Survey of Real Estate Trends

An Assessment by Senior Examiners and Asset Managers at Federal Bank and Thrift Regulatory Agencies

JANUARY 2002 TO JUNE 2002

National Highlights

The *Survey of Real Estate Trends* summarizes the opinions of 252 senior examiners and asset managers at federal bank and thrift regulatory agencies on changes in the conditions of local real estate markets. This *Survey* covers conditions over the six-month period from January to June 2002 for single-family, multifamily, office, retail, and industrial property markets in metropolitan areas across the nation.

- Respondents to the July 2002 survey continued to observe deterioration in the nation's real estate markets during the first half of 2002, although the rate of deterioration was slower than in the last half of 2001.
- The results indicate that reports of worsening real estate conditions (as characterized by higher vacancy rates, lower market prices, or a slower pace of sales) nonetheless continued to predominate.
- Improvements in current conditions were observed in the single-family sector, where respondents cited higher sales volumes and home sale prices than six months ago.
- Reports of market imbalance skewed strongly towards oversupply in the commercial markets, while reports of tight conditions continued in residential markets.
- Weakness in local office markets continued to be widespread according to the vast majority of respondents. Sixty-five percent reported worsening office market conditions, but a majority reported a decrease in speculative office construction, in apparent response to diminished demand in many U.S. markets.

Introduction

The condition of real estate markets has been, and is likely to remain, an important determinant of credit risk for banks and thrifts. Since early 1991 the FDIC has conducted a survey of field staff from all of the federal thrift and bank regulatory agencies about changes in the conditions of their local real estate markets. The purpose of the survey is to provide a timely indicator of changes in residential and commercial real estate market conditions.

The nationwide survey polls FDIC senior examiners and asset managers as well as bank examiners of the Federal Reserve Banks, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. Participants are asked broad qualitative questions about conditions and trends in specific metropolitan areas in five distinct real estate property markets: single-family, multifamily, office, retail, and industrial. The metropolitan areas covered and the criteria guiding participants' responses are listed in the notes for the national results table at the end of this report.

Comparisons of survey results across different periods or geographic areas must be interpreted carefully. The pool of respondents may change from survey to survey, and observations about a specific market's activity reflect characteristics unique to that market.

Current Conditions in Real Estate Markets

Respondents continued to observe excess supply most frequently in all property markets except single-family. Similar to the previous survey in January, reports of market imbal-

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ance skewed strongly towards oversupply in the commercial markets, while reports of tight conditions continued in residential markets.

The proportion of respondents who described single-family markets as tight, 33 percent, was double the figure reported in January 2002. The increase in such reports was weighted towards responses of "some tightness" rather than the more acute "a tight market." As for multifamily markets, 15 percent observed supply conditions as tight, a slight dip from the 17 percent reported in January. Forty-five percent said their local apartment markets had too much supply, up from 36 percent in January.

Excess office space was reported by 78 percent of respondents, down from 81 percent in January 2002. However, of those respondents who noted oversupply, the proportion whose response was the more serious "excess inventory" as opposed to "some excess capacity" jumped to 40 percent from 25 percent in January 2002.

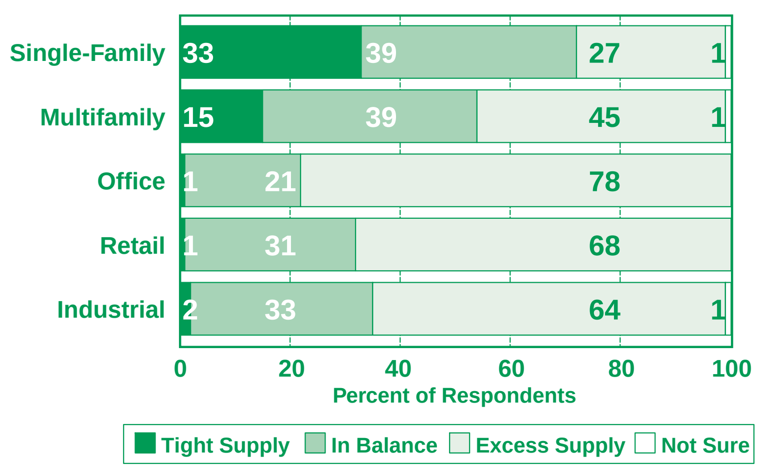
Reports of oversupply in retail and industrial markets were somewhat more frequent than six months ago. Excess supply in retail markets was observed by 68 percent of respondents, up from 65 percent. As for industrial markets, 64 percent of respondents reported too much industrial space, up from 58 percent. Local markets with tight supply continued to be scarce. The accompanying table lists all metropolitan areas characterized as having excess supply.

