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ULI Real Estate Business Barometer United States

By Anita Kramer

The top 12 trends in this month's Barometer highlight a tepid economy, uneven signals in the capital markets, and a housing market on a low simmer. Still, compared with a year ago, 76 percent of the key indicators in the Barometer are better, 1 percent remained the same, and only 23 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 April was a disappointing 115,000 jobs, the result of lower growth in the private sector than in the previous month and higher public sector losses. At April's growth rate, it would take over three and a half years to regain the 5 million jobs lost in the past four years. The unemployment rate inched down and is at its lowest level in more than three years, although at the expense of discouraged workers.
- GDP growth slowed in the first-quarter 2012 compared to fourth-quarter GDP growth, according to the advanced estimate. GDP growth is now below its 40-year quarterly average.
- Consumer confidence was fairly flat, remaining at the stepped-down level of the previous month; private construction barely edged up, remaining off by 45 percent from its pre-recession high.
- Retail sales were the bright spot in the economy, with strong growth even when adjusted for gasoline sales.
- Cap rates are down both in the first quarter, according to NCREIF, and in March, according to Real Capital Analytics (RCA), showing strength for real estate investment.
- Investment-grade property prices were down in February and general-grade prices were close to flat, 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 were flat in April and are down just 7 percent from their peak.
- NCREIF returns were down slightly but remained healthy in the retail, apartments, and office sectors; returns in the industrial sector were stable; while returns in the lodging/resorts sector were low.

- REIT returns in April were down but remained healthy in the retail, office, and lodging/resort sectors, while returns were relatively low in the apartment sector and negative in the industrial sector.
- Commercial property transaction volumes shot up in March to one of the highest monthly levels in the past four years. CMBS activity stepped back a bit from the previous month's spike and CMBS delinquency rates rose.
- The multifamily housing construction industry is going strong with permits and starts at or near highs not seen in well over three years, although both are at just over one-half of levels reached in 2006.
- Permits and starts in the single-family housing industry are near two-year highs, but both are still only about a quarter of their peak. Sales of new single-family homes, already near a 50-year low, slid further and prices declined
- Total foreclosure filings were down in March to their second-lowest monthly level in over four and a half years.

ULI Real Estate Business Barometer Summary as of May 7, 2012

The Economy

	CURRENT ACTIVITY						HISTORY		
	Latest Month/Quarter Period	Data	Compared to . . .			Previous Month/ Quarter Data	Same Period 1 yr ago	Annual Change	Historic Average Since (year noted)
			Previous Month/Qtr	One-Year Ago	Historic Average				
Real GDP Growth ^{1,2}	Qtr1 '12	2.2%	●	●	●	3.0%	0.4%	2.1%	2.8% ¹⁹⁷⁰
Unemployment Rate ^{1,3}	April	8.1%	●	●	●	8.2%	9.0%		6.4% ¹⁹⁷⁰
Employment Growth (total) ^{1,3,4}	April	115,000	●	●	●	154,000	251,000	1,816,000	122,000 ¹⁹⁷⁰
Private Employment Growth ^{1,3}		130,000	●	●	●	166,000	264,000	2,031,000	103,000 ¹⁹⁷⁰
Government Employment Growth ^{1,3}		-15,000	●	●	●	-12,000	-13,000	-215,000	19,000 ¹⁹⁷⁰
Inflation/CPI ^{1,3,5}	March	0.3%	●	●	●	0.4%	0.5%	2.7%	0.4% ¹⁹⁷⁰
S&P 500 Returns, monthly ⁶	April	-0.6%	●	●	●	3.3%	3.0%	4.8%	0.9% ¹⁹⁷⁰
S&P 500 Returns, rolling 12-months ⁶	April	4.8%	●	●	●	8.5%	17.2%		10.5% ¹⁹⁹¹
Consumer Confidence Index ^{7, 1985-100}	April	69.2	●	●	●	69.5	66.0	4.8%	
Retail Sales ^{1,8}	March	0.8%	●	●	●	1.0%	0.8%	6.5%	0.4% ¹⁹⁹²
Construction Spending ^{1,8} (\$ billions), total	March	\$808.1	●	●	●	\$807.3	\$762.6	6.0%	
Private construction		\$531.9	●	●	●	\$528.1	\$477.2	11.5%	
Public construction		\$276.2	●	●	●	\$279.1	\$285.4	-3.2%	

● 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>

Most of the news in the economy was a letdown: first-quarter GDP growth was lower than in the previous quarter; private sector employment growth was the lowest in eight months; public sector job losses were up; 12-month S&P returns were at half their long-term average; consumer confidence remained almost flat and did not bounce back from the previous month's drop; and private construction barely edged up. The bright news was the solid retail sales.

Net job growth in April of 115,000 jobs was caused by 130,000 new private sector jobs but the loss of 15,000 public sector jobs. After a brief halt in net government layoffs in February, losses have risen for the second-straight month and are primarily in local education. The country has 5.03 million fewer jobs than it did over four years ago. At April's growth rate, it would take over three and a half 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 April occurred in retail trade, professional and technical services, temporary help services, food services, health care, durable goods manufacturing, and wholesale trade. **The overall unemployment rate** inched down for the second-straight month to 8.1 percent in April—the lowest rate in over three years.

The advance estimate of first-quarter 2012 **GDP** growth is 2.2 percent, down from the fourth-quarter 2011 rate of 3.0 and now below the long-term quarterly average (since 1970) of 2.8 percent. Factors contributing to first-quarter growth were personal consumption expenditures (primarily goods), exports, private inventory investment, and residential fixed investment. These were partially offset by declines in federal government spending, nonresidential fixed investment, and state and local government spending. Imports, which are a subtraction in the GDP, increased.

The **Consumer Confidence Index** barely changed, drifting to 69.2 in April from 69.5 in March. It is now at 79 percent of the January 2008 level of 87.3. Total **retail sales** in March were up a strong 0.8 percent, the result primarily of growth in building materials/garden equipment, motor vehicles, and general merchandise sales, as well as price increases in gasoline. Sales declined in only one category—health and personal care stores. Excluding gasoline sales, retail sales in March were still up a very strong 0.7 percent, the same growth rate as in February when excluding gasoline sales. Retail sales of \$411.07 billion are 6.5 percent higher than one year ago but exceed the pre-recession peak of \$378.4 billion (in November 2007) by only 8.6 percent.

The value of private **construction** edged up in March after two months of slight decline. Public construction put in place decreased in March for the fourth-straight month. March's total construction value of \$808.1 billion is down 33 percent from the pre-recession high in March 2006.

