

April 9, 2012
(released monthly at <http://urbanland.uli.org/barometer>)

ULI Real Estate Business Barometer United States

By Anita Kramer

The top 12 trends in this month's Barometer point to mixed signals everywhere—in the economy, capital markets, and housing market. Still, compared with a year ago, 79 percent of the key indicators in the Barometer are better and only 21 percent are worse. (For annual projections of key Barometer indicators, see the new [ULI Real Estate Consensus Forecast](#)).

In those top 12 monthly trends:

- Employment growth in March was a disappointing 120,000 jobs after three straight months of growth that topped 220,000 jobs. At March's growth rate, it would take more than 3.5 years to regain the 5.2 million jobs lost in the past four years.
- The unemployment rate inched down and is at its lowest level in three years.
- Fourth-quarter 2011 GDP growth remained at its highest level in a year and a half, according to the final estimate. GDP growth is now above its long-term quarterly average.
- Consumer confidence fell from the previous month's 12-month high; retail sales were strong; total construction put in place declined and is off over 30 percent from its pre-recession high.
- Investment-grade property prices were down in January and general-grade prices were up, according to the latest repeat-sales indices; both remain off by about 30 percent from their pre-recession highs. Estimates of REIT portfolio market values inched up in March after a fairly flat January and February.
- NAREIT returns in March were healthy in all sectors and were strongest in the apartment and industrial sectors.
- Commercial property transaction volumes fell in February to a 12-month low. Continuing the volatility of the past 12 months, CMBS issuance shot up, as did CMBS delinquency rates.
- In the multifamily housing industry, permits inched down from a 38-month high and starts remained stable at their second-highest level in 39 months.

- Permits and starts in the single-family housing industry are at a 21-month high, though still only at a quarter of their peak. Sales of new single-family homes, already near a 50-year low, slid further; but prices jumped to just below their peak.
- Sales of existing single-family homes fell but remain above their 40-year monthly average; prices inched up in February but remain substantially below their peak.
- Inventory (months' supply) of both new and existing homes remains below long-term monthly averages.
- Total foreclosure filings were down in February to their second-lowest monthly levels in over four years.

ULI Real Estate Business Barometer Summary as of April 9, 2012

The Economy

	CURRENT ACTIVITY						HISTORY		
	Latest Month/Quarter	Compared to . . .				Previous Month/Quarter Data	Same Period 1 yr ago	Annual Change	Historic Average Since (year noted)
		Period	Data	Previous Month/Qtr	One-Year Ago				
Real GDP Growth ^{1,2}	Qtr4 , '11	3.0%	●	●	●	1.8%	2.3%	1.6%	2.8% ¹⁹⁷⁰
Unemployment Rate ^{1,3}	March	8.2%	●	●	●	8.3%	8.9%		6.4% ¹⁹⁷⁰
Employment Growth (total) ^{1,3,4}	March	120,000	●	●	●	240,000	246,000	1,899,000	121,000 ¹⁹⁷⁰
Private Employment Growth ^{1,3}		121,000	●	●	●	233,000	261,000	2,099,000	103,000 ¹⁹⁷⁰
Government Employment Growth ^{1,3}		-1,000	●	●	●	7,000	-15,000	-200,000	19,000 ¹⁹⁷⁰
Inflation/CPI ^{1,3,5}	February	0.4%	●	●	●	0.2%	0.4%	2.9%	0.4% ¹⁹⁷⁰
S&P 500 Returns, monthly ⁶	March	3.29%	●	●	●	4.3%	0.04%	8.5%	0.9% ¹⁹⁷⁰
S&P 500 Returns, rolling 12-months ⁶	March	8.54%	●	●	●	5.1%	15.65%		10.5% ¹⁹⁹¹
Consumer Confidence Index™ ^{7, 1985-100}	March	70.2	●	●	●	71.6	63.8	10.0%	
Retail Sales ^{1,8}	February	1.1%	●	●	●	0.6%	0.9%	6.5%	0.4% ¹⁹⁹²
Construction Spending ^{1,9} (\$ billions), total	February	\$808.9	●	●	●	\$818.1	\$764.2	5.8%	
Private construction		\$527.3	●	●	●	\$531.7	\$478.7	10.2%	
Public construction		\$281.6	●	●	●	\$286.4	\$285.5	-1.4%	

● worse ● same ● better

1. Seasonally adjusted

2. GDP quarterly growth is expressed as an annualized rate; year-to-year growth is straight percent change to current quarter from same quarter one year ago. Source: Bureau of Economic Analysis, U.S. Department of Commerce. www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm

3. Source: Bureau of Labor Statistics, U.S. Department of Labor. <http://www.bls.gov/>

4. Employment growth describes total payroll jobs gained or lost.

5. Month-to-month changes are based on seasonally adjusted data; year-to-year change is based on non-seasonally adjusted data. Source: Bureau of Labor Statistics, U.S. Department of Labor <http://www.bls.gov/>

6. Standard & Poor's www.standardandpoors.com

7. Source: The Conference Board, Consumer Confidence Index™. See graph for historic trends. www.conference-board.org/economics/ConsumerConfidence.cfm

8. Source: U.S. Census Bureau, U.S. Department of Commerce. Incorporates revisions of historic data issued 4/30/09. www.census.gov/retail/

9. Source: U.S. Census Bureau, U.S. Department of Commerce. <http://www.census.gov/const/www/totpage.html>

News in the economy was mixed: fourth-quarter GDP growth was the highest in a year and a half; the unemployment rate inched down; retail sales were solid. But employment growth was disappointing and consumer confidence fell. In addition, private construction value declined, while S&P returns were healthy.

Net job growth in March of 120,000 jobs was half that of the previous month and is now just below the historical average monthly growth (since 1970). On the positive side, public sector job losses, previously a major drag on net job growth, have declined significantly over the past 12 months. Still, the country has 5.2 million fewer jobs than it did four years ago. At March's growth rate, it would take over 3.5 years to regain just that number of jobs—a timeline that does not address the additional employment needs of a growing population. Private sector job gains in February occurred in food services, health

care, durable goods manufacturing, services to buildings and dwellings, professional and technical services, and credit intermediation. **The overall unemployment rate** inched down to 8.2 percent in March—the lowest rate in three years.

The final estimate of fourth-quarter 2011 **GDP** growth is 3.0 percent, the highest growth rate in six quarters. The GDP growth rate, which was almost flat in first-quarter 2011, has increased steadily in all subsequent quarters and now is above the long-term quarterly average (since 1970). Factors contributing to fourth-quarter growth were private inventory investment, personal consumption expenditures (dominated by motor vehicles), nonresidential fixed investment (primarily equipment and software), exports, and residential fixed investment. These were partially offset by declines in federal, state, and local government spending and a slowing in nonresidential fixed investment. Imports, which are a subtraction in the GDP, increased.

The **Consumer Confidence Index** fell by 2 percent in March to 70.2; February's figure had been the highest level in a year and the third highest in four years (since February 2008). It is now 80 percent of the January 2008 level of 87.3. Total **retail sales** in February were up a strong 1.1 percent, the result of price increases in gasoline, but also healthy sales growth in motor vehicles, clothing, department store purchases, building materials, sporting goods, and electronics, offset primarily by sales declines in home furnishings. Excluding gasoline sales, retail sales in February were still up a very strong 0.8 percent. Retail sales volume—\$407.8 billion—is 6.5 percent higher than one year ago but exceeds the pre-recession peak of \$378.4 billion (in November 2007) by only 7.7 percent.

The value of private **construction** put in place declined in February, the second-straight month of decline after reaching a two-year high in December. Public construction put in place decreased in February after levels were essentially steady in December and January. February's total construction value of \$808.9 billion is down 33 percent from the pre-recession high in March 2006.

Inflation, as measured by the **Consumer Price Index**, was 0.4 percent in February, with gasoline prices accounting for 80 percent of the change. For the past 12 months, the CPI has risen 2.9 percent.