Single-Family Real Estate Markets

- Existing home sales rebounded according to respondents in the July 2002 survey, an increase also recorded by the National Association of Realtors.[1] Thirty percent of respondents reported that sales had risen from six months ago, up from 16 percent, while reports of slower sales were less frequent. Respondents said that existing home sales were increasing in Albany, Buffalo, Fargo, Hartford, Little Rock, Newark, Orange County, Philadelphia, Sacramento, San Francisco, and Wilmington but were decreasing in Des Moines, Fort Lauderdale, Grand Rapids, Greenville-Spartanburg, Indianapolis, Jackson, Kansas City, Milwaukee, Norfolk, Oakland, Omaha, Portland (OR), Raleigh, Salt Lake City, and West Palm Beach.

[1]Existing 1- to 4-family homes sold at a seasonally-adjusted annual rate of 5.78 million units in the first quarter of 2002 and 5.54 million units in the second quarter, according to the National Association of Realtors. These rates mark the highest quarterly levels of existing home sales ever recorded in the U.S.

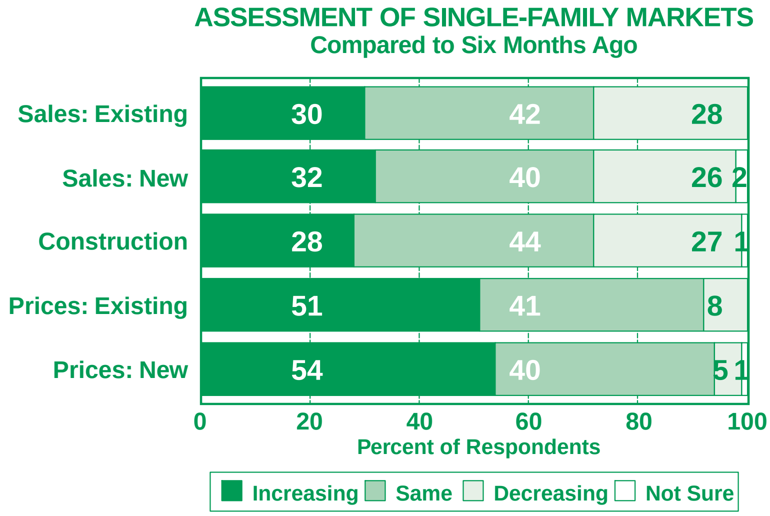
CURRENT CONDITION OF MARKETS



CURRENT CONDITIONS: EXCESS SUPPLY REPORTED IN METROPOLITAN AREAS

Metro Area	Single-Family	Multifamily	Office	Retail	Industrial
Albany		X			X
Albuquerque	X			X	
Atlanta	X	X	X	X	X
Austin	X	X	X		
Baltimore			X	X	
Billings				X	
Birmingham			X		
Boston			X	X	
Charlotte		X	X	X	
Chicago			X	X	
Cincinnati			X	X	X
Cleveland			X	X	X
Columbus		X	X	X	X
Dallas			X	X	X
Denver	X		X		
Des Moines	X		X		
Detroit			X	X	X
Fargo				X	
Grand Rapids	X			X	X
Greenville-Spartanburg	X	X	X		
Honolulu			X	X	
Houston			X	X	
Indianapolis	X	X	X	X	
Kansas City		X	X	X	
Little Rock			X	X	
Las Vegas			X	X	
Los Angeles			X		X
Louisville				X	
Miami			X		X
Milwaukee			X	X	X
Minneapolis		X	X	X	
Nashville		X	X	X	
New Orleans				X	
New York City			X		X
Oakland	X				
Oklahoma City				X	X
Omaha	X	X	X	X	X
Orange County			X		
Orlando	X	X	X		X
Phoenix		X	X		X
Pittsburgh			X		X
Portland, OR			X		
Providence				X	
Raleigh		X	X	X	X
Richmond			X	X	X
Sacramento		X	X		
Salt Lake City	X	X	X	X	X
San Diego			X		
San Francisco			X		X
Seattle	X	X	X	X	X
Sioux Falls		X			
St. Louis			X	X	
Tulsa		X	X	X	
Washington DC/MD/VA			X		
Wilmington			X		

Note: Excess supply as indicated by more than 50 percent of respondents who cite either “excess Inventory” or “some excess capacity.” See national results table for survey questions.



- For new homes, 32 percent noted an increase in sales (up from 19 percent) while 26 percent observed a decrease in sales (down from 46 percent). Sales of new homes were reported to be higher than six months earlier in Albany, Billings, Buffalo, Fargo, Hartford, Honolulu, Jackson, Newark, Orange County, Philadelphia, Providence, Sacramento, and Wilmington but lower in Fort Lauderdale, Grand Rapids, Greenville-Spartanburg, Indianapolis, Little Rock, Oakland, Raleigh, Salt Lake City, San Juan, Seattle, and West Palm Beach.

- Although 44 percent of respondents observed no change in construction of single-family homes, 28 percent noted an increase, more than double the proportion in the previous survey. Renewed homebuilding activity was noted in Albany, Billings, Buffalo, Fargo, Honolulu, Jackson, Newark, Philadelphia, and Wilmington. Twenty-seven percent of respondents viewed a decrease in residential construction over the previous six months, citing declines in Denver, Detroit, Fort Lauderdale, Grand Rapids, Indianapolis, Phoenix, Portland (ME), Oakland, San Juan, and Seattle.

