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July 7-9, 2010 | San Francisco, California

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## Execs Expect Commercial Property Values and Rents to Keep Falling

BY: BRITTANY DUNN

04/01/2010

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The commercial real estate outlook for the remainder of 2010 is grim. According to Deloitte's recent online survey of real estate executives, 76 percent of respondents expect commercial property values to continue to fall this year, and 73 percent predict asking rents will follow the same trend.



"The commercial real estate market continues to be adversely affected by one of the deepest recessions in decades," said E.J. Huntley, principal of Deloitte Financial Advisory Services LLP and national leader of the real estate consulting practice. "Increased unemployment has resulted in less demand for office space, reduced rents, and an overall decline in commercial property values."

Huntley said right now, commercial real estate executives are weighing their options, determining if the time is right

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to invest while prices remain depressed and before interest rates begin to rise.

Roughly three-quarters—74 percent—of survey respondents expect interest rates to increase in 2010, with 48 percent expected rates to jump by 50 basis points or more. The survey also found that 59 percent of executives think cap rates will rise and 57 percent predict discount rates will increase.

But with property prices falling and interest rates still reasonable, some executives are looking at this time as an opportunity to invest. According to the survey, 47 percent of executives surveyed were already investigating potential acquisitions, and 20 percent expect to begin doing so in the next year.

The survey also found that 47 percent of respondents feel today's lower prices make it more financially advantageous to buy rather than lease. In fact, 51 percent of real estate company executives and 39 percent of commercial property tenants said their companies are currently investigating potential acquisitions, Deloitte said.

When the market will recover still remains unknown, but it will undoubtedly take time. This was echoed by survey respondents, as 63 percent predict a full recovery of the market will require two to three years, and 29 percent believe a full recovery will take four years or longer. A mere 8 percent anticipate a full recovery within the next year.

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