Monthly **S&P 500** returns were healthy in March at 3.3 percent, just slightly lower than the previous two months, maintaining the welcome recovery from the two fairly flat months of November and December. Year-over-year returns were the highest in seven months at 8.5 percent but were lower than the historic 12-month average.

Real Estate Capital Markets

	CURRENT ACTIVITY						HISTORY		
	Latest Month/Quarter		Compared to . . .			Previous Month/ Quarter Data	Same Period 1 yr ago	Annual Change/ Year-to-Year Change	Historic Average Since (year noted)
	Period	Data	Previous Month/Qtr	One-Year Ago	Historic Average				
RCA Capitalization Rates ⁴	February	7.03%				6.98%	7.25%	-22bp	7.5% ²⁰⁰¹
NCREIF Capitalization Rates ⁵	Qtr 4 '11	6.03%				5.81%	6.33%	-30bp	7.5% ¹⁹⁷⁸
RCA Property Sales Volume ¹ (\$billions)	February	\$9.4	●	●	●	\$12.8	\$7.6	23.1%	\$14.9 ²⁰⁰¹
Office		\$2.9	●	●	●	\$5.1	\$2.3	25.5%	\$5.6 ²⁰⁰¹
Retail		\$1.8	●	●	●	\$1.9	\$1.7	6.4%	\$2.9 ²⁰⁰¹
Apartments		\$2.9	●	●	●	\$4.2	\$2.5	17.0%	\$4.1 ²⁰⁰¹
Industrial		\$1.7	●	●	●	\$1.6	\$1.1	58.1%	\$2.3 ²⁰⁰¹
GSA Commercial Property Price Index ² (% change) ²	March	0.7%	●	●		0.3%	3.6%	7.9%	0.4% ¹⁹⁹⁸
CoStar Commercial Repeat-Sales Index ³ (% change) ³	January								
Composite Index		1.50%	●	●		-0.44%	-0.15%	1.9%	0.3% ¹⁹⁹⁸
Investment Grade Index		-1.70%	●	●		0.22%	-0.07%	3.7%	0.2% ¹⁹⁹⁸
General Commercial Index		1.97%	●	●		-0.81%	-0.26%	1.6%	0.4% ¹⁹⁹⁸
NCREIF Property Index, total returns ⁶	Qtr 4 '11	3.0%	●	●		3.3%	4.6%	14.3%	2.2% ¹⁹⁷⁸
Income return		1.5%	●	●		1.5%	1.6%	6.1%	1.9% ¹⁹⁷⁸
Capital appreciation return		1.5%	●	●		1.8%	3.0%	7.8%	0.4% ¹⁹⁷⁸
NCREIF Property Index, total returns by property type ⁶	Qtr 4 '11								
Office		2.5%	●	●		3.0%	3.9%	13.8%	2.1% ¹⁹⁷⁸
Retail		3.4%	●	●		3.6%	4.8%	13.8%	2.3% ¹⁹⁷⁸
Apartments		3.5%	●	●		3.6%	6.3%	15.5%	2.2% ¹⁹⁸⁴
Lodging/Resorts		2.1%	●	●		2.0%	3.4%	11.8%	1.9% ¹⁹⁸⁸
Industrial		2.7%	●	●		3.4%	3.4%	14.6%	2.3% ¹⁹⁷⁸
Equity NAREIT, total returns, all sectors ⁷	March	4.8%	●	●		-0.9%	-1.3%	11.3%	1.1% ¹⁹⁷²
Income return		0.4%				0.3%	0.4%	4.0%	0.6% ¹⁹⁷²
Price return		4.4%	●	●		-1.2%	-1.7%	7.3%	0.5% ¹⁹⁷²
Equity NAREIT, total returns by property sectors ⁷	March								
Office		3.3%	●	●		-0.7%	-0.7%	2.1%	1.1% ¹⁹⁹⁴
Retail		5.9%	●	●		1.1%	-2.7%	23.0%	1.2% ¹⁹⁹⁴
Apartments		8.5%	●	●		-3.8%	0.3%	16.8%	1.2% ¹⁹⁹⁴
Lodging/Resorts		5.2%	●	●		-2.7%	-3.9%	-2.2%	0.8% ¹⁹⁹⁴
Industrial		7.0%	●	●		4.7%	-1.3%	5.5%	1.2% ¹⁹⁹⁴
CMBS Issuance ⁸ (\$billions)	March	\$3.80	●	●	●	\$0.82	\$3.37	12.6%	\$4.9 ¹⁹⁹¹
CMBS Delinquency Rates ⁹	March	9.68%	●	●	●	9.37%	9.42%	26bp	2.6% ¹⁹⁹⁹
Bank RE Loan Delinquency Rates ¹⁰	Qtr 4 '11								
Commercial Mortgages		3.76%	●	●	●	3.93%	4.29%	-53bp	2.2% ¹⁹⁹¹
Multifamily Mortgages		2.53%	●	●	●	2.90%	3.78%	-125bp	1.9% ¹⁹⁹¹
Construction and Development Loans		13.44%	●	●	●	14.59%	16.06%	-262bp	5.1% ¹⁹⁹¹
Treasury Bill Rates ¹¹									
3-month Treasury	March 30	0.07%				0.08% ^{2/29/12}	.09% ^{3/31/11}	-2bp	3.5% ¹⁹⁹⁰
10-Year Treasury	March 30	2.23%				1.98% ^{2/29/12}	3.47% ^{3/31/11}	-124bp	5.3% ¹⁹⁹⁰

● worse ● same ● better

- Source: Real Capital Analytics. Based on properties and portfolios \$5 million and greater. Includes office, retail, apartments, industrial properties. Excludes hotels. www.rcanalytics.com/
- Source: Green Street Advisors www.greenstreetadvisors.com
- Source: CoStar Group. www.costar.com
- Source: Real Capital Analytics. Includes core property types: apartments, industrial, office-CBD, office suburban, and strip retail. www.rcanalytics.com/
- Source: National Council of Real Estate Investment Fiduciaries (NCREIF). Includes office, retail, apartment, and industrial properties. Excludes hotels. www.ncreif.com/
- Source: National Council of Real Estate Investment Fiduciaries (NCREIF). NCREIF Property Index is based on quarterly returns of individual properties during that quarter before deduction of investment management fees, with each property's return weighted by its market value. www.ncreif.com/
- Source: National Association of Real Estate Investment Trusts (NAREIT). Monthly returns (and index) values beginning January 1999 are calculated on the basis of the daily returns and index values published as of January 4, 1999. Return components are price and income. www.reit.com
- Source: Commercial Mortgage Alert. www.cmalert.com/index.php
- Source: Trepp, LLC. Delinquency rates are for fixed-rate, conduit CMBS transactions and include 30,60,90-day delinquent, performing and non-performing matured loans, loans in in foreclosure and RED. www.trepp.com
- FDIC
- Source: U.S. Federal Reserve

Real estate capital market indicators were mixed in this month's Barometer. Prices declined for investment-grade property, indicated by repeat-sales indices, and inched up, as indicated by an index based on REIT portfolio market values. Repeat-sales indices for general-grade property show an increase in prices. NAREIT returns were healthy for all sectors. Transaction volumes fell for the second-straight month while CMBS issuance shot up, but CMBS delinquency rates also jumped.

Capitalization rates, as reported by Real Capital Analytics, rose slightly from 6.98 percent in January to 7.03 in February, returning to levels seen in early fall after a three-

month dip. As reported by NCREIF, **capitalization rates** increased from 5.81 percent in the third quarter to 6.03 percent in the fourth quarter. Third-quarter cap rates had been at their lowest level since the third quarter of 2008.

Commercial property sales volumes (excluding land and hotels) fell by 27 percent to \$9.4 billion in February, continuing the decline from an end-of-the-year spike to \$29.9 billion in December, according to Real Capital Analytics. February's sales volumes were the second-lowest monthly figures since June 2010. The apartment and office sectors were the most active, with 32 percent and 31 percent of the transaction volume, respectively, followed by retail (19 percent) and industrial (18 percent).