- Increasing sale prices for both existing and new homes were reportedly much more frequent, with a majority of respondents seeing gains in prices for existing homes (51 percent, up from 24 percent) and new homes (54 percent, up from 31 percent). Higher prices were observed throughout the country. Eight percent reported decreasing sales prices for existing homes (Des Moines and Greenville-Spartanburg) and slightly fewer, five percent, saw price erosion in new homes (Des Moines, Greenville-Spartanburg, and Salt Lake City).

- Among the comments from respondents were observations that, in terms of price movement and sales activity, the strength of the single-family sector appeared concentrated on mid- and lower-end housing rather than the upper-end market.

- Single-family markets had, by far, the highest proportion of respondents noting better overall conditions, at 27 percent. This figure was more than twice the proportion reported in the January 2002 survey, at 10 percent. The more favorable assessment of the single-family sector reflected respondents' observations of higher sales volumes and higher home sale prices than six months ago. Respondents commented on the relative health of the market compared to, for example, the office sector, attributing it in large part to continued low mortgage interest rates. Still, respondents on both coasts noted the potential for price bubbles in their local single-family markets. About one-quarter of respondents (24 percent) said conditions were worse, in contrast to 41 percent in January.

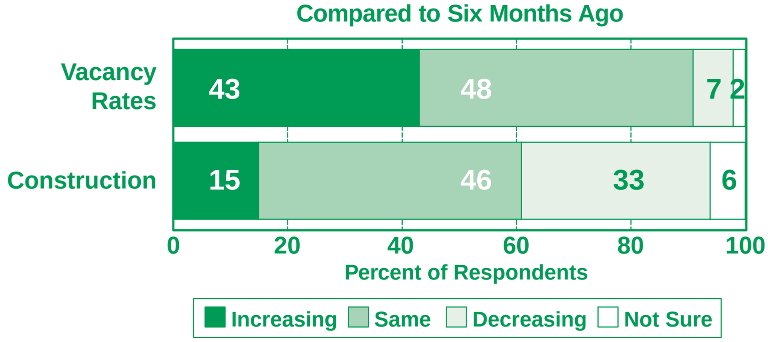
Multifamily Real Estate Markets

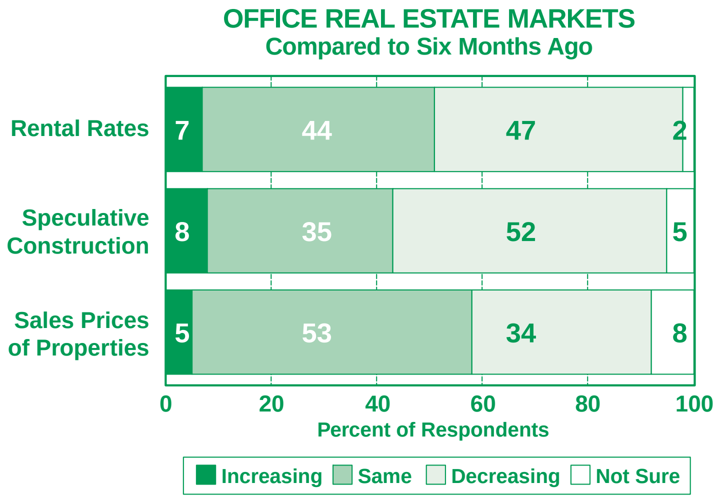
- Vacancy rates in multifamily housing markets were widely reported as increasing from six months earlier. Forty-three percent of respondents reported increasing vacancies, up from 35 percent in January 2002, while seven percent noted that vacancies had decreased. Metropolitan areas cited for rising multifamily vacancies included Albany, Atlanta, Austin, Charlotte, Denver, Grand Rapids, Indianapolis, Minneapolis, Phoenix, Omaha, Orlando, Raleigh, Sacramento, Salt Lake City, San Francisco, Seattle, Sioux Falls, and Tampa.
- Forty-six percent of respondents reported no change in multifamily residential construction. However, new apartment construction was noted by 15 percent, up from six percent in the January 2002 survey, even as vacancies in multifamily markets were on the rise. Higher construction was mentioned in Albany, Portland (OR), and Sioux Falls. One-third noted a slowdown in apartment building, down from 44 percent in the January survey.
- Observations of general conditions in local multifamily markets in July were similar to the results recorded in January. Although 51 percent of respondents described conditions as the same, the remainder who reported movement continued to cite deterioration much more frequently than improvement. Forty-three percent said conditions were worse, an uptick from 41 percent in the last survey, while only 6 percent noted better conditions, a slight dip from January's seven percent. Comments on rising vacancies and more frequent concessions underscored these views of weakness in the multifamily sector.