Inflation, as measured by the **Consumer Price Index**, was 0.3 percent in March, due to increases in almost all non-energy service items, with the largest increases in fuel oil, gasoline, and used vehicles. For the past 12 months, the CPI has risen 2.7 percent.

Monthly **S&P 500** returns were negative in April--down 0.63 percent--after three straight months of solid returns. Year-over-year returns were below average at 4.8 percent, less than one-half 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 <small>(year noted)</small>
	Period	Data	Previous Month/Qtr	One-Year Ago	Historic Average				
RCA Capitalization Rates ¹	March	6.97%				7.06%	7.19%	-22bp	7.5% ²⁰⁰¹
NCREIF Capitalization Rates ²	Qtr 1 '12	5.97%				6.03%	6.10%	-13bp	7.5% ¹⁹⁷⁸
RCA Property Sales Volume ³ (\$billions)	March	\$21.2	●	●	●	\$9.9	\$12.8	65.9%	\$16.5 ²⁰⁰¹
Office		\$6.3	●	●	●	\$3.0	\$4.6	37.0%	\$6.3 ²⁰⁰¹
Retail		\$8.5	●	●	●	\$1.9	\$2.3	264.2%	\$3.3 ²⁰⁰¹
Apartments		\$4.6	●	●	●	\$3.1	\$4.1	10.6%	\$4.4 ²⁰⁰¹
Industrial		\$1.9	●	●	●	\$1.9	\$1.8	6.0%	\$2.5 ²⁰⁰¹
GSA Commercial Property Price Index (% change) ⁴	April	0.1%	●	●		0.7%	1.8%	6.1%	0.4% ¹⁹⁹⁸
CoStar Commercial Repeat-Sales Index (% change) ⁵	February								
Composite Index		-1.3%	●	●		1.4%	-2.5%	4.0%	0.3% ¹⁹⁹⁸
Investment Grade Index		-6.6%	●	●		-1.6%	-5.6%	4.6%	0.2% ¹⁹⁹⁸
General Commercial Index		-0.2%	●	●		1.9%	-1.5%	3.8%	0.3% ¹⁹⁹⁸
NCREIF Property Index, total returns ⁶	Qtr 1 '12	2.6%	●	●		3.0%	3.4%	13.4%	2.2% ¹⁹⁷⁸
Income return		1.4%	●	●		1.5%	1.5%	6.0%	1.9% ¹⁹⁷⁸
Capital appreciation return		1.2%	●	●		1.5%	1.8%	7.1%	0.4% ¹⁹⁷⁸
NCREIF Property Index, total returns by property type ⁶	Qtr 1 '12								
Office		2.3%	●	●		2.5%	3.2%	12.8%	2.1% ¹⁹⁷⁸
Retail		2.8%	●	●		3.4%	3.6%	12.9%	2.3% ¹⁹⁷⁸
Apartments		2.8%	●	●		3.5%	3.3%	14.8%	2.2% ¹⁹⁸⁴
Lodging/Resorts		1.5%	●	●		2.1%	3.7%	9.4%	1.9% ¹⁹⁸⁸
Industrial		2.7%	●	●		2.7%	3.3%	13.9%	2.3% ¹⁹⁷⁸
Equity NAREIT, total returns, all sectors ⁷	April	2.7%	●	●		4.8%	5.1%	8.7%	1.1% ¹⁹⁷²
Income return		0.2%	●	●		0.4%	0.2%	4.0%	0.6% ¹⁹⁷²
Price return		2.5%	●	●		4.4%	5.0%	4.8%	0.5% ¹⁹⁷²
Equity NAREIT, total returns by property sectors ⁷	April								
Office		2.9%	●	●		3.3%	6.9%	-1.8%	1.1% ¹⁹⁹⁴
Retail		4.3%	●	●		5.9%	6.6%	20.4%	1.2% ¹⁹⁹⁴
Apartments		1.3%	●	●		8.5%	6.6%	11.0%	1.2% ¹⁹⁹⁴
Lodging/Resorts		3.0%	●	●		5.2%	3.1%	-2.3%	0.8% ¹⁹⁹⁴
Industrial		-0.3%	●	●		7.0%	2.3%	2.7%	1.2% ¹⁹⁹⁴
CMBS Issuance ⁸ (\$billions)	April	\$3.31	●	●	●	\$3.80	\$0.89	274.1%	\$4.9 ¹⁹⁹¹
CMBS Delinquency Rates ⁹	April	9.80%	●	●	●	9.68%	9.65%	15bp	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	April 30	0.10%				0.07% ^{3/30/12}	.04% ^{4/29/11}	6bp	3.5% ¹⁹⁹⁰
10-Year Treasury	April 30	1.95%				2.23% ^{3/30/12}	3.32% ^{4/29/11}	-137bp	5.3% ¹⁹⁹⁰

● worse ● same ● better

1. Source: Real Capital Analytics. Includes core property types: apartments, industrial, office-CBD, office suburban, and strip retail. www.rcanalytics.com/

2. Source: National Council of Real Estate Investment Fiduciaries (NCREIF). Includes office, retail, apartment, and industrial properties. Excludes hotels. www.ncreif.com/

3. Source: Real Capital Analytics. Based on properties and portfolios \$5 million and greater. Includes office, retail, apartments, industrial properties. Excludes hotels and land. www.rcanalytics.com/

4. Source: Green Street Advisors www.greenstreetadvisors.com

5. Source: CoStar Group. www.costar.com

6. 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/

7. 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

8. Source: Commercial Mortgage Alert. www.cmalert.com/index.php

9. 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 REO. www.trepp.co.

10. Source: FDIChhttp://www.fdic.gov/

11. Source: U.S. Federal Reserve

Commercial property transaction volumes jumped while CMBS issuance settled back a bit and CMBS delinquency rates went up. Prices declined for investment-grade property, indicated by repeat-sales indices, and barely moved up, as indicated by an index based on REIT portfolio market values. Repeat-sales indices for general-grade property show an almost imperceptible shift downward in prices. NCREIF first-quarter returns were healthy in four sectors but low in lodging/resorts, and REIT monthly returns were healthy for three sectors but low in apartments and negative in the industrial sector.

Capitalization rates, as reported by Real Capital Analytics (RCA), compressed slightly from 7.06 percent in February to 6.97 in March, returning to levels seen from October through January. As reported by NCREIF, **capitalization rates** fell from 6.03 percent in the fourth quarter of 2011 to 5.97 percent in the first quarter 2012. First-quarter cap rates are close to their lowest levels seen since the third quarter of 2008.