The ten most active sales markets in the past 12 months accounted for 46 percent of all transactions. They were, in descending order, Manhattan, Los Angeles, Chicago, Boston, Dallas, the Virginia suburbs of Washington, D.C., Houston, San Francisco, Atlanta, and San Diego, according to Real Capital Analytics. Over \$5.4 billion in transactions have been recorded in each of these cities since March 1, 2011.

The Investment Grade Index of the **CoStar Commercial Repeat-Sale Indices** declined almost 2 percent in January after an essentially flat December followed three straight months of growth. (These indices are based on a repeat-sales methodology that tracks transactions over \$100,000 and includes land sales, with a two-month lag.) Values are down 30 percent from the peak value in June 2007 but up about 3.7 percent from a year earlier. The General Grade Index of the CoStar Commercial Repeat-Sale Indices increased almost 2 percent after a slight dip in December interrupted seven months of growth. The index is now down 32 percent from its peak value in August 2007 and up 1.6 percent from a year earlier.

The **GSA Commercial Property Price Index**, based on estimates of private market values for REIT portfolios, inched up 0.7 percent in March, the largest monthly gain since August. Over the past nine months, the GSA Price Index has increased only 2.9 percent, although it has increased 8 percent over the past 12 months, most growth occurring in early spring 2011. It is now down just 7 percent from its peak value in August 2007.

(Note: The Moody's/REAL Commercial Property Price Index, previously reported in the Barometer, is no longer produced.)

As presented in last month's Barometer, the **NCREIF Property Index** turned in a positive fourth quarter with total returns of 3.0 percent, sustaining the positive returns that began in the first quarter of 2010. The capital appreciation component was 1.5 percent for the quarter. Total 12-month returns are now 14.3 percent. Returns for the quarter by property sector range from 2.1 percent for the lodging/resorts sector to 3.5 percent for apartments.

Returns in the **REIT sector** were strong at 4.8 percent in March, rebounding from February's weak returns of -0.9 percent. One-year returns are now at 11.3 percent. Total

returns for the month by property sector range from 3.3 percent for the office sector to 8.5 percent for apartments.

CMBS issuance jumped from \$818 million in February to \$3.8 billion in March, the highest monthly volume in six months, according to *Commercial Mortgage Alert*. According to Trepp LLC, **CMBS delinquency rates** increased to 9.68 percent in March from 9.37 percent in February, the second-largest monthly jump since the beginning of 2011.

Bank **real estate loan delinquency rates** continued to fall in the fourth quarter. Commercial and multifamily mortgage delinquency rates are now 3.76 percent and 2.53 percent, respectively. Construction and development loans have the highest delinquency rate at 13.44 percent, substantially above the quarterly historical average (since 1991) of 5.1 percent.

Housing

	CURRENT ACTIVITY					HISTORY			
	Latest Month/Quarter		Compared to . . .			Previous Month/Quarter Data	Same Period 1 yr ago	Year-to-Year Change	Historic Average Since (year ended)
	Period	Data	Previous Month/Qtr	One-Year Ago	Historic Average				
Prices									
New Single-Family, Median²	February	\$233,700	●	●		\$215,700	\$220,100	6.2%	
% change		8.3%				-1.3%	-8.3%		0.32% ¹⁹⁹⁰
Existing Single-Family									
NAR Median³	February	\$157,100	●	●		\$154,600	\$156,900	0.1%	
% change		1.6%				-4.9%	-1.0%		0.21% ¹⁹⁹⁰
S&P/Case-Shiller Home Price Index (% change)⁴	January	-0.8%	●	●		-1.1%	-1.1%	-3.8%	0.22% ²⁰⁰⁰
FHFA House Price Index (% change)⁵	January	-0.5%	●	●		-0.9%	-1.4%	-0.7%	0.24% ¹⁹⁹¹
Existing Condominiums, NAR Median³	February	\$153,000	●	●		\$155,000	\$150,600	1.6%	
% change		-1.3%				-2.3%	-1.9%		0.3% ¹⁹⁹⁹
Building Permits									
Total, annual rate^{1, 2, 9}	February	690,000	●	●	●	678,000	577,000	19.6%	1,386,000 ¹⁹⁷⁰
Single-Family Permits, annual rate^{1, 2, 9}	February	454,000	●	●	●	442,000	415,000	9.4%	910,000 ¹⁹⁷⁰
Multi-Family Permits, annual rate^{1, 2, 9}	February	212,000	●	●	●	214,000	142,000	49.3%	395,000 ¹⁹⁷⁰
Housing Starts									
Total, annual rate^{1, 2, 9}	February	695,000	●	●	●	696,000	560,000	24.1%	1,495,000 ¹⁹⁷⁰
Single-Family Starts, annual rate^{1, 2, 9}	February	490,000	●	●	●	490,000	415,000	18.1%	1,082,000 ¹⁹⁷⁰
Multi-Family Starts, annual rate^{1, 2, 9}	February	189,000	●	●	●	189,000	132,000	43.2%	350,000 ¹⁹⁷⁰
New Homes: Single-Family									
Total Homes Sold, annual rate^{1, 2}	February	313,000	●	●	●	318,000	281,000	11.4%	696,000 ¹⁹⁷⁰
Total Home Inventory^{1, 2}	February	150,000	●	●	●	150,000	182,000	-17.6%	338,000 ¹⁹⁷⁰
Months' Supply^{1, 2}	February	5.8	●	●	●	5.7	7.8	-25.6%	6.3 ¹⁹⁷⁰
Pending Home Sales^{1, 3}	February	96.5	●	●	●	97.0	88.4	9.2%	102.1 ²⁰⁰¹
Existing Homes: Single-Family									
Total Homes Sold, annual rate^{1, 3}	February	4,060,000	●	●	●	4,100,000	3,710,000	9.4%	3,683,000 ¹⁹⁷⁰
Total Home Inventory^{1, 3}	February	2,110,000	●	●	●	2,080,000	2,580,000	-18.2%	2,263,000 ¹⁹⁸²
Months' Supply^{1, 3}	February	6.2	●	●	●	6.1	8.3	-25.3%	7.3 ¹⁹⁸²
Existing Homes: Condominiums									
Total Homes Sold, annual rate^{1, 3}	February	530,000	●	●	●	530,000	510,000	3.9%	487,000 ¹⁹⁸⁹
Total Home Inventory^{1, 3}	February	322,000	●	●	●	253,000	428,000	-24.8%	362,000 ¹⁹⁹⁹
Months' Supply^{1, 3}	February	7.3	●	●	●	5.7	10.1	-27.7%	7.5 ¹⁹⁹⁹
Home Mortgages									
Home Mortgage Rates⁷ (30-year, fixed)	March	3.95%	●	●	●	3.89%	4.84%	-89bp	8.8% ¹⁹⁷¹
Foreclosure Filings⁸	February	206,900	●	●		210,941	225,101	-8.1%	

● worse ● same ● better

1. Seasonally adjusted.

2. Sources: Joint releases by U.S. Department of Commerce, Census Bureau, and U.S. Department of Housing and Urban Development. Single-family data includes detached single-family homes and townhomes; multi-family data includes units in structures with 5 units or more. Total housing starts also includes units in structures with 2 to 4 units. For Permits/Starts: <http://www.census.gov/construction/nrc/> For new home sales: <http://www.census.gov/construction/nrs/>

3. Source: National Association of Realtors. <http://www.realtor.org/research/research/ehspage>

4. 20-city composite. Source: Standard & Poor's, S&P/Case-Schiller Home Price Indices. This index collects data on single-family home re-sales and is reported monthly as a 3-month moving average, with a two month lag. www.standardandpoors.com

5. Source: Federal Housing Finance Agency. www.fhfa.gov

7. Source: Freddie Mac http://www.freddiemac.com/pmms/docs/30yr_pmmsmth.xls

8. Source: RealtyTrac. Includes default notices, auction sales notices, and bank repossessions. www.realtytrac.com/TrendCenter/default.aspx

9. Permits and starts are reported as a 3-month moving average.

Multifamily monthly permit and start activity are both near 3-year highs. Single-family monthly permits and starts volumes are both at 21 month-highs, although low by historical standards. Sales of new single-family homes, already near their lowest level since 1963, slid further but prices jumped. Sales of existing single-family homes also fell, though they remained above their historical average, and the National Association of Realtors (NAR) Index of Pending Sales fell. The prices of existing homes fell in January, according to all sources. The one data source available for February, reporting on activity throughout the country, showed an increase in existing home prices.