Office Real Estate Markets

- Forty-four percent of the respondents reported no change in office rental rates over the previous six months, the same proportion as in the January 2002 survey. In markets where rents fluctuated, just seven percent noted an increase in rental rates, in Buffalo, Hartford, and Las Vegas, and 47 percent said office rental rates were reduced from six months earlier. Lower office rents were observed in Atlanta, Birmingham, Boston, Chicago, Columbus, Dallas, Denver, Detroit, Indianapolis, Los Angeles, Miami, Minneapolis, Nashville, New York City, Omaha, Orange County, Orlando, Salt Lake City, San Diego, San Francisco, Seattle, and Wilmington. It should be noted that, of the respondents who noted decreasing rental rates, 16 percent described rates as "a lot lower" than six months earlier, commenting on "rapidly declining rents" and "markedly lower rents."
- The majority of respondents (52 percent) noted that the volume of speculative construction of office buildings was reduced from six months earlier, up from 48 percent, in apparent response to continued weakness in the sector. In addition, almost 30 percent of those reporting a

MULTIFAMILY REAL ESTATE MARKETS
Compared to Six Months Ago





decline in speculative construction said that it was "a lot lower." Nonetheless, eight percent of respondents observed increasing speculative office construction over the previous six months, citing Greenville-Spartanburg and San Diego. Thirty-five percent saw no change.

- Sales prices of office properties held steady, according to just over one-half of respondents (53 percent). However, 34 percent of respondents said prices were decreasing somewhat, and only five percent reported rising prices, notably in Hartford. Price declines in office building sales were seen in Atlanta, Austin, Detroit, Indianapolis, New York City, Phoenix, Raleigh, Salt Lake City, San Francisco, Seattle, and Wilmington.

- Respondents' views on general office market conditions were quite similar to those reported in January 2002, with little change in the proportions noting conditions as better, the same, or worse. What was notable, however, was that the significantly more frequent reports of deterioration continued to be so widespread, at 65 percent. According to comments, views of weakness were based on the prevalence of sublease space, rising vacancies, and declining rental rates. Only two percent of respondents noted some emerging improvement—an increase, albeit very slight, from one percent in the last survey.

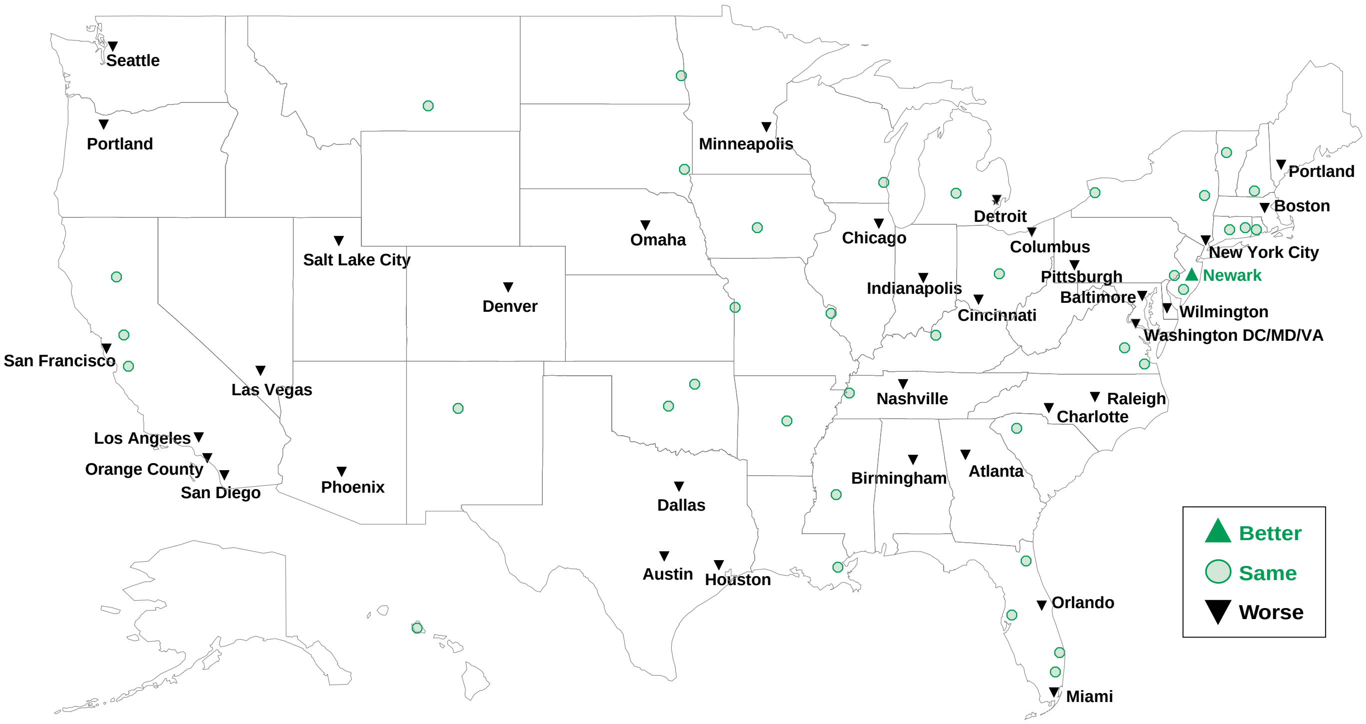
- The accompanying map displays respondents' evaluations of changes in office market conditions in metropolitan areas. Only in one city, Newark, were office conditions viewed as better than six months ago. In the areas not named, there was no majority opinion that overall conditions had improved or deteriorated.

