

## ASU Commercial Brokers Forum Survey – October 2014 through March 2015

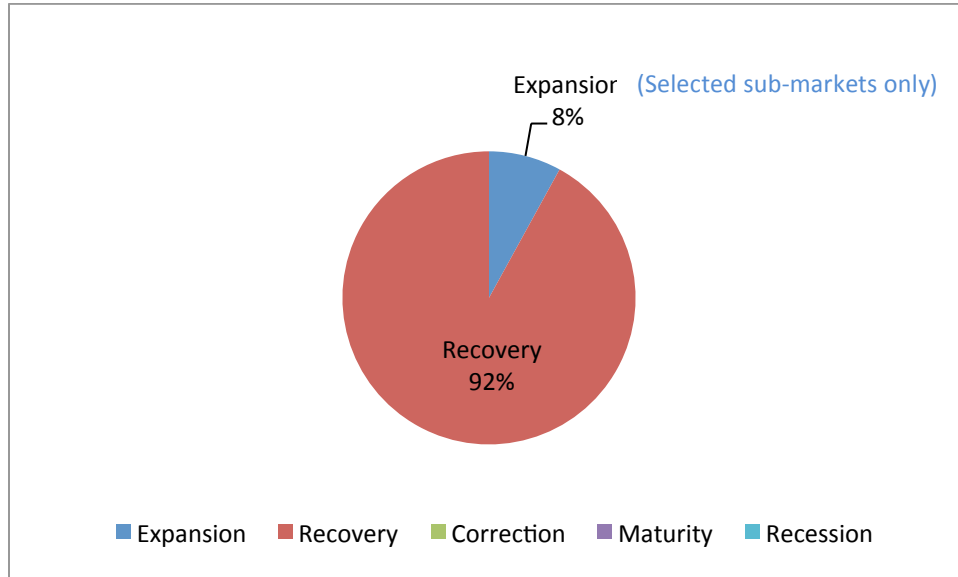
“I believe in intuitions and inspirations ... I sometimes FEEL that I am right. I do not KNOW that I am”  
Albert Einstein

Certainty is the quality of being reliably true. With this definition in mind we feel comfortable saying we are certain there will be little change in performance in all segments of the metro Phoenix real estate market for the next six months. We feel reasonably certain saying 2015 will be much like 2014. This is not a pessimistic outlook because we are also certain the market is improving, just not as fast as we are used to or hope for. We are growing and will, over the long run, continue to grow but in ways we have not in the past. The slower than hoped for performance is attributable to many factors; some important ones such as tight lending standards for residential mortgages are not specific to our market. Other factors, such as slower job growth and lack of wage growth are impacting Phoenix more than some other major metro areas. Some, such as absorbing 150,000 new homes built between 2000 and 2007 ahead of real demand are very specific to us. There are others. No one factor is the cause of slow growth it is the combination of all the factors that cause this slow recovery. We are certain this market will fully recover, we are certain this market is poised for long term growth. We are certain we are close. I'm just not certain its 2015 when this starts to accelerate. One more year of recovery is likely. We feel this, but we do not know this.

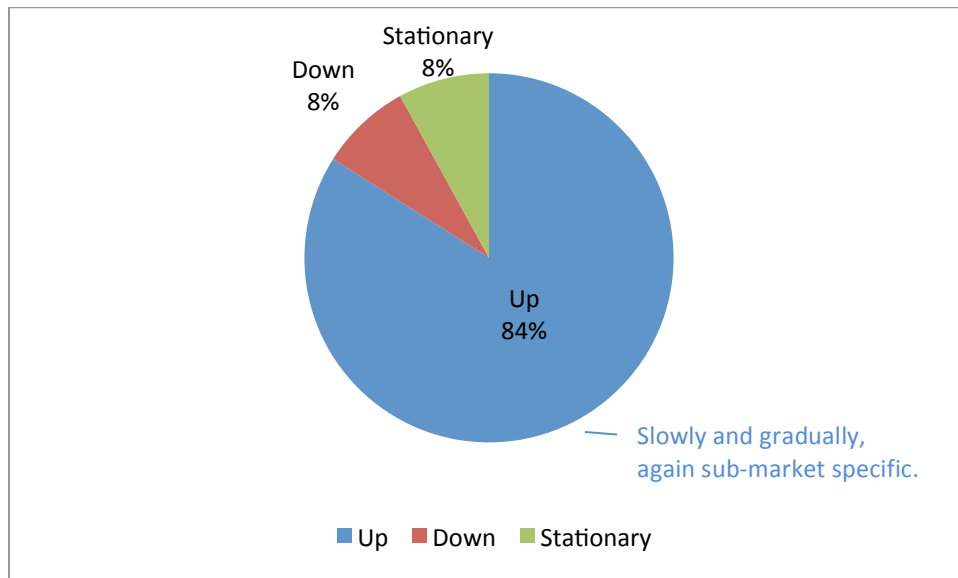
**Consensus Statement on the Overall Market:**

- The overall market is still shaky but optimistic; it is all about market segmentation and sub-market specific product.
- We are poised – “armed and dangerous” – we are ready for expansion.
- Growing but slowly; close to a tipping point.
- We are seeing accelerated growth in certain areas, where other more mature metro areas are presently stagnant.