The S&P/Case-Shiller Index for **existing home prices** moved down 0.8 percent in January, the fifth-straight month of decline, bringing it to 34 percent below its peak in July 2006 and the lowest level since then. (This index, a composite of repeat transactions in 20 cities, is reported monthly as a three-month moving average, with a two-month lag.) The Federal Housing Finance Agency House Price Index (HPI), which has been

vacillating since last April, shifted very slightly downward in January; it is down 20 percent from its peak in June 2007 and is only 0.6 percent above its lowest level (in March 2011) since then. (The HPI covers repeat transactions in the entire country and is reported monthly with a two-month lag.) However, NAR data (which report individual, unpaired transactions for the entire country) for February show a price increase of 1.6 percent. NAR's January data showed a decline of 4.9 percent in the median price of existing single-family homes, following six months in which only one month showed an increase. Median prices for existing single-family homes stood at \$157,100, which is 29 percent below the peak in 2006, and, except for January's low, their lowest level since then.

Median **prices for new single-family homes** jumped 8.3 percent in February to \$233,700. Prices are up 6 percent from the same period one year earlier and down just 6 percent from the peak in 2007.

Single-family building permits were up 2.7 percent in February (based on a three-month moving average) to 454,000, the highest monthly permit volume in 21 months. Still, February's permit numbers are 74 percent below the pre-recession high in November 2005. **Single-family starts** remained stable in February (on a three-month moving average) at 490,000, the highest monthly starts volume in 21 months, although the figure remains 72 percent below the pre-recession high in November 2005.

Sales of new single-family homes declined by 1.6 percent in February. Both new single-family home sales volume and inventory remain near lows not seen since record keeping began in 1963. For monthly sales, this has been true for the past 22 months; for monthly inventory, this has been true for the past 12 months. Sales are now 77 percent below the pre-recession high in July 2005.

The number of **existing single-family home sales** (seasonally adjusted) decreased 1.0 percent in February to 4.06 million, a disappointment after sales had jumped to a 20-month high in January. February's decline followed the seesawing seen throughout 2011, but this month's figures are still up over those of a year earlier by 9.4 percent; February's sales and those in 13 of the past 15 months exceeded the long-term monthly average (since 1970). Inventory increased in February by 1.4 percent and supply rose to 6.2 months, still 15 percent below the long-term average. February's monthly sales were 36 percent below the pre-recession high in September 2005 but a strong 39 percent above their lowest level (in July 2010) since then. The forward-looking **NAR Index of Pending Sales** (of existing single-family homes, condos, and co-ops) retreated slightly in February. January's level had been the highest in 21 months, when the first-time homebuyer credit expired (April 2010).

Multifamily building permits inched down from January's 38-month high of 214,000 to 212,000 in February (based on a three-month moving average). Multifamily housing **starts** remained stable in February at 189,000, their second-highest monthly level in 39 months (lower only than November figures). **Existing condo sales** were stable at 530,000, 9 percent above the long-term monthly average (since 1989); with an increase in

inventory, supply increased from 5.7 months to 7.3 months, just 3 percent below the long-term average.

Foreclosure filings—default notices, scheduled auctions, and bank repossessions—decreased by almost 2 percent in February from a month earlier to 206,900, according to RealtyTrac, and are down 8.1 percent from a year earlier, the lowest annual decrease since November 2010. As noted by RealtyTrac, “February’s numbers point to a gradually rising foreclosure tide as some of the barriers that have been holding back foreclosures are removed [through the settlement filed in early February]. Although national foreclosure activity was pushed lower by decreases in a handful of larger states, 21 states posted annual increases in foreclosure activity, the most states with annual increases since November 2010.”

Home **mortgage rates** (30-year fixed) rose in March to 3.95 percent from 3.89 percent in February. February’s rate was the lowest monthly rate since record keeping began in 1971.

Commercial/Multifamily Investment Property

	CURRENT ACTIVITY						HISTORY		
	Latest Month/Quarter		Compared to . . .			Previous Month/ Quarter Data	Same Period 1 yr ago	Year-to-Year Change	Historic Average since (year noted)
	Period	Data	Previous Month/Qtr	One-Year Ago	Historic Average				
Vacancy/Availability Rates:									
Office Vacancy ¹	Qtr 4 '11	16.0%	●	●	●	16.2%	16.5%	-50 bp	15.3% ⁽¹⁹⁸⁵⁾
Retail Availability ^{1,3}	Qtr 4 '11	13.2%	●	●	●	13.2%	13.0%	+20 bp	9.6% ⁽¹⁹⁸⁹⁾
Industrial Availability ^{1,3}	Qtr 4 '11	13.6%	●	●	●	13.7%	14.3%	-70 bp	9.1% ⁽¹⁹⁸⁰⁾
Apartment Vacancy ¹	Qtr 4 '11	5.2%	●	●	●	5.0%	6.0%	-80 bp	5.3% ⁽¹⁹⁹⁴⁾
Hotel Occupancy ²	Qtr 4 '11	55.5%		●	●		53.4%	+210 bp	56.5% ⁽¹⁹⁸⁷⁾
Rent Index:									
Office (psf) ¹	Qtr 4 '11	\$26.47	●	●	●	\$26.31	\$25.69	3.0%	
Retail (psf) ¹	Qtr 4 '11	\$18.79	●	●	●	\$18.87	\$19.21	-2.2%	
Industrial (psf) ¹	Qtr 4 '11	\$5.00	●	●	●	\$5.01	\$5.03	-0.6%	
Apartments (per unit) ¹	Qtr 4 '11	\$1,262.99	●	●	●	\$1,246.07	\$1,203.69	4.9%	
Hotel RevPar Index ²	Qtr 4 '11	\$56.65		●	●		\$52.52	7.9%	
Net Absorption:									
Office (millions sf) ¹	Qtr 4 '11	8.99	●	●	●	3.08	10.65	26,599	11.69 ⁽¹⁹⁸⁸⁾
Retail (millions sf) ¹	Qtr 4 '11	2.81	●	●	●	3.40	3.21	2,149	8.74 ⁽¹⁹⁹⁰⁾
Industrial (millions sf) ¹	Qtr 4 '11	27.60	●	●	●	34.55	36.42	117,284	31.64 ⁽¹⁹⁸⁰⁾
Apartments (Units) ¹	Qtr 4 '11	-16,197	●	●	●	67,213	-21,589	162,570	41,687 ⁽¹⁹⁹⁴⁾
Completions:									
Office (millions sf) ¹	Qtr 4 '11	1.96	●	●	●	2.16	3.76	9,463	16.15 ⁽¹⁹⁸⁵⁾
Retail (millions sf) ¹	Qtr 4 '11	2.40	●	●	●	2.42	3.06	7,961	12.73 ⁽¹⁹⁸⁰⁾
Industrial (millions sf) ¹	Qtr 4 '11	10.95	●	●	●	6.01	9.51	25,141	46.43 ⁽¹⁹⁸⁰⁾
Apartments (number of units) ¹	Qtr 4 '11	14,594	●	●	●	14,647	11,012	53,322	42,837 ⁽¹⁹⁹⁴⁾

● worse ● same ● better

1. Source: CBRE Econometric Advisors www.cbre-ea.com

2. Source: Smith Travel Research. Includes all markets. www.str.com

3. Availability¹ includes space that is vacant and space occupied but available for build out within 12 months.

(Note: The commentary and data outlined below and in the accompanying table are the same as those presented last month because all the information is taken from quarterly data).