Commercial property sales volumes (excluding land and hotels) jumped 15 percent to \$21.2 billion in March, according to RCA. March's sales volumes were among the four highest in the past four years and follow a two-year low in February. The retail sector was the most active with 40 percent of the transaction volume, followed by the office sector (29 percent), apartments (21 percent), and industrial (9 percent).

The ten most active sales markets in the past 12 months accounted for 42 percent of all transactions. They were, in descending order, Manhattan, Los Angeles, Chicago, Boston, Houston, Dallas, the Virginia suburbs of Washington, D.C., San Francisco, Atlanta, and Seattle, according to RCA. Over \$5.7 billion in transactions have been recorded in each of these cities since April 1, 2011.

The Investment Grade Index of the **CoStar Commercial Repeat-Sale Indices** declined almost 6.6 percent in February, due in some measure to seasonal factors, according to CoStar. (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 35 percent from the peak value in June 2007 but up about 4.6 percent from a year earlier. The General Grade Index of the CoStar Commercial Repeat-Sale Indices was essentially flat, decreasing by 0.2 percent. The index is now down 33 percent from its peak value in August 2007 and up 3.77 percent from a year earlier.

The **GSA Commercial Property Price Index**, based on estimates of private market values for REIT portfolios, barely changed, with an increase of 0.1 percent in April. Over the past 11 months, the GSA Price Index has shown little movement, increasing only 1.0 percent. It remains 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.)

The **NCREIF Property Index** turned in a positive first quarter of 2012 with total returns of 2.6 percent, sustaining the positive returns that began in the first quarter of 2010. The capital appreciation component was 1.2 percent for the quarter. Total 12-month returns are now 13.4 percent. Returns for the quarter by property sector range from 1.5 percent for the lodging/resorts sector to 2.8 percent for both retail and apartments.

Total returns in the **REIT sector** were down but still strong at 2.7 percent in April. One-year returns are now at 8.7 percent. Total returns for the month by property sector range from -0.3 percent for the industrial sector—the only sector with negative returns—to 4.3 percent for the retail sector.

CMBS issuance fell to \$3.3 billion in April from \$3.8 billion in March, although it was the second-highest monthly volume in seven months, according to *Commercial Mortgage Alert*. According to Trepp LLC, **CMBS delinquency rates** increased to 9.8 percent in April from 9.68 percent in March, due to newly delinquent loans being balanced out by an increase in loan loss resolutions and cured loans.

As reported in last month's Barometer, 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 noted)
	Period	Data	Previous Month/Qtr	One-Year Ago	Historic Average				
Prices									
New Single-Family, Median²	March	\$234,500	●	●		\$236,900	\$220,500	6.3%	
% change		-1.0%				8.7%	0.2%		0.32% ¹⁹⁹⁰
Existing Single-Family									
NAR Median³	March	\$163,600	●	●		\$156,100	\$160,600	1.9%	
% change		4.8%				1.0%	2.4%		0.23% ¹⁹⁹⁰
S&P/Case-Shiller Home Price Index (% change)⁴	February	-0.8%	●	●		-1.0%	-1.2%	-3.5%	0.21% ²⁰⁰⁰
FHFA House Price Index (% change)⁵	February	0.6%	●	●		-1.1%	-1.1%	0.4%	0.24% ¹⁹⁹¹
Existing Condominiums, NAR Median³									
% change	March	\$165,200	●	●		\$151,500	\$154,200	7.1%	
		9.0%				-2.3%	2.4%		0.3% ¹⁹⁹⁹
Building Permits									
Total, annual rate^{1, 2, 9}	March	715,000	●	●	●	689,000	559,000	27.9%	1,430,000 ¹⁹⁷⁰
Single-Family Permits, annual rate^{1, 2, 9}	March	464,000	●	●	●	457,000	398,000	16.6%	961,000 ¹⁹⁷⁰
Multi-Family Permits, annual rate^{1, 2, 9}	March	228,000	●	●	●	210,000	144,000	58.3%	389,000 ¹⁹⁷⁰
Housing Starts									
Total, annual rate^{1, 2, 9}	March	687,000	●	●	●	696,000	582,000	18.0%	1,494,000 ¹⁹⁷⁰
Single-Family Starts, annual rate^{1, 2, 9}	March	478,000	●	●	●	492,000	414,000	15.5%	1,081,000 ¹⁹⁷⁰
Multi-Family Starts, annual rate^{1, 2, 9}	March	196,000	●	●	●	188,000	154,000	27.3%	350,000 ¹⁹⁷⁰
New Homes: Single-Family									
Total Homes Sold, annual rate^{1, 2}	March	328,000	●	●	●	353,000	305,000	7.5%	695,000 ¹⁹⁷⁰
Total Home Inventory^{1, 2}	March	144,000	●	●	●	146,000	178,000	-19.1%	338,000 ¹⁹⁷⁰
Months' Supply^{1, 2}	March	5.3	●	●	●	5.0	7.0	-24.3%	6.3 ¹⁹⁷⁰
Pending Home Sales^{1, 3}	March	101.4	●	●	●	97.4	89.9	12.8%	102.1 ²⁰⁰¹
Existing Homes: Single-Family									
Total Homes Sold, annual rate^{1, 3}	March	3,970,000	●	●	●	4,070,000	3,750,000	5.9%	3,686,000 ¹⁹⁷⁰
Total Home Inventory^{1, 3}	March	2,070,000	●	●	●	2,080,000	2,590,000	-20.1%	2,263,000 ¹⁹⁸²
Months' Supply^{1, 3}	March	6.3	●	●	●	6.1	8.3	-24.1%	7.3 ¹⁹⁸²
Existing Homes: Condominiums									
Total Homes Sold, annual rate^{1, 3}	March	510,000	●	●	●	530,000	510,000	0.0%	486,000 ¹⁹⁸⁹
Total Home Inventory^{1, 3}	March	303,000	●	●	●	316,000	442,000	-31.4%	362,000 ¹⁹⁹⁹
Months' Supply^{1, 3}	March	7.1	●	●	●	7.2	10.4	-31.7%	7.5 ¹⁹⁹⁹
Home Mortgages									
Home Mortgage Rates⁷ (30-year, fixed)	April	3.91%	●	●	●	3.95%	4.84%	-93bp	8.7% ¹⁹⁷¹
Foreclosure Filings⁸	March	198,853	●	●	●	206,900	239,795	-17.1%	

● 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

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

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

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

Multifamily monthly permit and start activity is at or near highs not seen in well over three years. Although single-family monthly permits were at a 22-month high and starts fell just slightly from a 21-month high in the previous month, both permits and starts remain near historical lows. Sales of new single-family homes, already near their lowest level since 1963, slid further and prices declined. 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 jumped. The prices of existing homes either fell or rose in February, depending on the source. The one data source available for March, reporting on activity throughout the country, showed a solid increase in existing home prices.