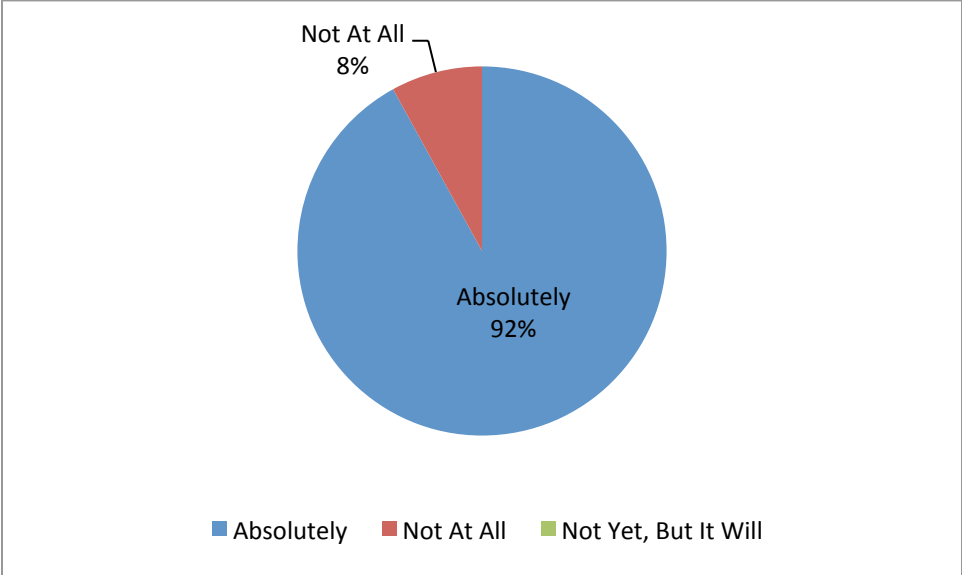
**Where are we in the Cycle?**



**In what direction is the Metro Phoenix market moving?**



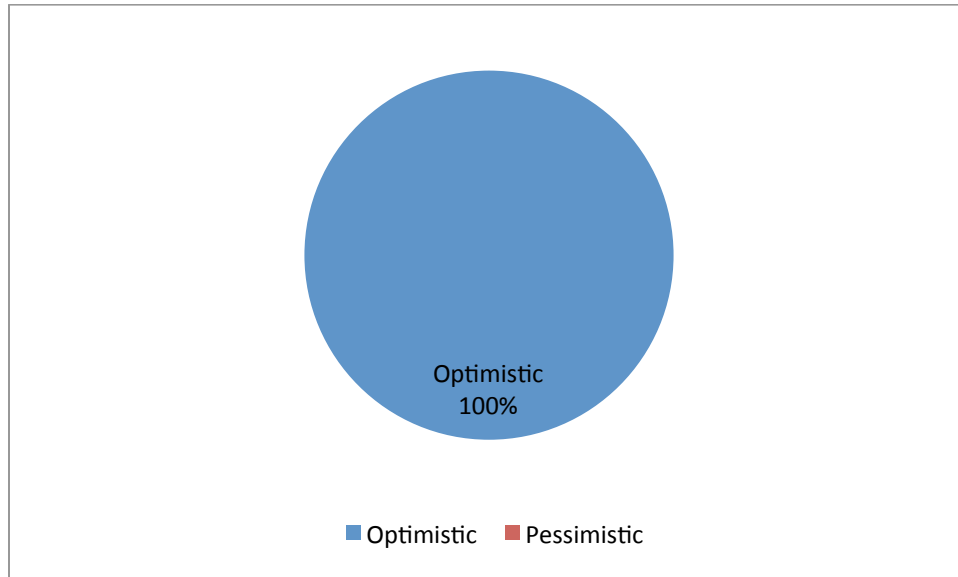
**Will the number of people who have stopped working or stopped looking for work affect commercial real estate markets?\***



**Is uncertainty in the Federal Government affecting the commercial real estate market and hindering our local growth potential?**



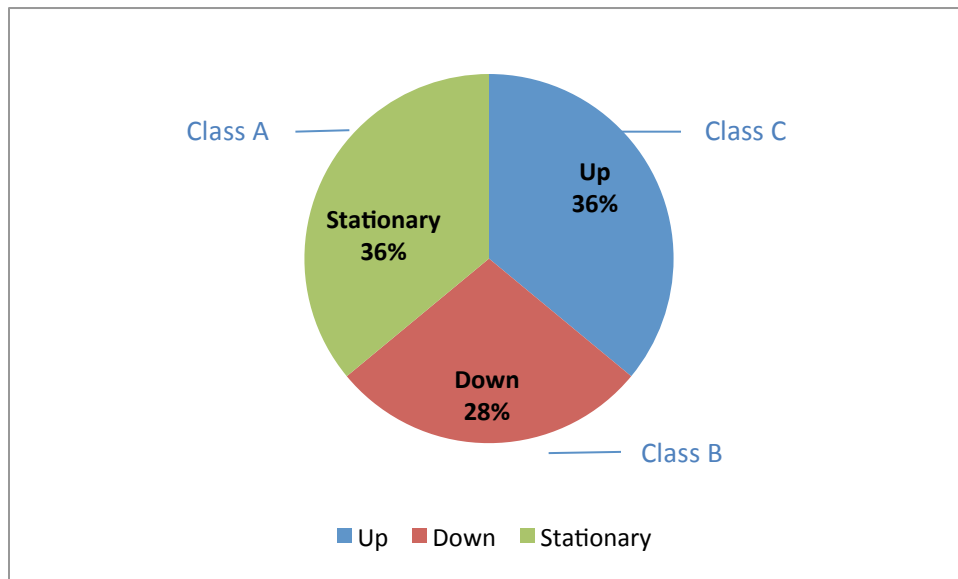
**What is the overall feeling about the Metro Phoenix commercial real estate market?**



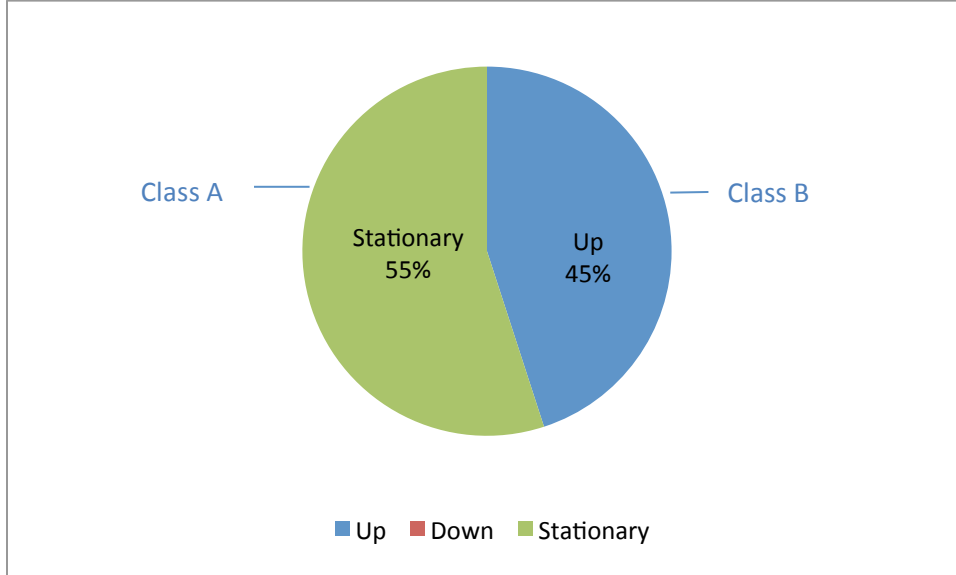
**Consensus Statement on Multi Family:**

- Overall recovery is a positive word – investors are looking to invest in recovery markets versus markets that are already recovered and we are seen as a recovery market.