Office rents continued a slow climb in the fourth-quarter of 2011; apartment rents have increased for seven straight quarters and are now above their pre-recession peak. Industrial and retail rents continue to decline, although the pace is slowing. Hotel revenue

per available room (RevPAR) increased from the same quarter in the previous year. Office vacancy and industrial availability rates continued their slow six-quarter descent, while retail availability stayed at its highest level on record (since 1989) for the third-straight quarter and apartment vacancies inched up from their post-recession low. Fourth-quarter hotel occupancy improved from the previous year. Completions in all sectors are extremely low by historical standards, although the apartment sector is the strongest at about one-third its long-term average.

Office vacancy rates stood at 16.0 percent in the fourth quarter of 2011, down slightly from 16.2 percent in the third quarter and 50 basis points below the figure for the same period one year earlier, according to CBRE. Rents crept higher for the fourth-straight quarter and are up 3.0 percent from a year earlier. Net absorption stood at 8.99 million square feet of space, almost tripling that of the previous quarter, while completions remain low at 12 percent of the long-term average (since 1985).

Retail availability rates stood at 13.2 percent in the fourth quarter of 2011, registering no change for the third-straight quarter, and are up 20 basis points from the same quarter one year earlier, according to CBRE. Rents continued their four-year slide in the fourth quarter and are off 2.2 percent from a year earlier. Net absorption was down from the third quarter but positive for the second-straight month, at 2.8 million square feet, and completions were steady at 19 percent of the long-term average (since 1980).

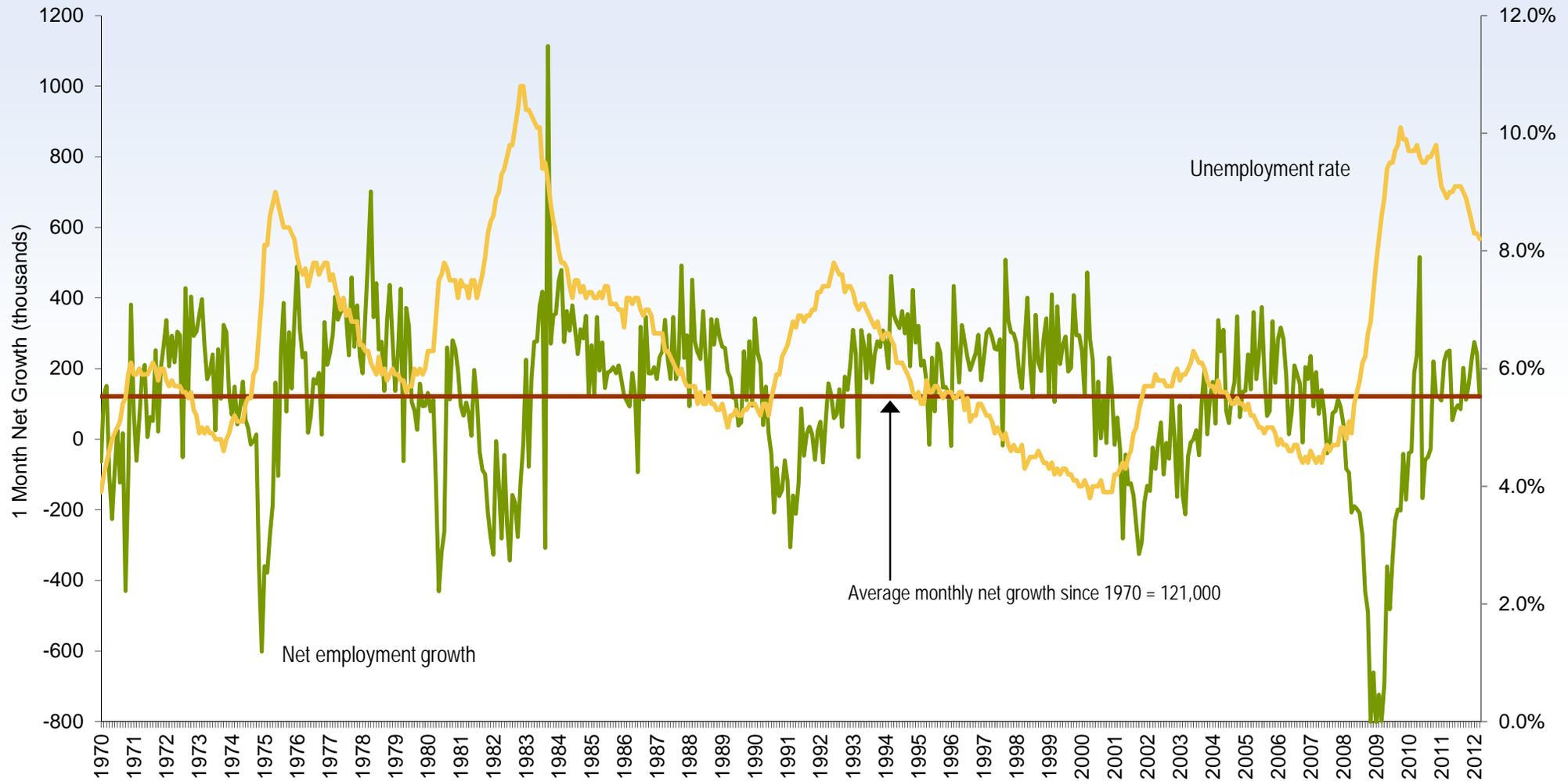
Industrial availability rates stood at 13.6 percent in the fourth quarter of 2011, continuing their slow but consistent six-quarter decline; rates are now down 70 basis points from the same quarter a year earlier. Rents stayed about the same and are off 1.0 percent from a year earlier. Net absorption was strong at 27.6 million square feet, although down from the previous quarter, and completions were up, although they are only at 24 percent of the long-term average (since 1980).

Apartment vacancy rates edged up to 5.2 percent in the fourth quarter of 2011 from 5.0 percent in the third quarter, though rates are 80 basis points lower than for the same quarter a year earlier. Rents were up 1.4 percent in the fourth quarter and are 4.9 percent higher than a year earlier. Completions in the fourth quarter of 2011 were at about the same level as the previous quarter and at 34 percent of the long-term average (since 1994).

Hotel occupancy rates stood at 55.5 percent in the fourth quarter of 2011, up from 53.4 percent in the same quarter a year earlier, according to Smith Travel Research, while the RevPAR Index was up 7.9 percent from a year earlier.