Retail Real Estate Markets

- The majority of respondents (61 percent) saw stable retail rental rates. However, rent breaks were still offered according to 33 percent who noted declining rental rates, but this was down from 36 percent in the previous survey. Respondents cited lower rents in Atlanta, Cincinnati, Columbus, Dallas, Omaha, Raleigh, Salt Lake City, and Seattle. Only four percent said retail rental rates were "a little higher," mentioning Buffalo and Las Vegas.

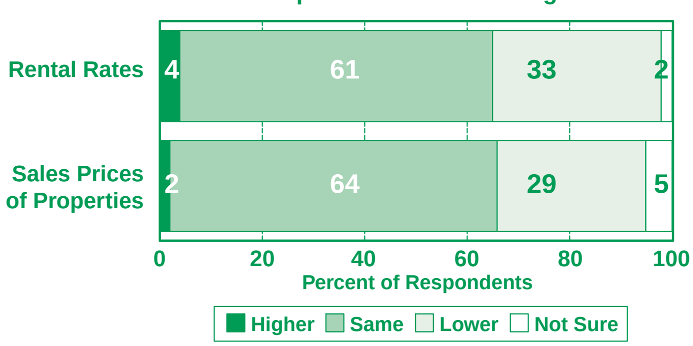
- Sales prices of retail properties held steady over the previous six months, according to 64 percent of respondents, up from 59 percent in the previous survey. However, 29 percent said that retail sale prices were lower (down from 31 percent), notably in Charlotte, Cleveland, Columbus, Omaha, Raleigh, Salt Lake City, and Seattle. Only two percent said that sale prices had increased, and just moderately at that.

CHANGES IN OFFICE MARKET CONDITIONS
In Metropolitan Areas Over Past Six Months



Reports of worsening conditions in local retail markets continued to far outweigh reports of improvement, with 43 percent noting deterioration compared to just two percent seeing better conditions. However, the proportion seeing weakness was less than in the January 2002 survey (down from 55 percent). Over one-half of respondents (55 percent) continued to describe retail conditions as the same compared to six months ago, up from 44 percent in January 2002. Respondents commented that, despite store closings and retail bankruptcies (some reaching national headlines), the retail sector was relatively steady as consumer spending held up better than expected.

RETAIL REAL ESTATE MARKETS
Compared to Six Months Ago



Industrial Real Estate Markets

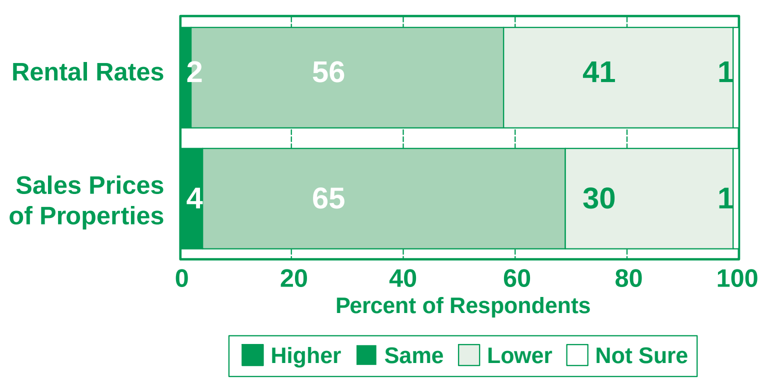
- Rental rates for industrial properties were described as largely unchanged from the previous six months according to the majority of respondents (56 percent) citing stable rents. Reports of lower rental rates were similar to those of six months ago, at 41 percent. Lower rates were observed in Albany, Atlanta, Charlotte, Dallas, Detroit, Kansas City, Miami, Omaha, Phoenix, Raleigh, Richmond, Salt Lake City, San Francisco, and Seattle. Just two percent said that industrial rents had increased.
- Sales prices of industrial properties remained steady, with 65 percent of respondents noting sale prices as unchanged. In January 2002, 62 percent observed stable prices. The difference shifted entirely to reports of moderately increasing sales prices, albeit slight at four percent but a boost from January's zero reports of price gains. Thirty percent (down from 33 percent) said industrial sales prices were lower, mentioning Albany, Charlotte, Dallas, Detroit, Kansas City, Phoenix, Raleigh, Richmond, San Francisco, and Seattle.
- When asked about general conditions in local industrial markets, far more respondents saw weaker conditions than improving conditions (42 percent versus two percent) but this was a slight improvement from the January 2002 survey when 50 percent reported deterioration. The majority of respondents in July (56 percent) noted no change in conditions.