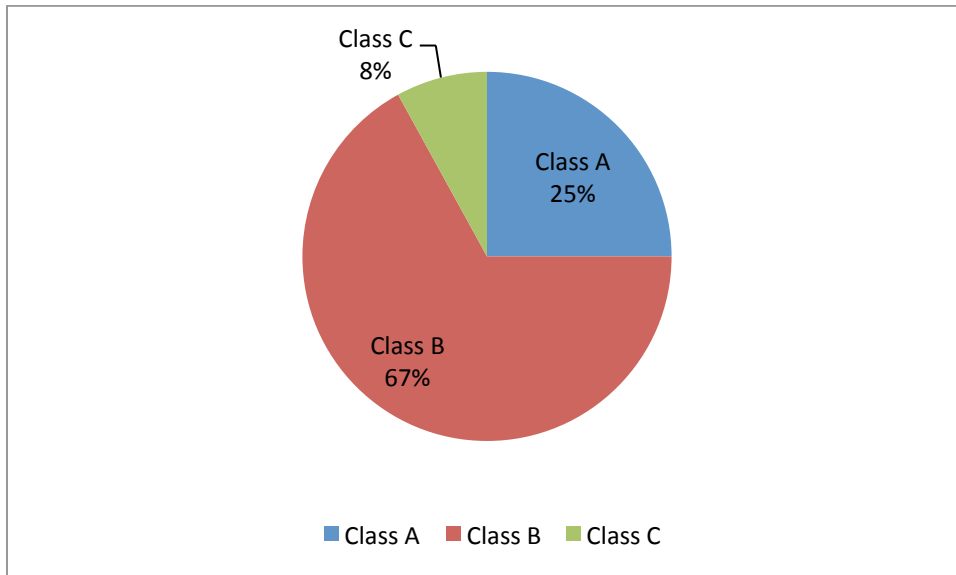
**Where are Apartment Vacancy Rates headed in the next 6 months (October 2014 – March 2015)?**



**Where are Apartment Rents headed in the next 6 months (October 2014 – March 2015)?**



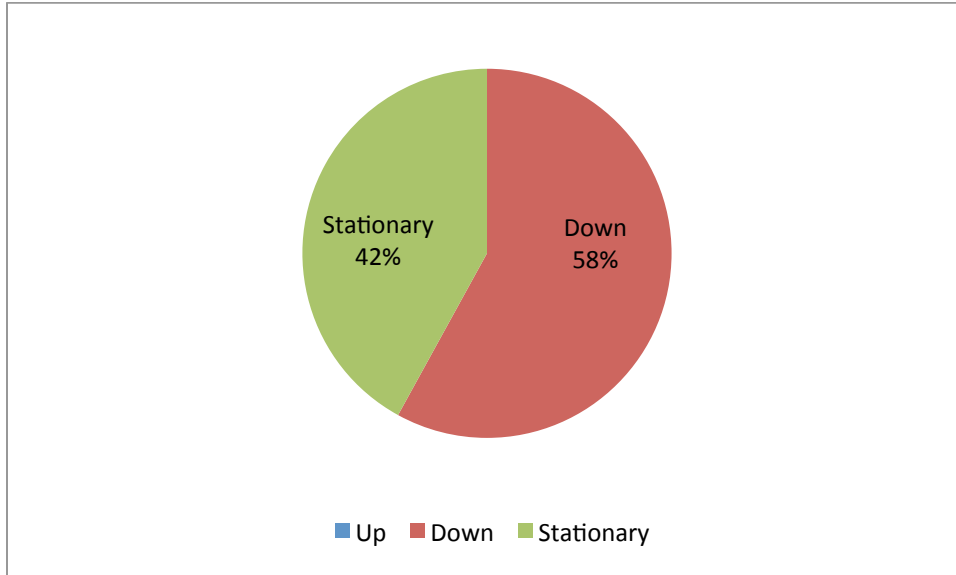
**Which Multifamily property class will realize the greatest rent growth in the next 6 months (October 2014 – March 2015)?**



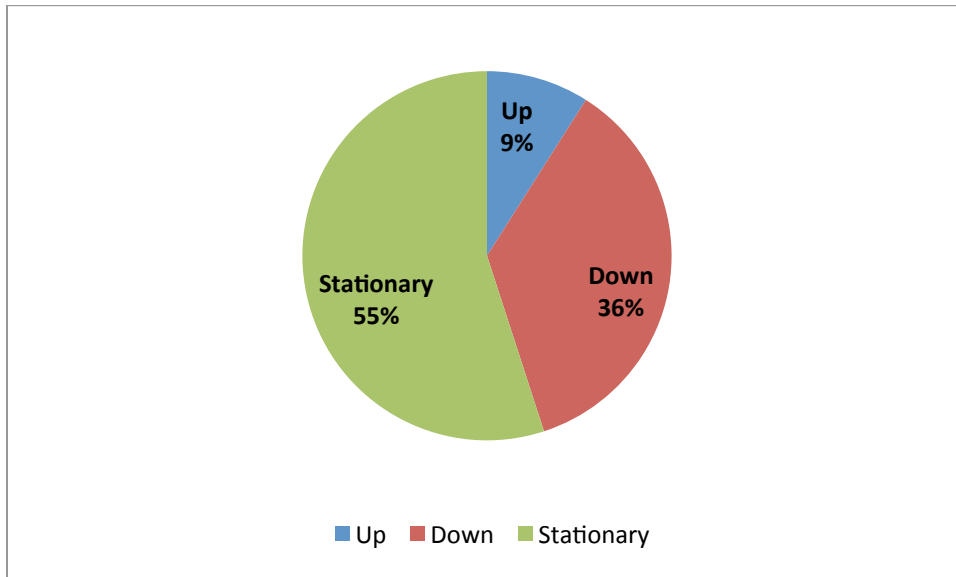
**Consensus Statement on Industrial**

- Very stable, manufacturing is very promising and small and mid-size users are very active.