Employment Net Growth (All Employees) and Unemployment Rate

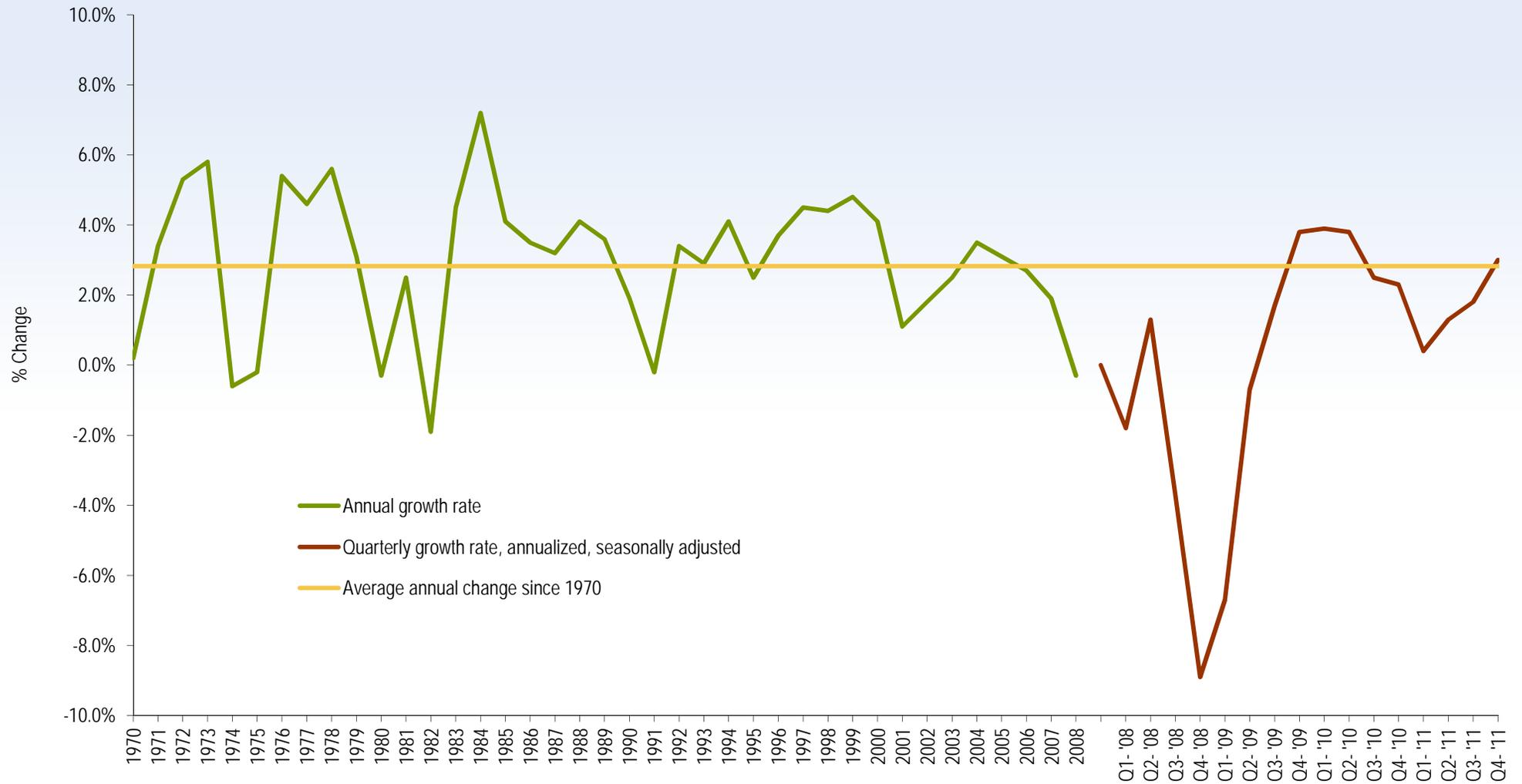
MONTHLY, SEASONALLY, ADJUSTED



Source: U.S. Department of Labor, Bureau of Labor Statistics 4/6/12

Real Gross Domestic Product (GDP) Growth

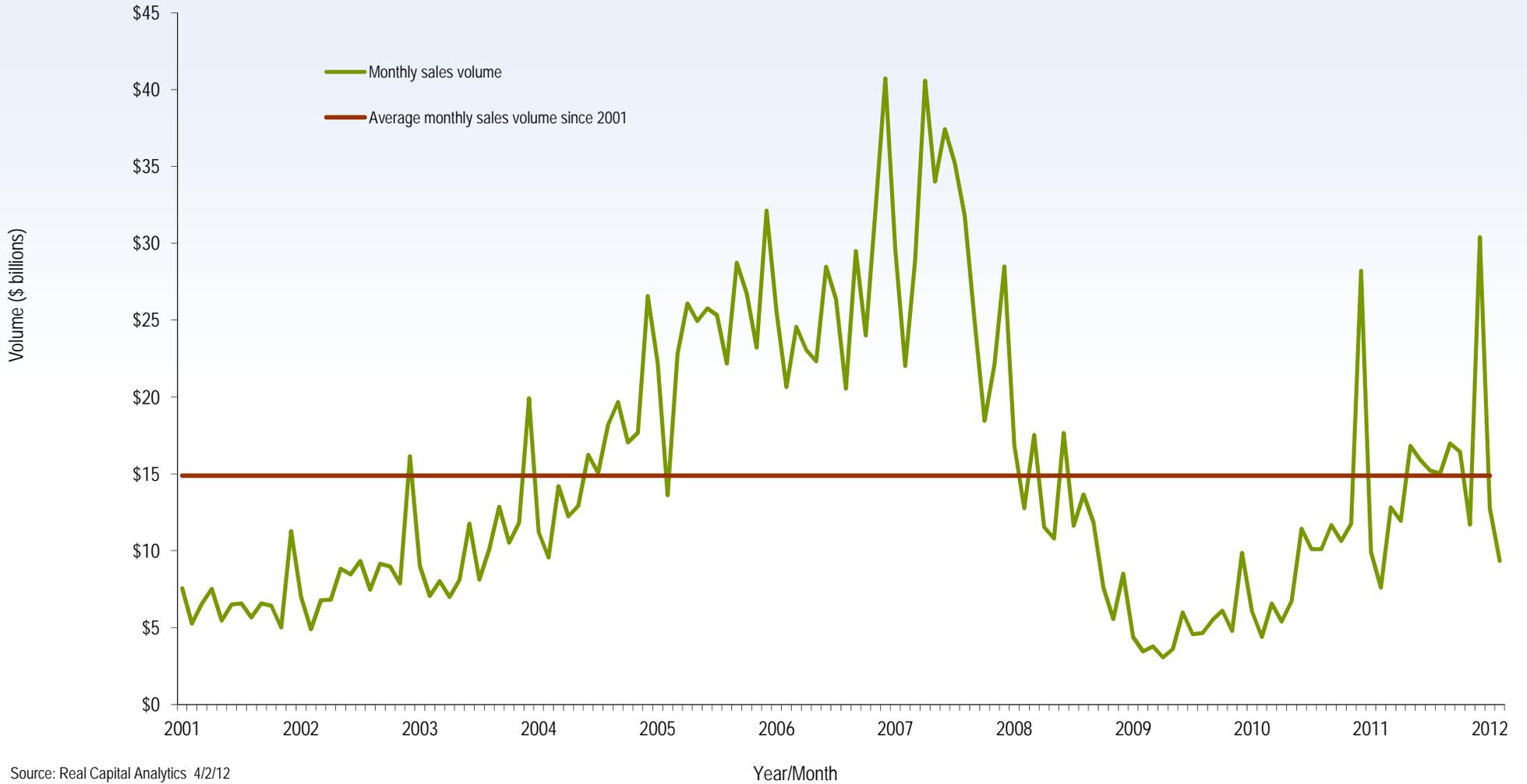
ANNUALLY (1970-2008) AND QUARTERLY (2008-PRESENT)