The S&P/Case-Shiller Index for **existing home prices** moved down 0.8 percent in February, the sixth-straight month of decline, bringing it to 35 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 slightly upward in February; it is down 20 percent from its peak in June 2007 and only 0.7 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 March show a substantial price increase of 4.8 percent. NAR's February data showed an increase of 1.0 percent in the median price of existing single-family homes, following seven months in which only one month showed an increase. Median prices for existing single-family homes stood at \$163,600, 26 percent below the peak in 2006.

Median **prices for new single-family homes** fell by 1 percent in March to \$234,500, after a dramatic jump of 8.7 percent in February. Even with similar vacillations over the past year, prices are up 6 percent over March 2011 and down just 5 percent from the peak in 2007.

Single-family building permits were up 1.5 percent in March (based on a three-month moving average) to 464,000, the highest monthly permit volume in 22 months. Still, March's permit numbers are 74 percent below the pre-recession high in November 2005. **Single-family starts** declined almost 3.0 percent in March (on a three-month moving average) to 478,000 after reaching a 21-month high in February and are now 73 percent below the pre-recession high in November 2005.

Sales of new single-family homes declined by 7.1 percent in March, erasing the 7.3 percent gain of the previous month. Despite similar fluctuations over the past year, sales are up 7.5 percent over March 2011; still, monthly sales volume for the past 23 months remain near lows not seen since record keeping began in 1963. Sales are now 76 percent below the pre-recession high in July 2005. Inventory fell by 1.4 percent in March to the lowest monthly figure since record keeping began and almost 20 percent below that of a year earlier.

The number of **existing single-family home sales** (seasonally adjusted) decreased 2.5 percent in March to 3.97 million, the second-straight month of decline after sales had jumped to a 20-month high in January. March's decline followed the seesawing pattern seen throughout 2011, but this month's figures are still 5.9 percent higher than those of a year earlier. Inventory was close to flat in March and supply rose to 6.3 months, still 16 percent below the long-term average. March's monthly sales were 37 percent below the pre-recession high in September 2005 and only 32 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) moved up 4.0 percent in March to the highest level since April 2010, when the first-time homebuyer credit expired (April 2010).

Multifamily building permits were strong in March, with an almost 9 percent increase to a 41-month high of 228,000 (based on a three-month moving average). Multifamily housing **starts** increased 4 percent in March to 196,000, their second-highest monthly level in 40 months (lower only than November figures). **Existing condo sales** fell almost 9 percent to 510,000, the same as in March 2011; with a decrease in inventory, supply decreased from 7.2 months to 7.1 months, just 5 percent below the long-term average.

Foreclosure filings—default notices, scheduled auctions, and bank repossessions—decreased by almost 4 percent in March from a month earlier to 198,853, according to RealtyTrac, and are down 17 percent from a year earlier. March's total was the lowest monthly total since July 2007. Still, according to RealtyTrac, “The low foreclosure numbers . . . are not an indication that the massive reservoir of distressed properties built up over the past few years has somehow miraculously evaporated.” RealtyTrac expects new foreclosure activity to eventually move up again.

Home **mortgage rates** (30-year fixed) fell in April to 3.91 percent from 3.95 percent in March. March's rate was the second-lowest monthly rate since record keeping began in 1971 (February of this year had the lowest).

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) ³	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 ⁽¹⁹⁸⁵⁾
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.sttr.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).

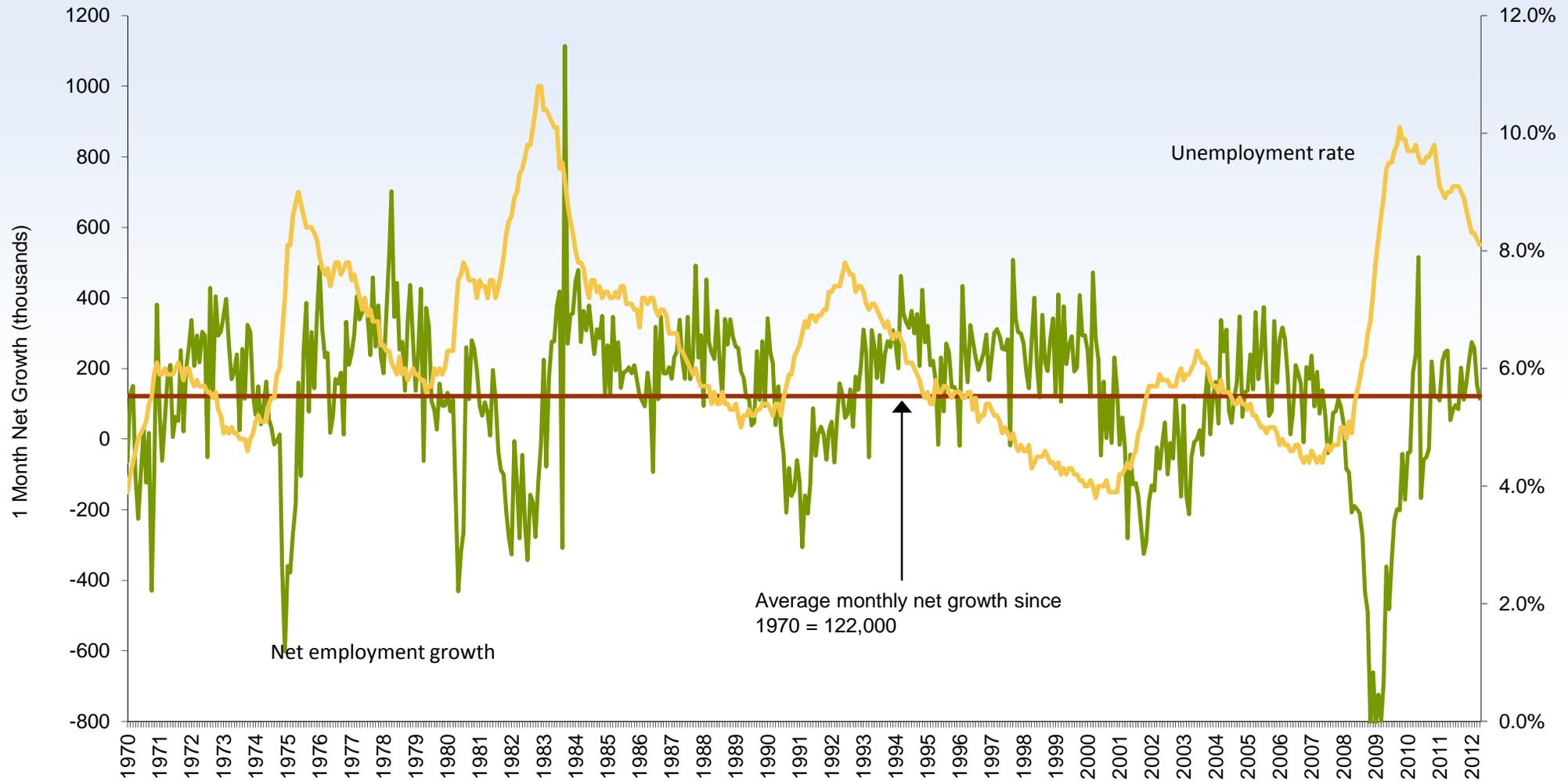
Industrial availability rates stood at 13.6 percent in the fourth quarter of 2011, continuing their slow but consistent six-quarter decline; rates are now down 70 basis points from the same quarter a year earlier. Rents stayed about the same and are off 1.0 percent from a year earlier. Net absorption 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