Market Dislocation

When asked to assess potential signs of a troubled real estate market, respondents continued to note foreclosures and bankruptcies, and longer leasing times than six months ago, although many reported no change.

- The majority of respondents (61 percent) reported that foreclosures on commercial real estate loans continued at about the same pace as six months earlier. Of those seeing a change in the pace of foreclosures, 18 percent said they were somewhat more frequent and only two percent said they were somewhat less.
- Forty-three percent of respondents reported no increase in commercial and retail bankruptcies from levels noted in January 2002. However, 37 percent observed somewhat more bankruptcies now compared to six months ago, far outweighing the two percent who said that bankruptcies were less than in the previous survey.
- The length of time required to lease a property was widely described by almost 49 percent as somewhat longer now than in the previous survey, compared to almost three percent who observed somewhat shorter times. Thirty-one percent reported no change in lease time.

INDUSTRIAL REAL ESTATE MARKETS
Compared to Six Months Ago



NATIONAL RESULTS FROM THE SURVEY OF REAL ESTATE TRENDS

Percent of Respondents

		Six-Month Period Ending:				
		06/00	12/00	06/01	12/01	06/02
SINGLE-FAMILY						
How would you characterize the current single-family market?	A tight market	15.0	7.7	5.9	1.6	7.0
	Some tightness	30.0	23.8	23.7	14.2	26.2
	Supply and demand in balance	40.3	51.1	42.3	51.6	39.3
	Some excess capacity	13.7	14.9	25.3	31.1	24.9
	Excess inventory	0.9	2.6	2.8	1.6	2.2
	Not sure	0.0	0.0	0.0	0.0	0.4
How would you characterize the current volume of *existing* single-family home sales now compared with 6 months ago?	A lot higher	1.3	0.0	1.2	0.4	1.3
	A little higher	23.6	17.0	26.9	16.1	28.4
	About the same	44.6	46.4	44.7	39.8	42.4
	A little lower	29.6	34.9	24.9	39.0	26.6
	A lot lower	0.0	1.3	1.6	3.9	0.9
	Not sure	0.9	0.4	0.8	0.8	0.4
How would you characterize the current volume of *new* single-family home sales now compared with 6 months ago?	A lot higher	1.3	0.9	1.2	0.0	2.6
	A little higher	26.2	14.5	26.5	18.9	29.7
	About the same	45.5	46.4	41.9	33.5	40.2
	A little lower	26.2	36.6	26.5	43.3	24.5
	A lot lower	0.4	0.9	2.0	3.1	0.9
	Not sure	0.4	0.9	2.0	1.2	2.2
How would you characterize the current volume of single-family new home construction now compared with 6 months ago?	A lot higher	3.0	0.9	0.4	0.0	2.2
	A little higher	20.6	13.6	22.1	11.8	26.2
	About the same	49.4	42.6	50.2	42.5	43.2
	A little lower	24.9	39.6	24.1	41.3	26.2
	A lot lower	0.9	2.1	2.4	2.4	0.9
	Not sure	1.3	1.3	0.8	2.0	1.3
How would you characterize the sales prices of *existing* single-family homes now compared with 6 months ago?	A lot higher	5.6	1.7	2.8	1.6	4.8
	A little higher	51.5	41.3	43.1	22.8	46.7
	About the same	35.6	47.2	38.7	54.7	40.6
	A little lower	6.9	9.8	13.8	18.5	7.9
	A lot lower	0.0	0.0	0.8	1.2	0.0
	Not sure	0.4	0.0	0.8	1.2	0.0
How would you characterize the sales prices of *new* single-family homes now compared with 6 months ago?	A lot higher	5.2	1.7	2.8	1.2	4.8
	A little higher	55.4	45.1	48.2	29.5	49.3
	About the	35.2	48.9	39.5	53.1	40.2
	A little lower	3.0	3.8	7.1	13.4	5.2
	A lot lower	0.4	0.0	0.4	1.2	0.0
	Not sure	0.9	0.4	2.0	1.6	0.4
What would you say is the general condition of the single-family market now compared with 6 months ago?	A lot better	1.3	1.3	0.8	0.8	3.5
	A little better	23.6	15.7	19.0	9.1	23.1
	About the same	57.9	56.2	53.0	48.8	48.9
	A little worse	16.7	26.4	25.3	40.2	23.1
	A lot worse	0.0	0.4	1.6	0.8	0.9
	Not sure	0.4	0.0	0.4	0.4	0.4
MULTIFAMILY						
How would you characterize the current multifamily market?	A tight market	11.7	5.6	8.7	1.2	1.9
	Some tightness	27.8	24.2	19.7	16.2	13.4
	Supply and demand in balance	45.0	50.3	49.1	46.2	38.9
	Some excess capacity	14.4	18.6	20.8	32.9	39.5
	Excess inventory	0.6	1.2	1.7	2.9	5.7
	Not sure	0.6	0.0	0.0	0.6	0.6
How would you characterize current `apartment vacancy rates now compared with 6 months ago?	A lot higher	0.0	0.0	1.2	1.2	2.5
	A little higher	17.8	15.5	25.4	33.5	40.1
	About the same	62.2	70.2	59.0	54.9	48.4
	A little lower	18.3	11.8	11.0	9.8	7.0
	A lot lower	0.0	1.2	1.7	0.0	0.0
	Not sure	1.7	1.2	1.7	0.6	1.9
How would you characterize the current volume of rental apartment construction now compared with 6 months ago?	A lot higher	1.7	1.2	0.0	0.0	0.0
	A little higher	22.2	11.8	17.3	5.8	15.3
	About the same	51.7	54.7	55.5	48.0	45.9
	A little lower	19.4	28.0	22.5	40.5	28.7
	A lot lower	1.7	0.6	2.3	3.5	4.5
	Not sure	3.3	3.7	2.3	2.3	5.7
What would you say is the general condition of the multifamily market now compared with 6 months ago?	A lot better	1.7	0.0	0.0	0.0	0.0
	A little better	17.2	12.4	13.9	6.9	6.4
	About the same	72.2	74.5	65.3	51.4	50.3
	A little worse	8.9	12.4	19.7	39.3	41.4
	A lot worse	0.0	0.6	1.2	1.7	1.9
	Not sure	0.0	0.0	0.0	0.6	0.0