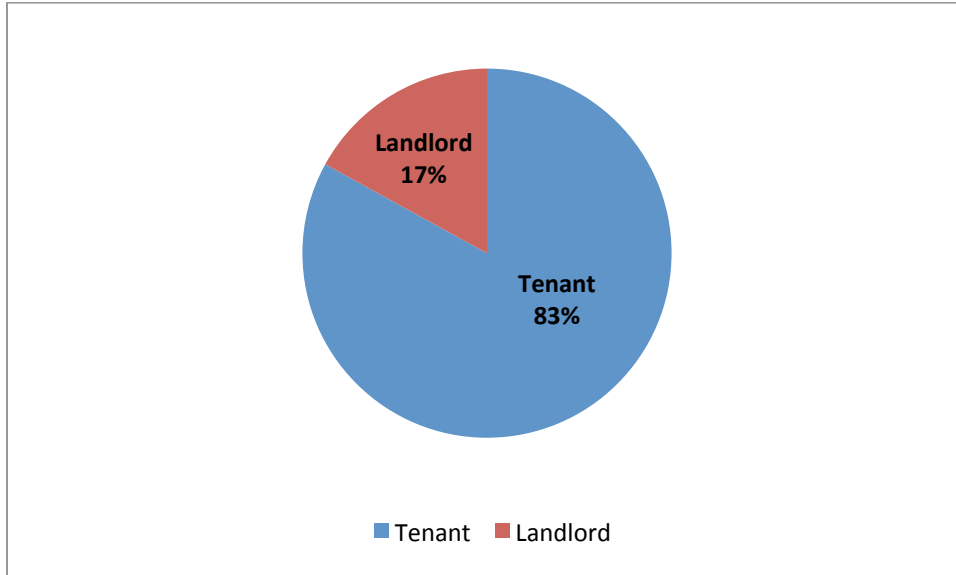
**Where are Big Box Industrial Vacancy Rates headed in the next 6 months (October 2014 – March 2015)?**



**Where are Big Box Industrial Rents headed in the next 6 months (October 2014 – March 2015)?**



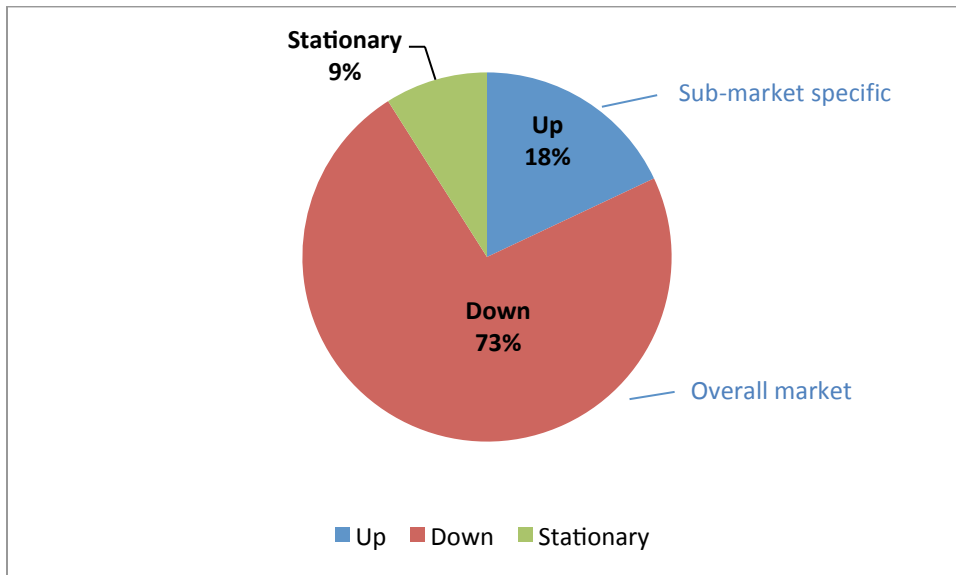
**Is this a Tenant or Landlord Industrial market?**



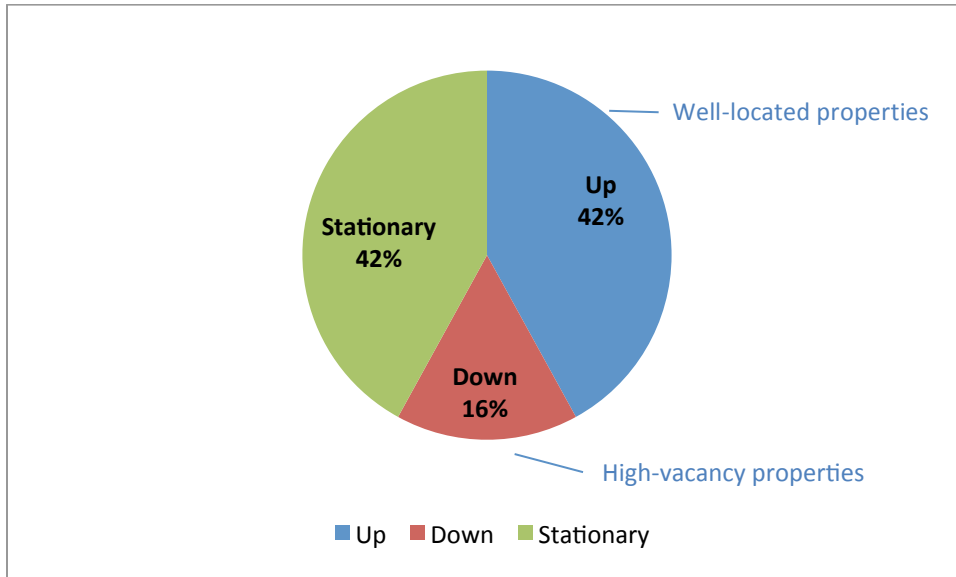
**Consensus Statement on Office Market:**

- Capital is way ahead of the leasing market right now – new product has to have increase in pricing/rent.
- Certain submarkets are attractive because of live/work/shop characteristics.
- Well positioned product in good submarkets is being traded and prices are slowly ticking up.