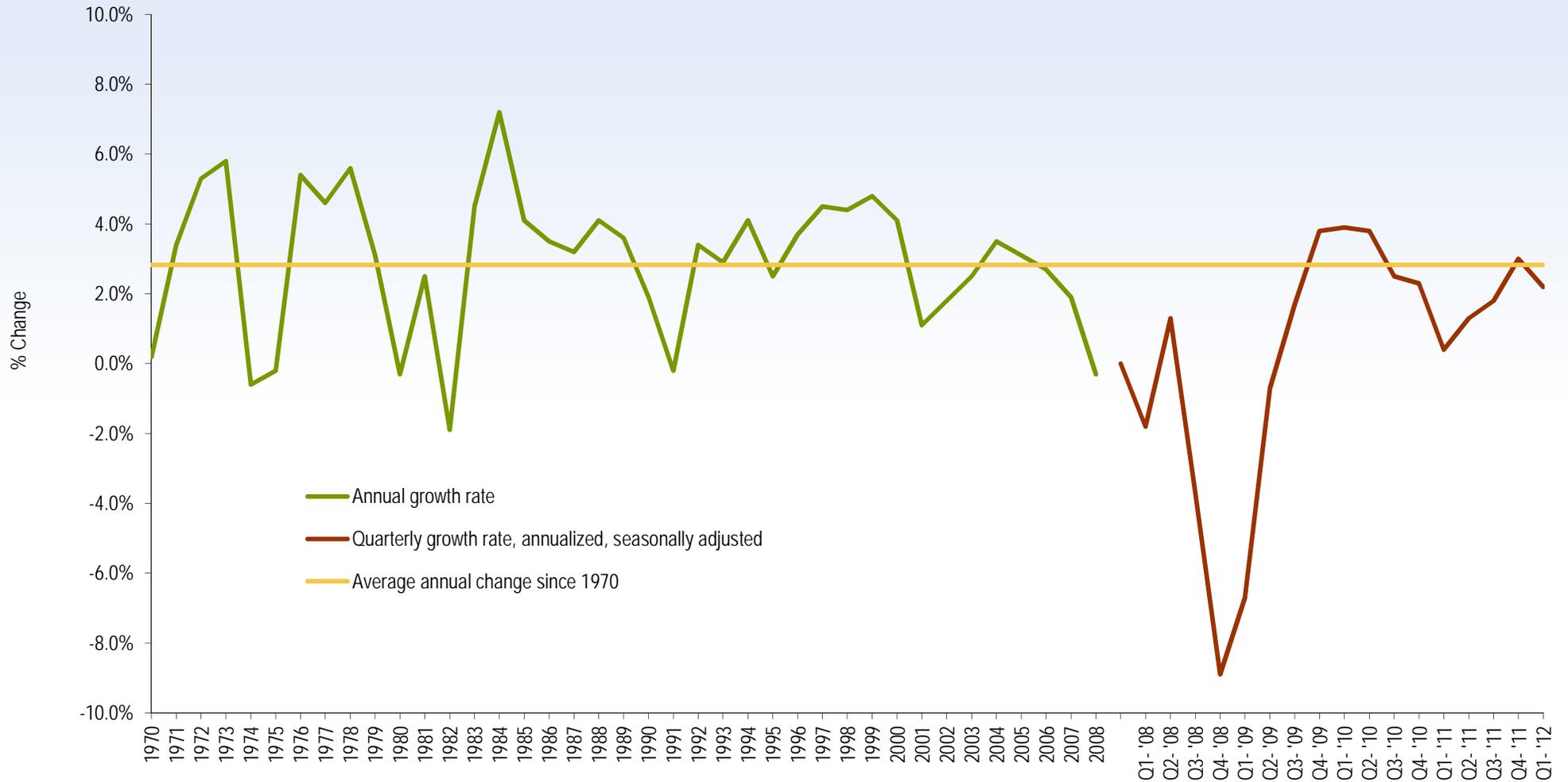
MONTHLY, SEASONALLY, ADJUSTED



Source: U.S. Department of Labor, Bureau of Labor Statistics 5/4/12

Real Gross Domestic Product (GDP) Growth

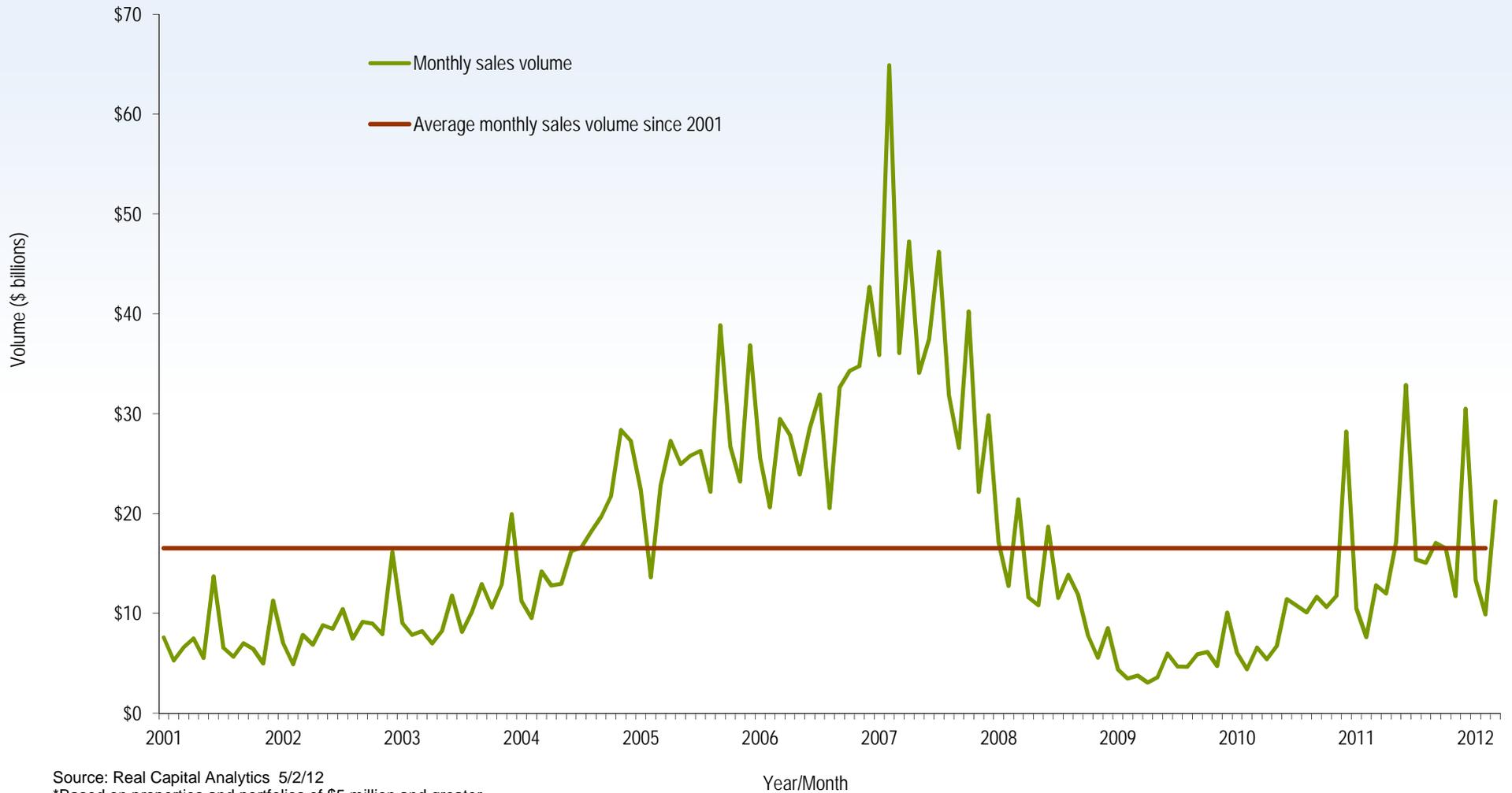
ANNUALLY (1970-2008) AND QUARTERLY (2008-PRESENT)