NATIONAL RESULTS FROM THE SURVEY OF REAL ESTATE TRENDS
Percent of Respondents

		Six-Month Period Ending: 06/00	12/00	06/01	12/01	06/02
OFFICE						
How would you characterize the current office market?	A tight market	9.9	4.2	0.6	0.0	0.0
	Some tightness	21.6	13.1	4.5	4.4	0.6
	Supply and demand in balance	37.4	51.2	30.7	15.5	20.8
	Some excess capacity	28.1	28.0	54.7	59.7	48.8
	Excess inventory	2.9	3.6	9.5	20.4	29.8
	Not sure	0.0	0.0	0.0	0.0	0.0
How would you characterize rental rates for office space now compared with 6 months ago?	A lot higher	5.3	0.0	0.0	0.0	1.8
	A little higher	26.9	22.6	10.1	3.3	4.8
	About the same	59.6	71.4	53.1	44.8	44.0
	A little lower	7.0	5.4	33.0	40.9	39.3
	A lot lower	0.0	0.0	3.4	7.7	7.7
	Not sure	1.2	0.6	0.6	3.3	2.4
How would you characterize the current volume of speculative office construction (i.e., not presold or preleased) now compared with 6 months ago?	A lot higher	2.3	1.2	1.1	1.7	0.0
	A little higher	18.1	17.3	15.1	12.7	8.3
	About the same	56.1	47.6	47.5	34.3	35.1
	A little lower	15.8	24.4	23.5	35.9	36.9
	A lot lower	2.3	3.0	6.1	12.2	14.9
	Not sure	5.3	6.5	6.7	3.3	4.8
How would you characterize the sales prices of a common class of office properties?	Increasing rapidly	0.6	0.0	0.0	0.0	0.0
	Increasing moderately	33.3	21.4	11.2	3.9	4.8
	Holding steady	57.9	67.9	62.0	50.8	53.0
	Decreasing moderately	2.3	6.0	19.0	37.6	33.3
	Decreasing steadily	0.6	0.0	0.6	1.7	1.2
	Not sure	5.3	4.8	7.3	6.1	7.7
How common are leasing concessions (such as free rent, tenant finish, build out, etc.) for office space now compared with 6 months ago?	A lot more common	0.6	0.0	4.5	11.6	8.9
	A little more common	8.2	10.1	33.0	42.0	46.4
	About the same	57.9	66.7	44.7	32.6	33.9
	A little less common	15.2	6.5	2.8	0.0	0.6
	A lot less common	2.9	1.8	0.6	0.0	0.6
	No concessions are offered	5.8	6.0	3.9	2.2	1.8
	Not sure	9.4	8.9	10.6	11.6	7.7
What would you say is the general condition of the office market now compared with 6 months ago?	A lot better	0.0	0.0	0.0	0.0	0.0
	A little better	17.5	14.3	5.0	1.1	1.8
	About the same	71.9	69.0	46.4	32.6	32.7
	A little worse	10.5	15.5	44.1	53.6	54.2
	A lot worse	0.0	1.2	4.5	12.7	11.3
	Not sure	0.0	0.0	0.0	0.0	0.0
RETAIL						
How would you characterize the current retail market?	A tight market	0.7	0.0	0.0	0.0	0.0
	Some tightness	17.5	10.4	5.2	2.1	0.7
	Supply and demand in balance	51.7	54.5	50.7	33.3	31.4
	Some excess capacity	25.9	33.8	40.3	56.9	62.0
	Excess inventory	2.8	1.3	3.0	7.6	5.8
	Not sure	1.4	0.0	0.7	0.0	0.0
How would you characterize rental rates for retail space now compared with 6 months ago?	A lot higher	0.0	0.0	0.0	0.0	0.0
	A little higher	21.0	19.5	6.7	1.4	3.6
	About the same	69.2	67.5	64.9	58.3	60.6
	A little lower	6.3	9.7	23.1	33.3	32.8
	A lot lower	0.0	0.0	0.0	2.8	0.7
	Not sure	3.5	3.2	5.2	4.2	2.2
How would you characterize sales prices of retail properties?	Increasing rapidly	0.0	0.0	0.0	0.0	0.0
	Increasing moderately	22.4	15.6	7.5	4.2	2.2
	Holding steady	67.8	72.7	64.2	58.3	64.2
	Decreasing moderately	4.2	7.1	18.7	30.6	28.5
	Decreasing steadily	0.0	0.0	0.0	0.7	0.0
	Not sure	5.6	4.5	9.7	6.3	5.1
How common are leasing concessions (such as free rent, tenant finish, build out, etc.) for retail space now compared with 6 months ago?	A lot more common	0.0	0.6	1.5	3.5	2.2
	A little more common	8.4	11.0	26.1	43.1	37.2
	About the same	65.7	65.6	51.5	36.8	46.0
	A little less common	7.0	4.5	1.5	1.4	0.7
	A lot less common	0.7	0.6	0.0	0.0	0.0
	No concessions are offered	5.6	4.5	3.7	3.5	3.6
	Not sure	12.6	13.0	15.7	11.8	10.2
What would you say is the general condition of the retail market now compared with 6 months ago?	A lot better	0.0	0.0	0.0	0.0	0.0
	A little better	10.5	7.1	3.0	1.4	2.2
	About the same	78.3	75.3	62.7	44.4	54.7
	A little worse	11.2	16.9	34.3	51.4	42.3
	A lot worse	0.0	0.6	0.0	2.8	0.7
	Not sure	0.0	0.0	0.0	0.0	0.0