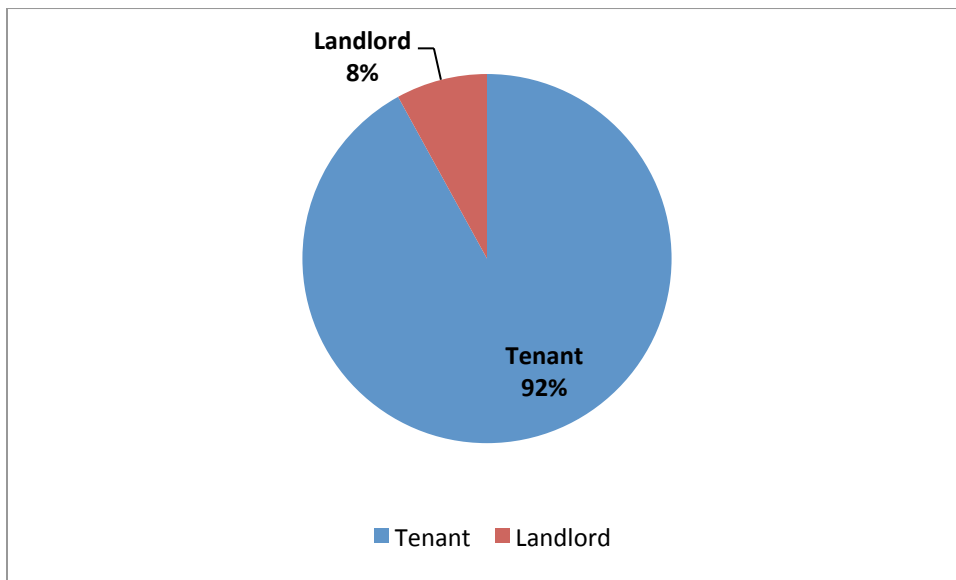
**Where are Office Vacancy Rates headed in the next 6 months (October 2014 – March 2015)?**



**Where are Office Rents headed in the next 6 months (October 2014 – March 2015)?**



**Is this a Tenant or Landlord Office market?**

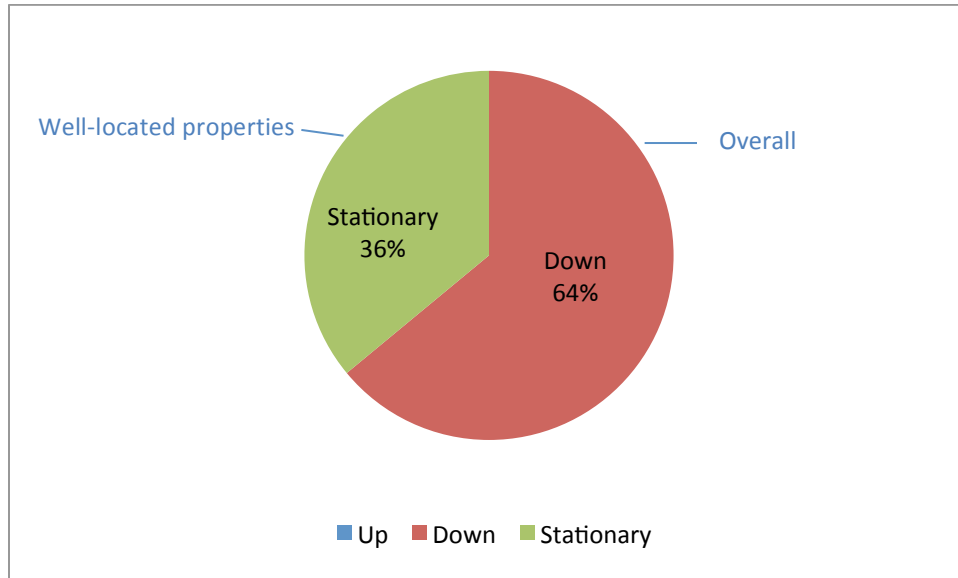




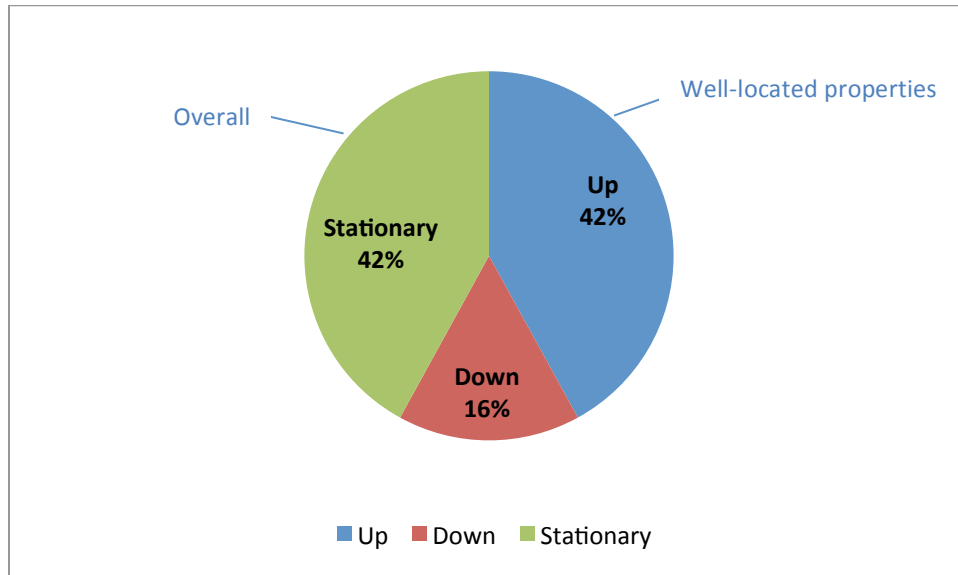
**Consensus statement on Retail:**

- We will continue to see the prolonged effect of the recession over the next couple of years.
- It will be 2016 or later in the decade before anything new comes on the market.
- Rents will be stationary but Tenant Improvements will edge higher as uses change in existing centers.