Source: U.S. Census, Bureau of Economic Analysis 03/29/12

Commercial Property Sales Volume*

OFFICE, RETAIL, INDUSTRIAL, AND APARTMENTS

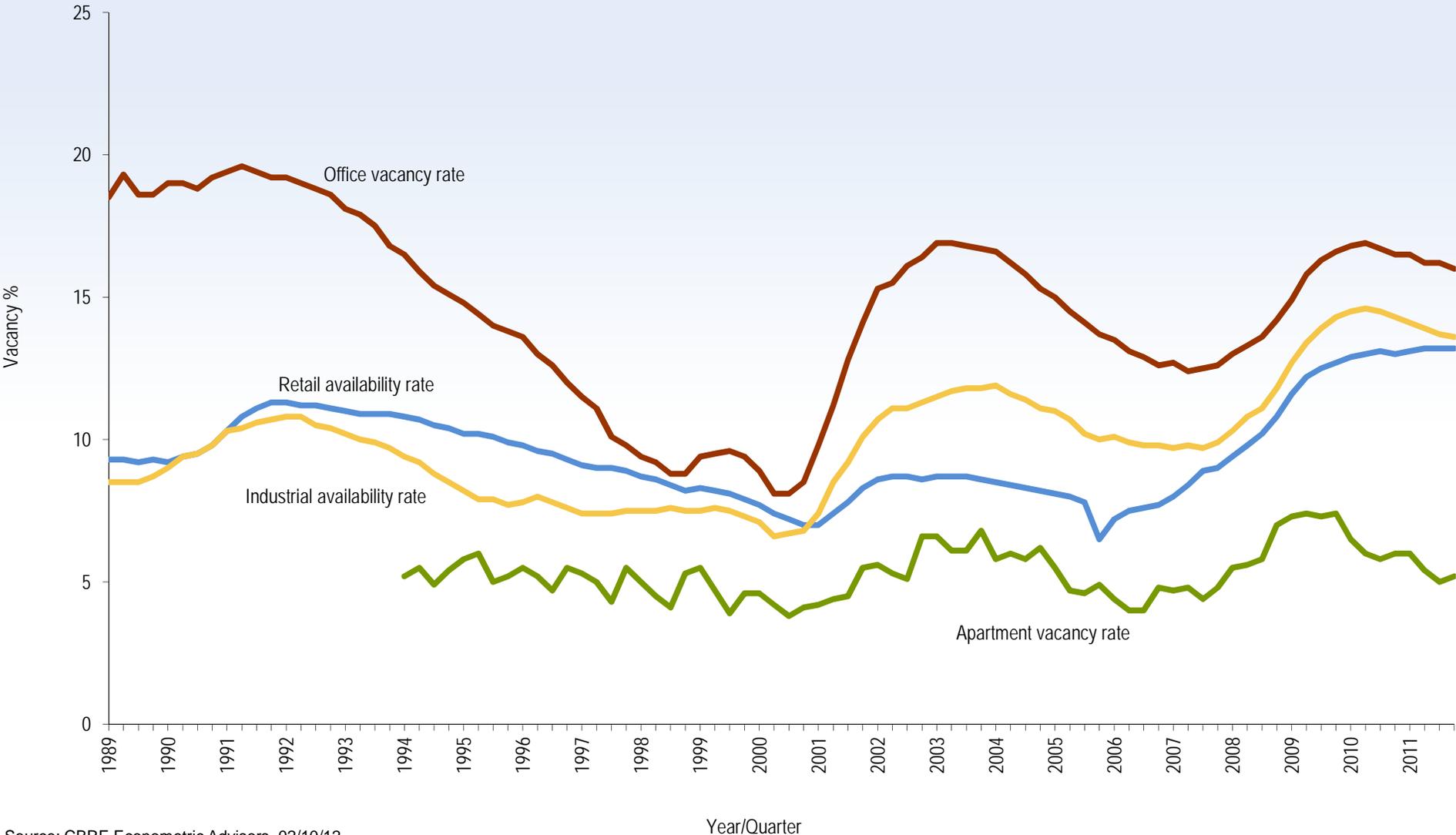


Source: Real Capital Analytics 4/2/12

*Based on properties and portfolios of \$5 million and greater.