Source: U.S. Census, Bureau of Economic Analysis 04/27/12

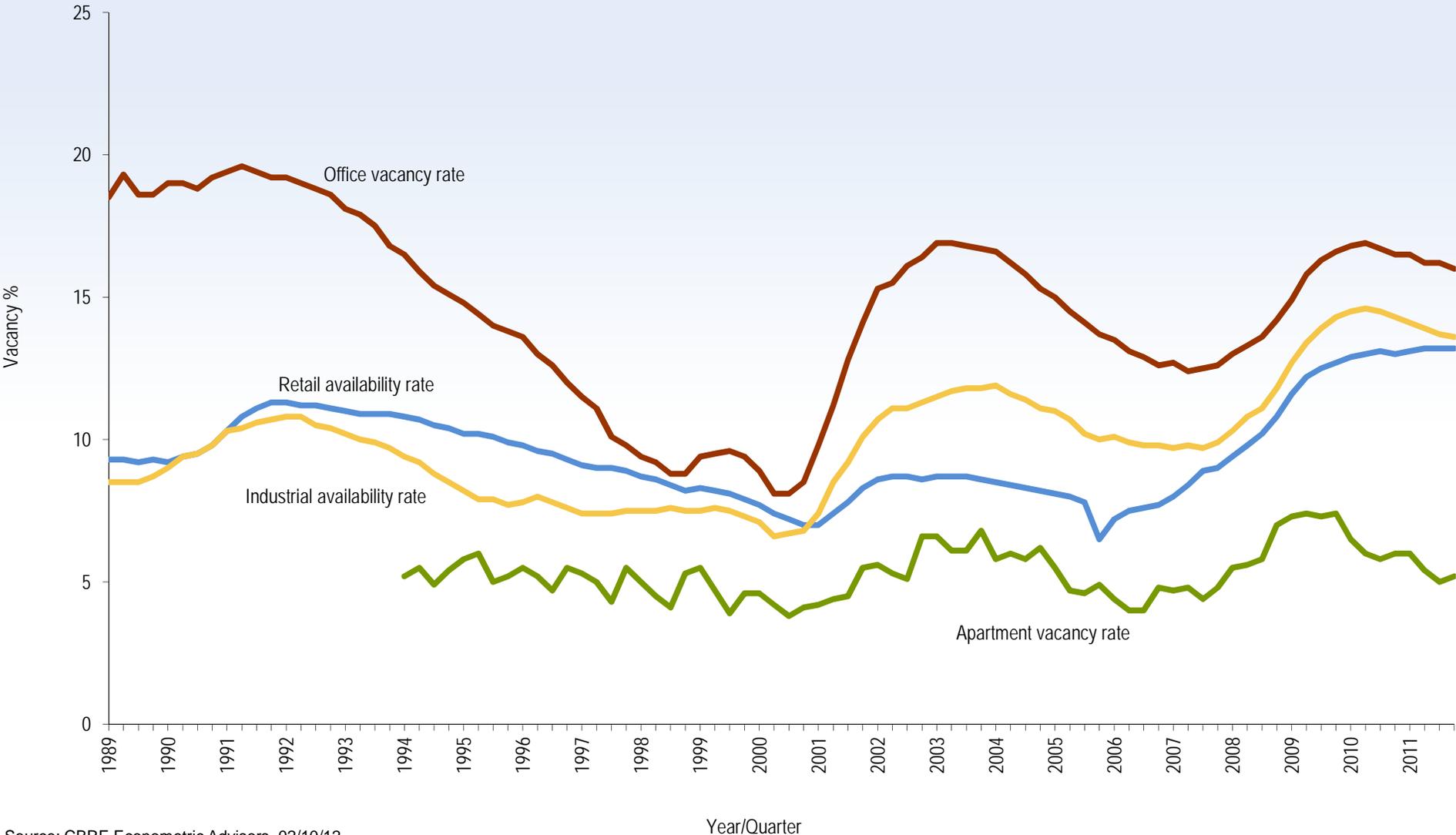
Commercial Property Sales Volume*

OFFICE, RETAIL, INDUSTRIAL, AND APARTMENTS



Vacancy/Availability Rates Apartments, Office, Retail, Industrial

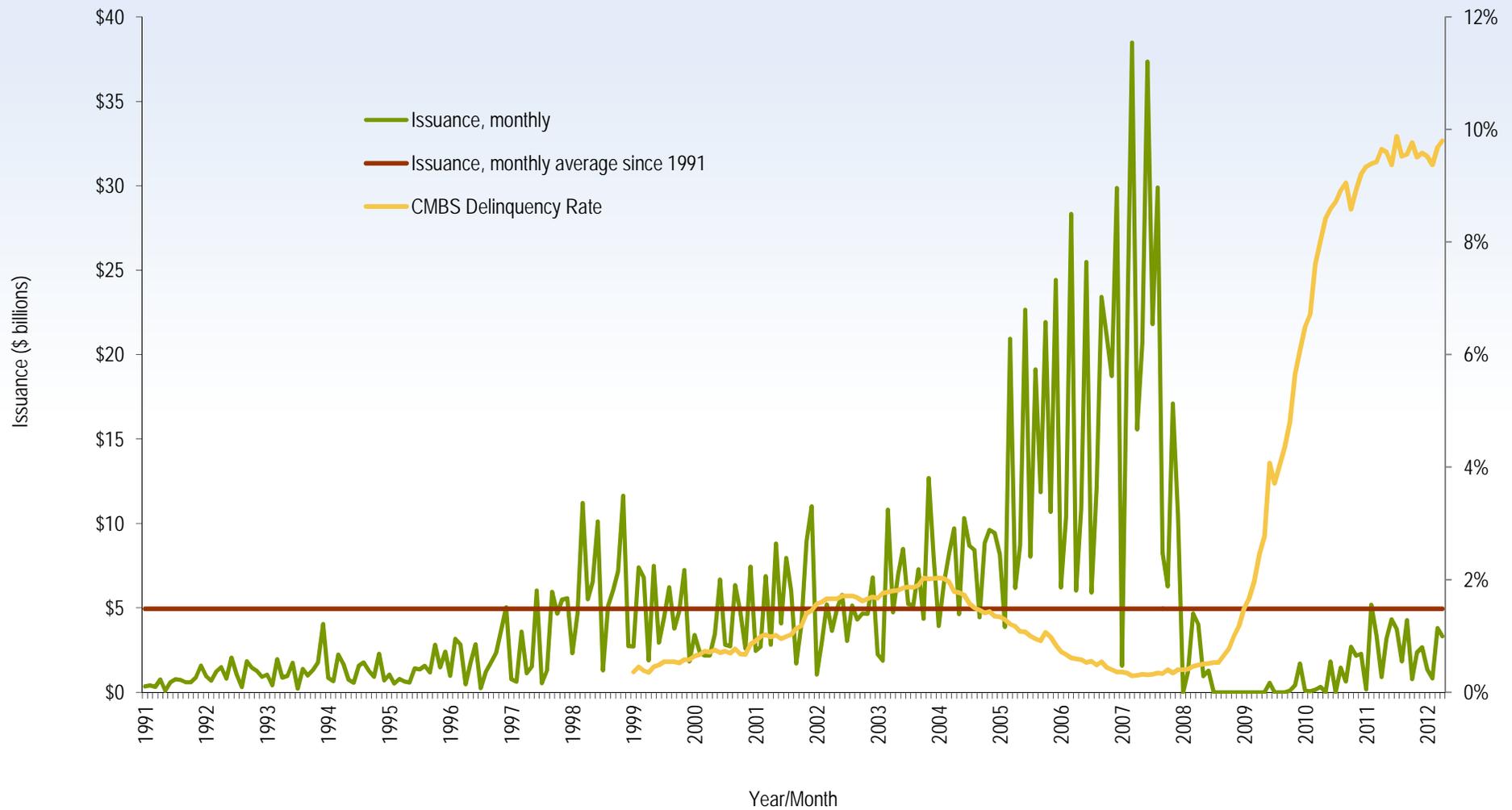
QUARTERLY