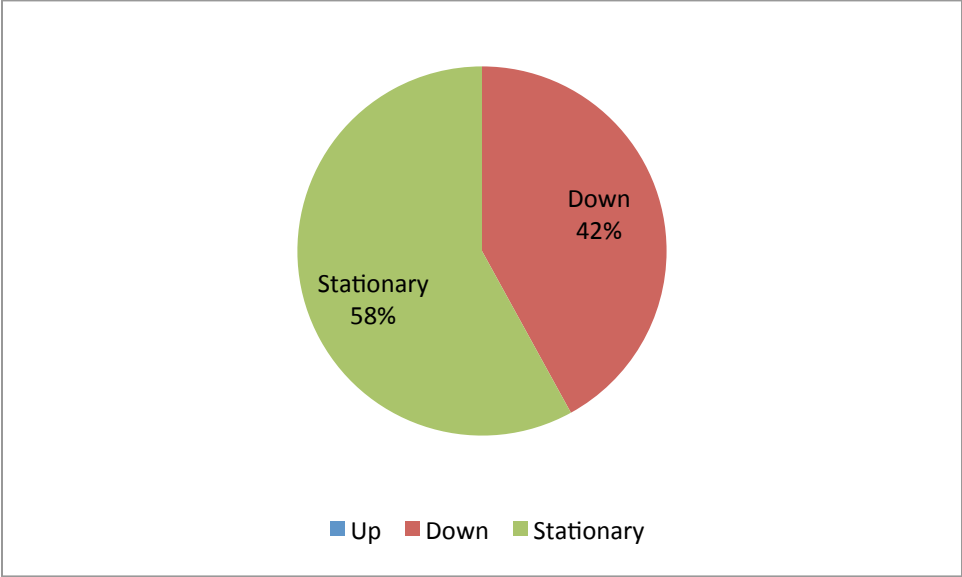
**Where are Retail Vacancy Rates headed in the next 6 months (October 2014 – March 2015)?**



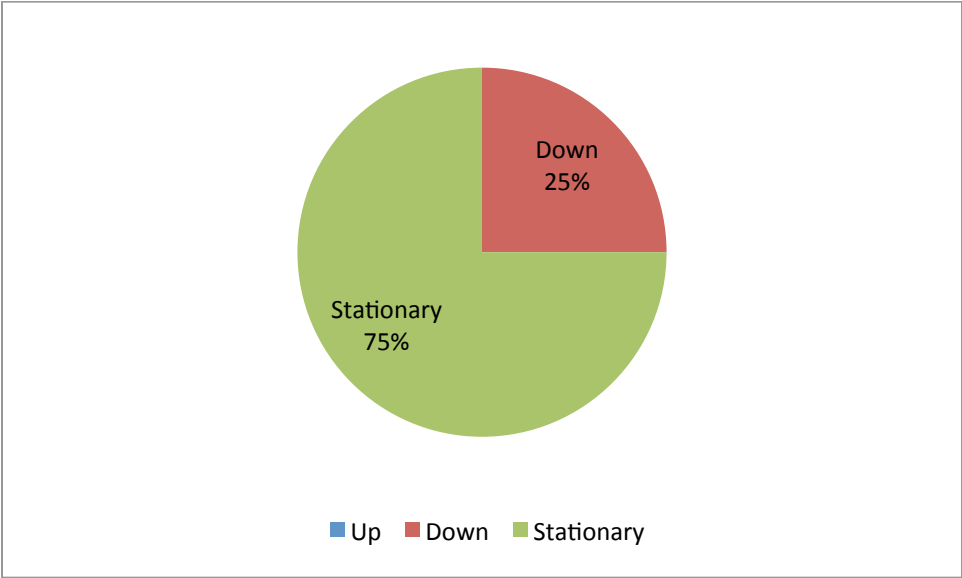
**Where are Retail - Anchored Center Rents headed in the next 6 months (October 2014 – March 2015)?**



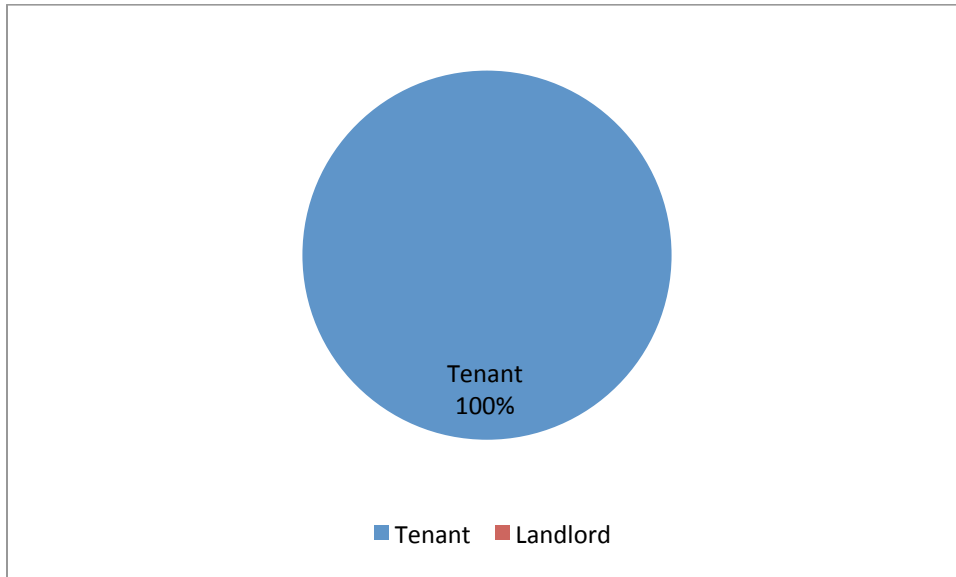
**Where are Retail - Unanchored Center Rents headed in the next 6 months (October 2014 – March 2015)?**



**Where are Retail - Big Box (over 25K square feet) Rents headed in the next 6 months (October 2014 – March 2015)?**



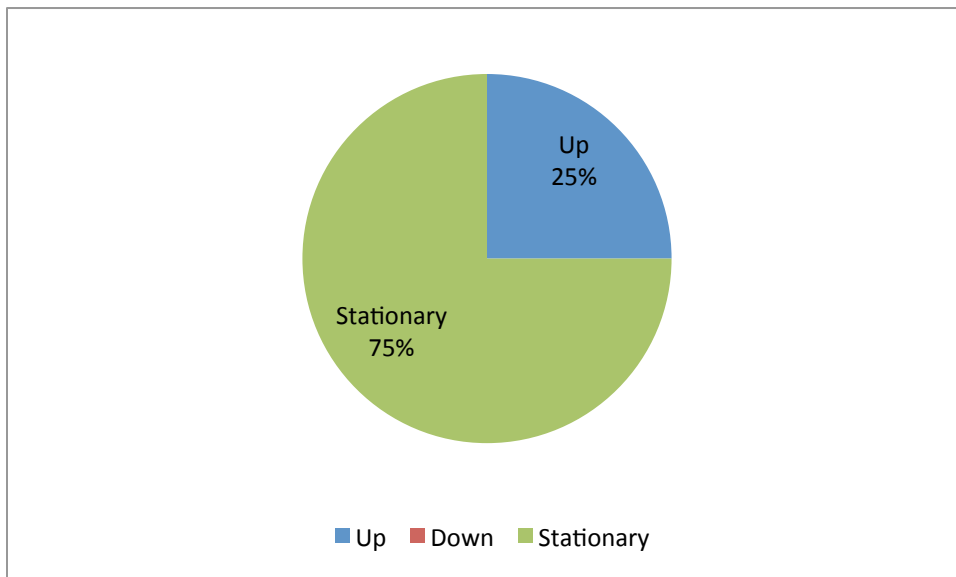
**Is this a Tenant or Landlord Retail market?**