Vacancy/Availability Rates Apartments, Office, Retail, Industrial

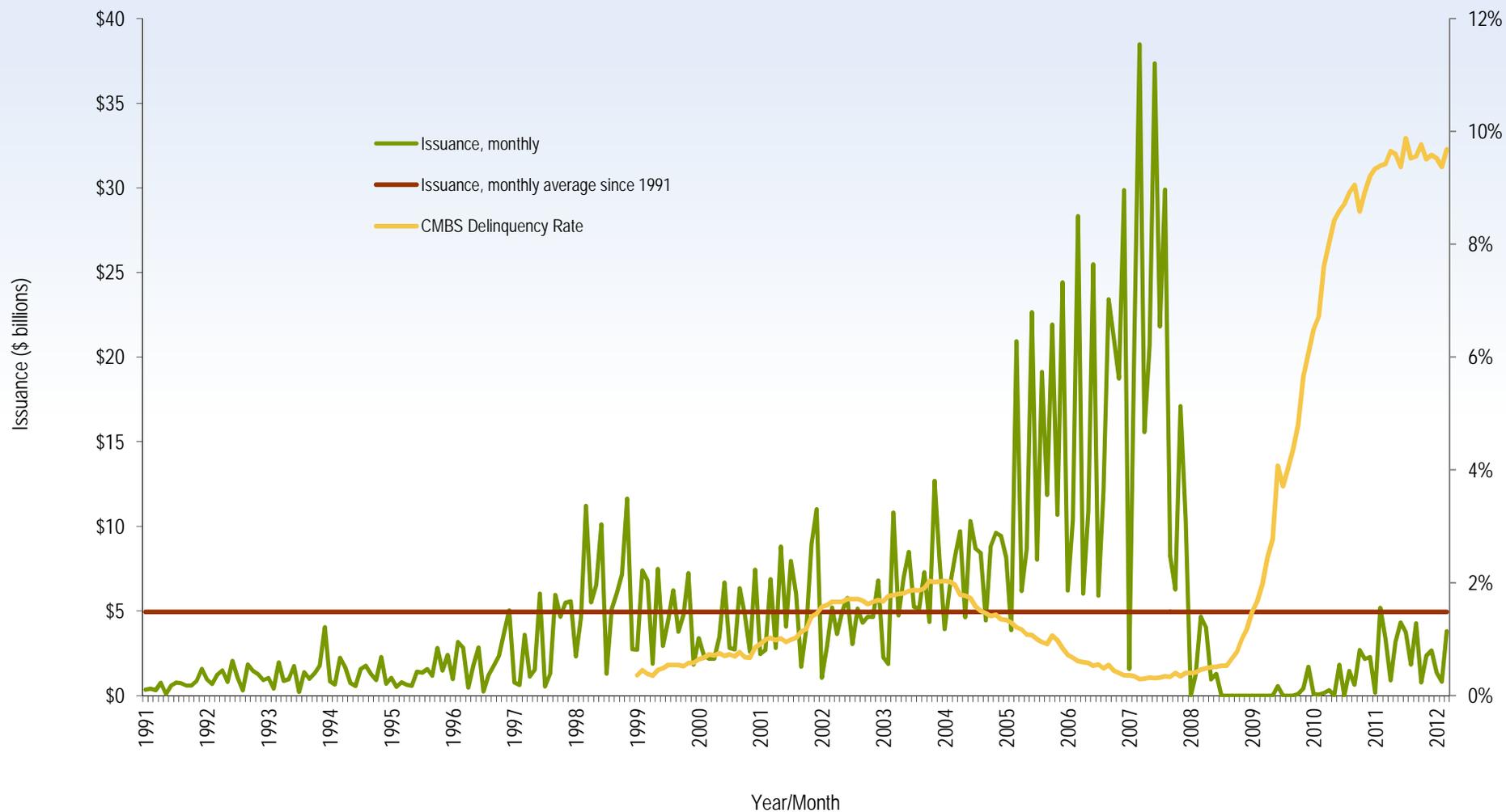
QUARTERLY



Source: CBRE Econometric Advisors 02/10/12

U.S. CMBS Issuance and Delinquency Rates

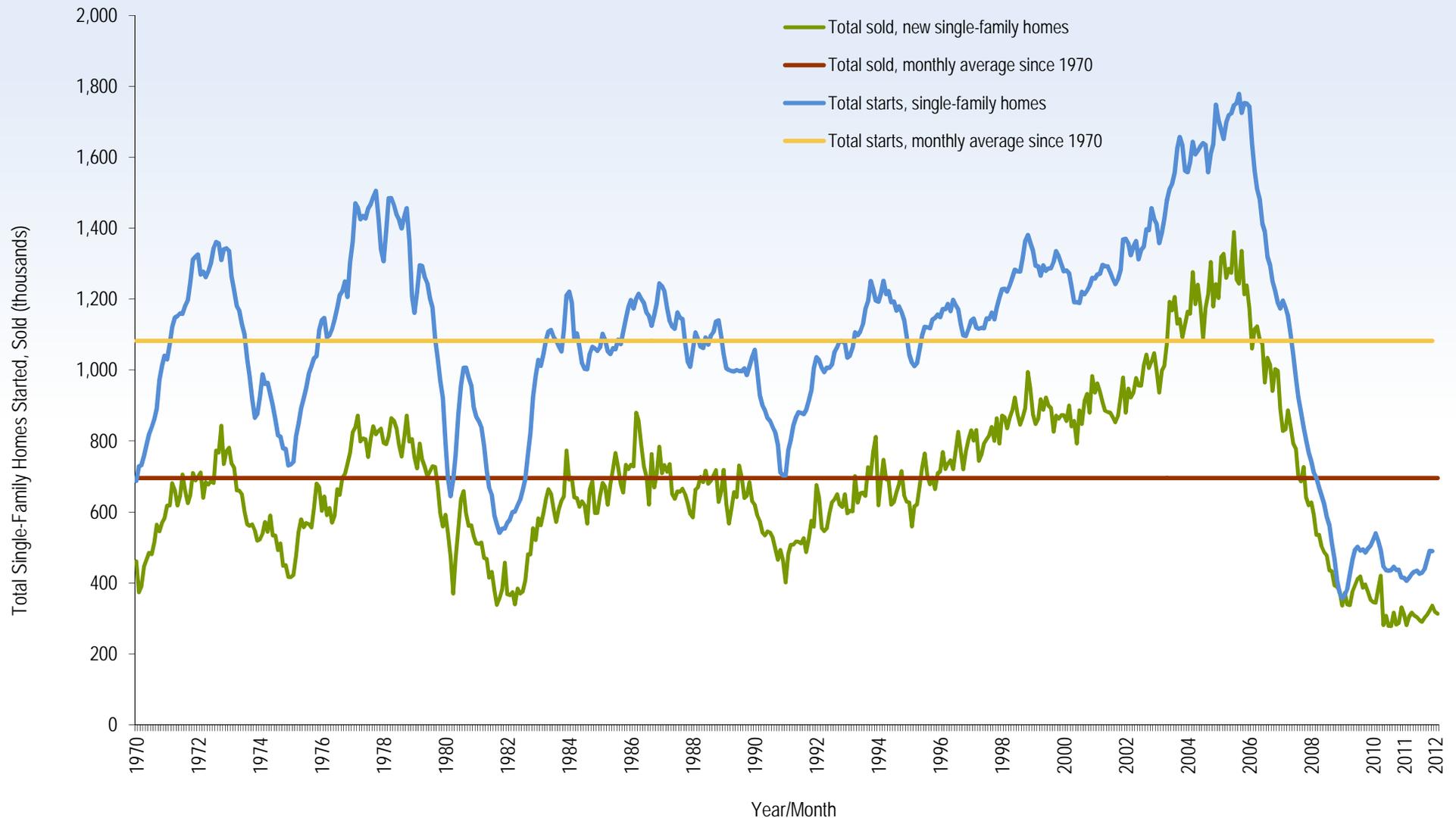
MONTHLY



Sources: Commercial Mortgage Alert 4/2/12 (CMBS Issuance)
 Trepp LLC 4/3/12 (CMBS Delinquency Rates)

New Single-Family Homes Total Started and Total Sold

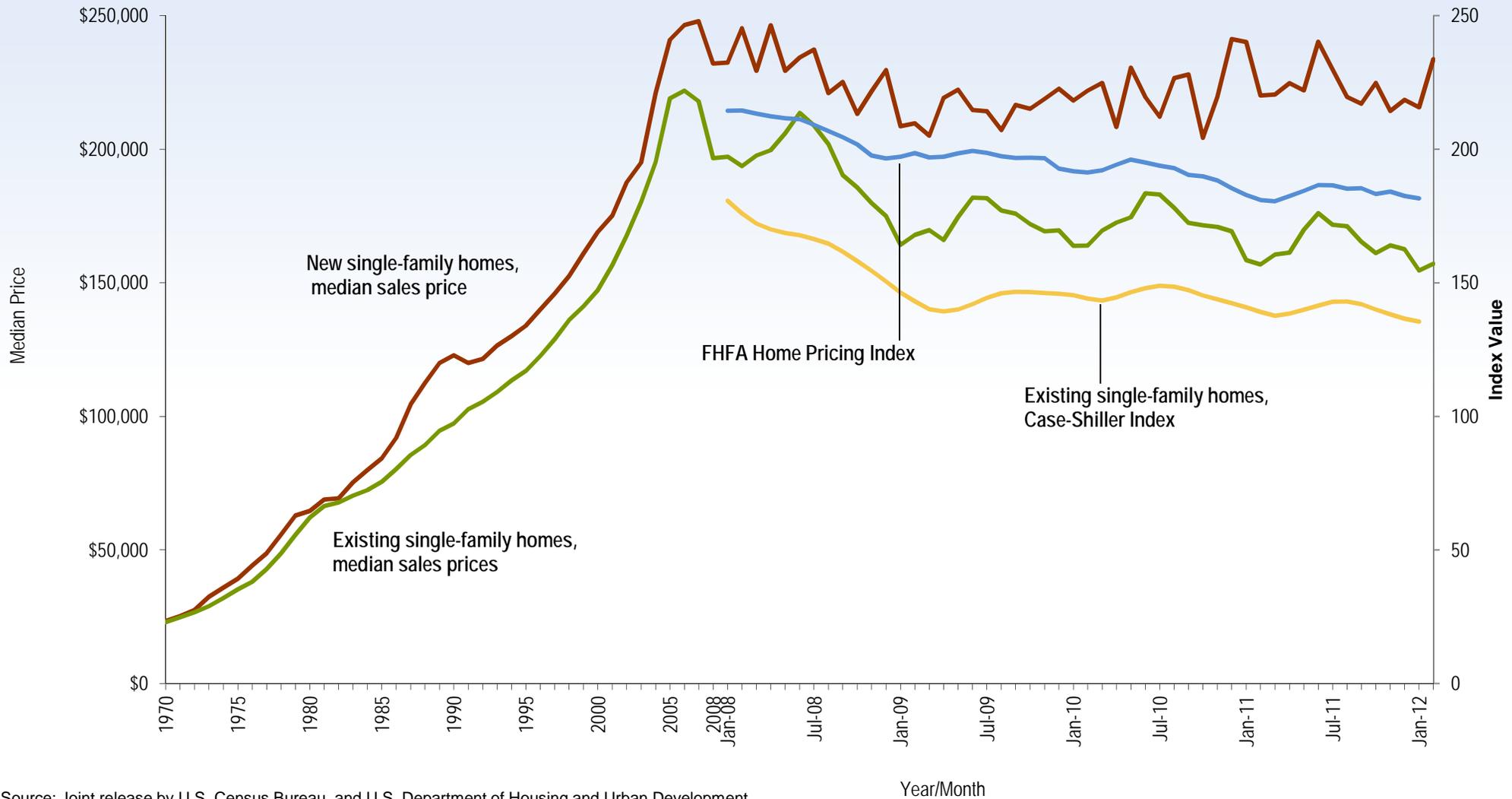
MONTHLY, SEASONALLY ADJUSTED



Source: Joint releases by U.S. Census Bureau, and U.S. Department of Housing and Urban Development 03/20/12, 03/23/12

New and Existing Single-Family Homes Sales Prices and S&P/Case Shiller, FHFA Home Price Indices

ANNUALLY (1970-2008) AND MONTHLY (2008-PRESENT)



Source: Joint release by U.S. Census Bureau, and U.S. Department of Housing and Urban Development. 03/23/12; National Association of Realtors 3/21/12; Standard & Poor's 03/28/12, Federal Housing Finance Agency 03/22/12