

NAI Carolantic Realty

Commercial Real Estate Services, Worldwide.



40 Years of Forward Thinking

27th Annual • 2012 Triangle Commercial Real Estate Conference

2012 Forecast

- Office/Industrial
- Retail
- Multifamily/Residential
- Single Family/Residential

Forecast: Office/Industrial Leasing & Development

2011

Prediction: Another slow construction year and vacancy starts trending down. Less construction than previous two years.

Actual: Correct here – Vacancy drops for the first time in five years as there is minimal new construction.

2012

- Construction on same level as previous years
- Plans begin for some new projects
- Another year of positive absorption
- Vacancy drops to lowest level in five years
- Rental rates hit bottom and Landlords will begin testing the market
- Buildings in best locations with best amenities win

Forecast: Retail

Leasing & Development

2011

Prediction: Dramatic increase in construction with minimal absorption and continued vacancy.

Actual: Correct – Largest one-year construction increase since 2004. Some absorption with the new construction, but not enough to lower the 6% vacancy.

2012

- New construction focused in Cary and Holly Springs
- Pre-leasing allows these markets to stay healthy
- Some in-line shops will remain vacant
- Any retail sales momentum will be tough to sustain in 2012
- Grocery-anchored developers are revisiting the market, and looking at sites they considered three years ago

Forecast: Multifamily/Residential Leasing & Development

2011

Prediction: Should get positive absorption, but vacancy can't stay at 6.7%. Low cap rates leading to new construction.

Actual: Close – Did get good absorption and even with new construction, vacancy went down .7% (lowest since 2000). There is now new construction in five Triangle submarkets.

2012

- Wow, over 11,000 units proposed (all will not be delivered)
- There will be supply-side pressure
- But mortgage loan troubles, limited single-family home construction, leads to continued demand
- Combined with continued population growth, vacancy rates will remain in the 6% range

Forecast: Single-family & Attached Residential Sales & Development

2011

Prediction: Continued low demand with average home prices falling again.

Actual: Right on here. After some minor improvement in 2010, sales dropped again in 2011. Average sales price was down 3.6%.

2012

- Inventory levels will continue to shrink
- As new construction is minimal (building permits issued in 2011 represented only 42% of the annual average)
- Some activity in attractively priced developments
- Average home prices level off by year-end
- Still a great time to buy your dream home

2012 Investor Outlook for Land

- Location is still king, just so much inventory
- Slowdown in foreclosed properties by year-end
- This allows some looks at other properties
- Financing still challenging
- Cash continues to create opportunities
- Best time to buy since the 70's

2012 Investor Outlook for Income Property

- Investment sales activity up another 40%
- Pension funds, insurance companies, public funds and particularly REIT's will continue to be active
- These folks will buy properties somewhere. They want the fees and have a mandate to invest funds
- Private investors continue to push cap rates upward – want strong cash flows
- Institutional investors focusing on global and primary markets, but Triangle area is on every watch list



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