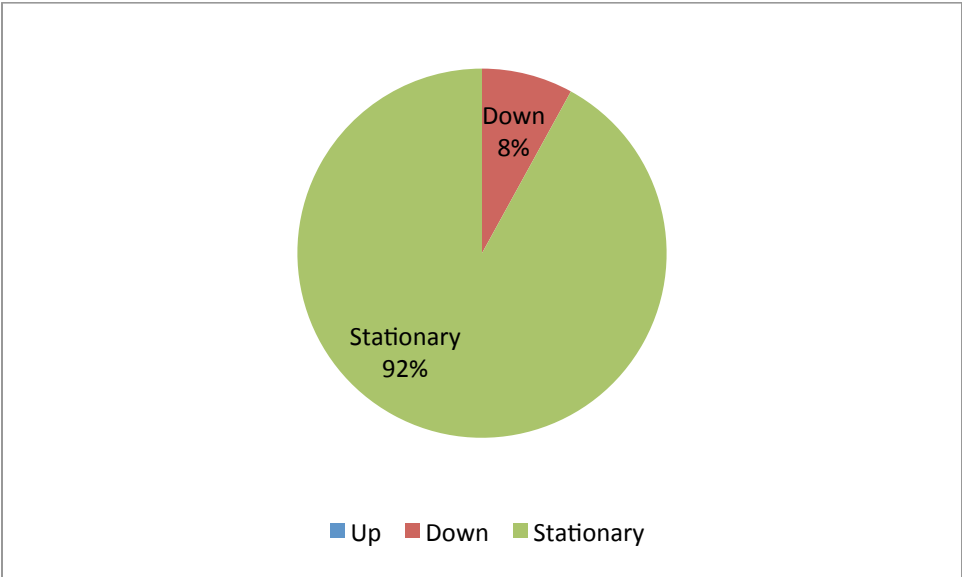
**Consensus on Capital Markets:**

- Cap rates should not be going up, they are stationary and considering the amount of money chasing yield, they could possibly push cap rates a little lower for certain product types.

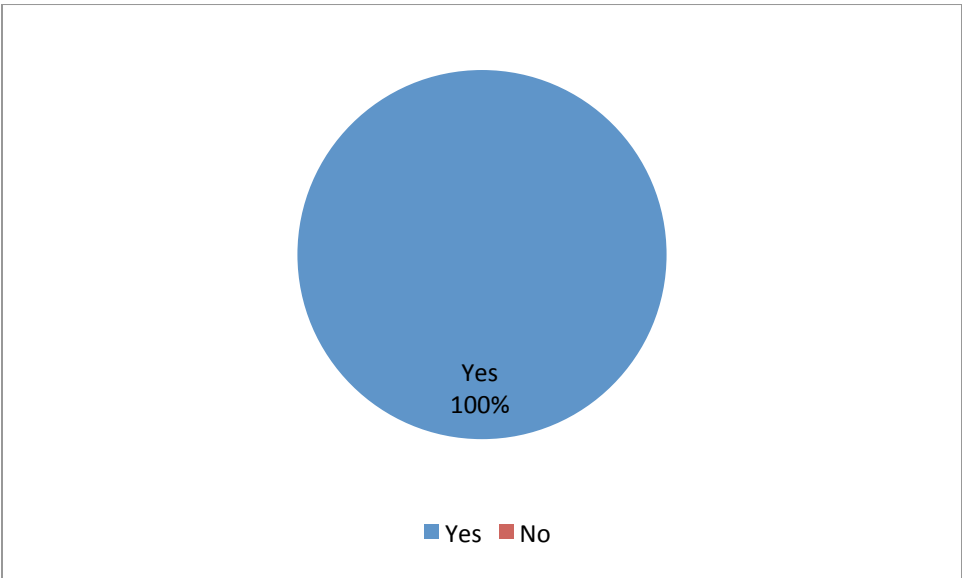
**Where are Interest Rates for commercial loans headed in the next 6 months (October 2014 – March 2015)?**



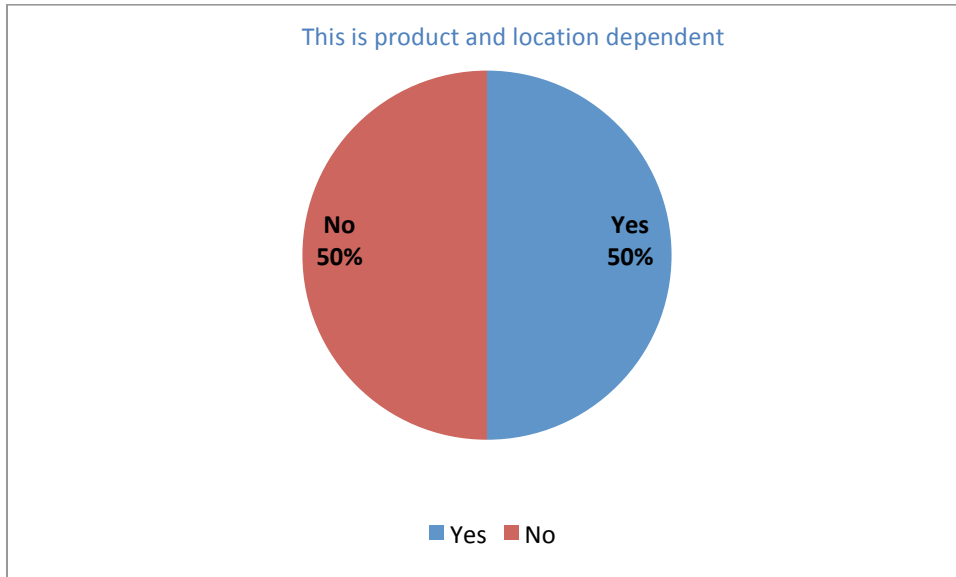
Where are Investor Returns headed in the next 6 months (October 2014 – March 2015)?



