



Jeff DeBoer

WASHINGTON, DC-The Real Estate Roundtable Sentiment Survey for Q2 2009 reports that the industry is feeling more hopeful that a recovery is on the horizon, at least compared to the dim view of the future that the Index captured in January. The Sentiment Index registered at 41 for Q2--an increase from Q1's 38 and prior to that, 33 six months ago.

President and CEO Jeff DeBoer told listeners in a conference call that the findings are reflective of reports from various government quarters that the economic crisis may be lessening. Still, though, he hastened to add that the situation is still "dangerous" with conditions having significantly eroded.

The wild card has been, and still is, the government's aggressive plans to strengthen the financial system and rid it of toxic--or as they are now being called--legacy, assets. A strong approach would, in theory, bolster confidence; one viewed as consisting of half measures could hasten the downward spiral. At this moment, the industry believes the government is on the right track, DeBoer said--but final details need to be revealed and, more importantly, executed.

"Term Asset-Backed Securities Loan Facility (TALF) and Public Private Investment Program (PPIP) have caused people to be optimistic about where the CRE industry will be a year from now," he said. "But the details have not been made fully available and the programs are not fully operational. Real estate industry needs these programs to become fully operational as soon as possible."

The industry deadline is the looming wave of CMBS debt that will default if refinancing cannot be found. Without PPIP and TALF to provide support, "we are concerned that stress on the finance system and banking system could undermine this new optimism."

Even with the government working full throttle to put these plans into affect, there is still a lot of pain in the here and now, which the survey captured. A significant majority of the 120-plus survey respondents continue to report eroding market conditions; 83% said real estate markets are worse today than one year ago. When asked their perspective on how the market will look one year from now, 59% reported they expect conditions will be better.

Respondents also report that current asset values continue to slide and expect little improvement in pricing over the next year; only 24% expect values to be somewhat higher one year from now.

Nearly all the executives surveyed said access to capital remains limited as debt and equity markets have tightened, although conditions have improved slightly; 69% believe debt capital availability will improve in the next year and 68% believe equity financing will improve in the next year.

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