Source: CBRE Econometric Advisors 02/10/12

U.S. CMBS Issuance and Delinquency Rates

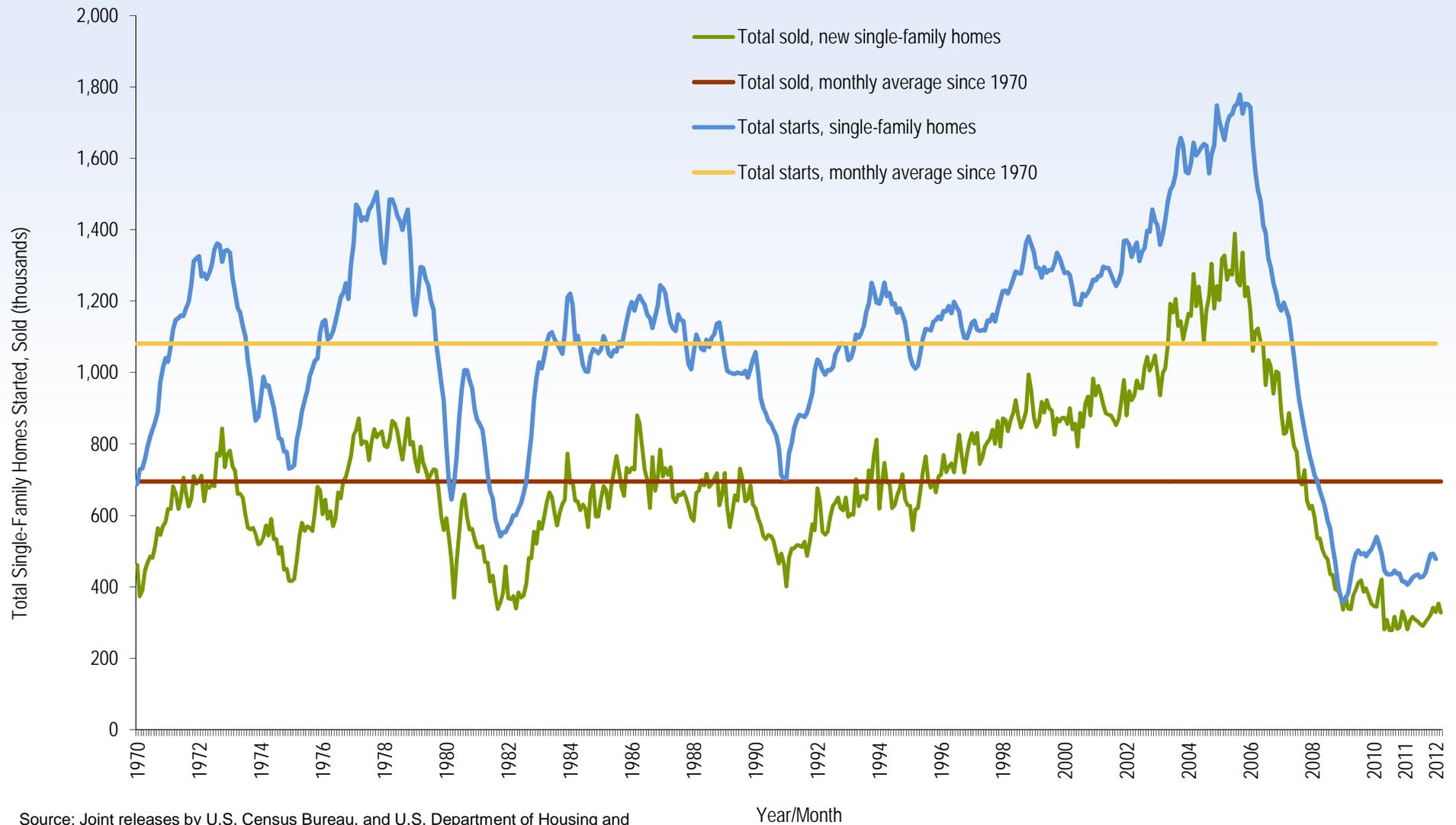
MONTHLY



Sources: Commercial Mortgage Alert 5/3/12 (CMBS Issuance)
 Trepp LLC 5/2/12 (CMBS Delinquency Rates)

New Single-Family Homes Total Started and Total Sold

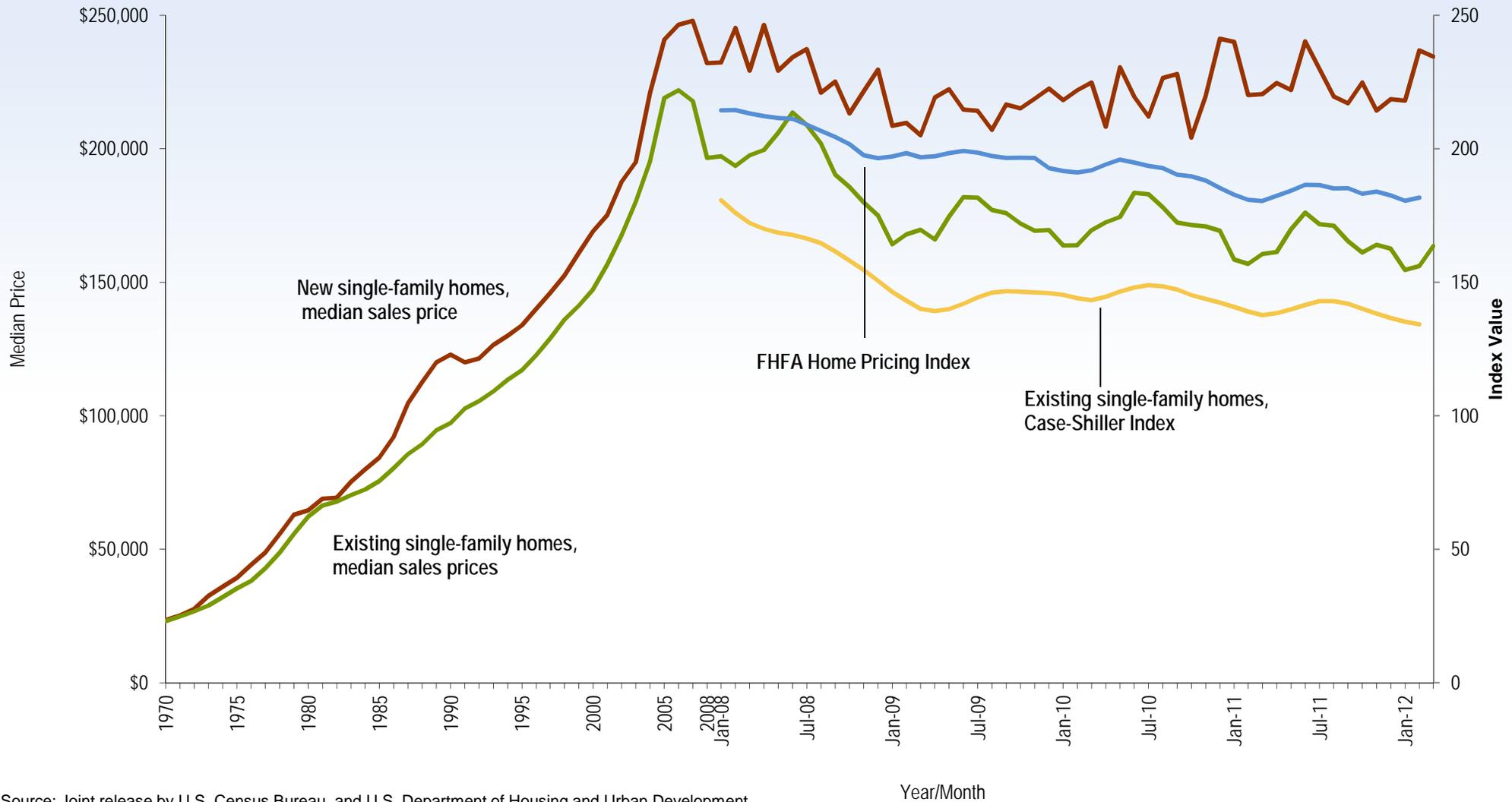
MONTHLY, SEASONALLY ADJUSTED



Source: Joint releases by U.S. Census Bureau, and U.S. Department of Housing and Urban Development 04/17/12, 04/24/12

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. 04/24/12; National Association of Realtors 4/20/12; Standard & Poor's 04/24/12, Federal Housing Finance Agency 04/24/12