Has Cap Rate Compression helped effect gains in core real estate values over the 4th Quarter of 2013?



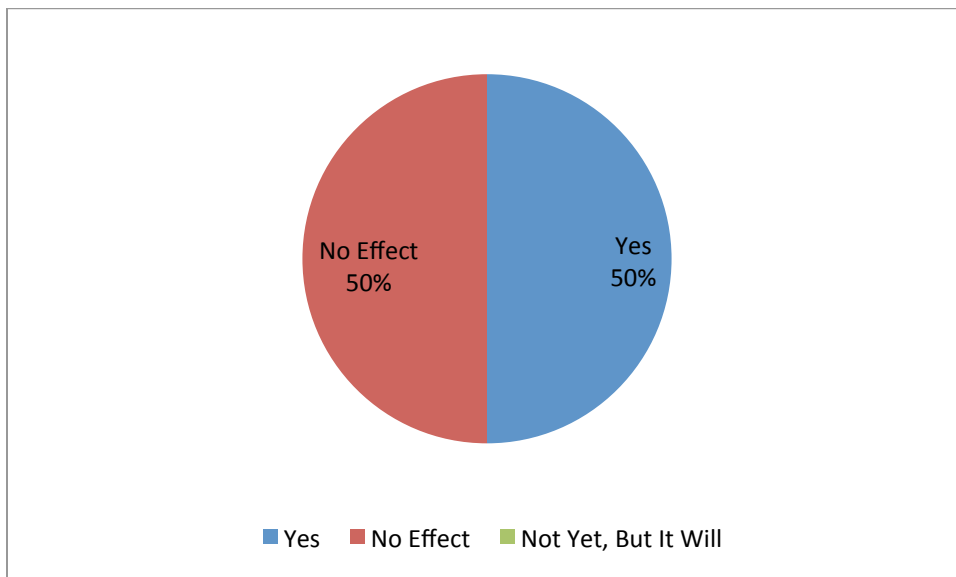
**Will Cap Rate Compression continue in the First Quarter of 2014?**



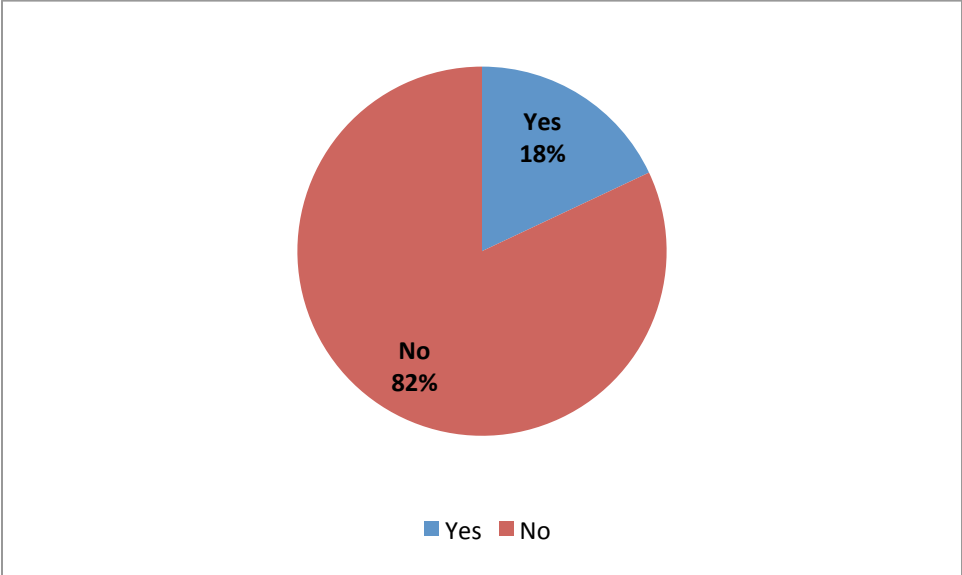
**Consensus on Land and Home Markets:**

- Still optimistic that the fundamentals are good, people are still moving here; although the cost of land is becoming problematic.
- Optimistic there will be a buying season this coming year.

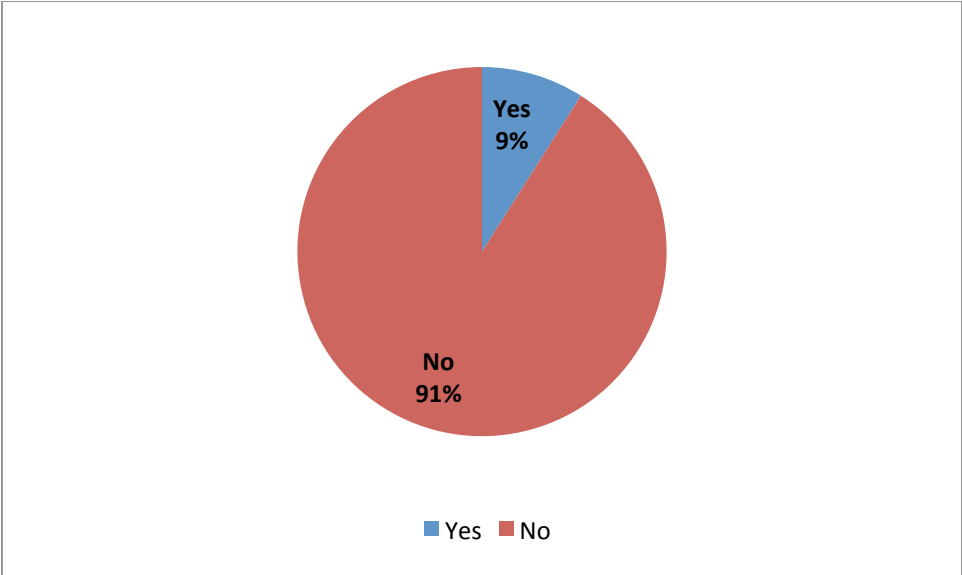
**Is the tight inventory for homes on the market affecting the commercial side at all?**



**Have land prices reached their peak?**



**Have homebuilders stopped buying land?**



**Are homebuilders backing out of land deals?**