NATIONAL RESULTS FROM THE SURVEY OF REAL ESTATE TRENDS

Percent of Respondents

		Six-Month Period Ending: 06/00	12/00	06/01	12/01	06/02
INDUSTRIAL						
How would you characterize the current industrial market?	A tight market	4.3	1.1	0.0	0.0	0.0
	Some tightness	24.7	11.0	5.4	2.0	2.4
	Supply and demand in balance	57.0	65.9	60.2	39.0	32.9
	Some excess capacity	10.8	19.8	29.0	47.0	50.0
	Excess inventory	2.2	2.2	5.4	11.0	13.4
	Not sure	1.1	0.0	0.0	1.0	1.2
How would you characterize rental rates for industrial space now compared with 6 months ago?	A lot higher	2.2	0.0	0.0	0.0	0.0
	A little higher	26.9	15.4	5.4	2.0	2.4
	About the same	64.5	72.5	68.8	55.0	56.1
	A little lower	3.2	9.9	20.4	39.0	39.0
	A lot lower	1.1	1.1	2.2	3.0	1.2
	Not sure	2.2	1.1	3.2	1.0	1.2
How would you characterize sales prices of industrial properties?	Increasing rapidly	1.1	0.0	0.0	0.0	0.0
	Increasing moderately	30.1	18.7	4.3	0.0	3.7
	Holding steady	60.2	74.7	77.4	62.0	64.6
	Decreasing moderately	4.3	5.5	11.8	31.0	29.3
	Decreasing steadily	0.0	0.0	2.2	2.0	1.2
	Not sure	4.3	1.1	4.3	5.0	1.2
How common are leasing concessions (such as free rent, tenant finish, build out, etc.) for industrial space now compared with 6 months ago?	A lot more common	0.0	0.0	2.2	7.0	3.7
	A little more common	3.2	9.9	22.6	35.0	31.7
	About the same	67.7	70.3	61.3	41.0	48.8
	A little less common	12.9	2.2	2.2	2.0	2.4
	A lot less common	0.0	3.3	0.0	0.0	0.0
	No concessions are offered	6.5	3.3	2.2	5.0	4.9
	Not sure	9.7	11.0	9.7	10.0	8.5
What would you say is the general condition of the industrial market now compared with 6 months ago?	A lot better	0.0	1.1	0.0	0.0	0.0
	A little better	19.4	12.1	3.2	1.0	2.4
	About the same	73.1	75.8	71.0	49.0	56.1
	A little worse	5.4	9.9	22.6	45.0	36.6
	A lot worse	0.0	1.1	3.2	5.0	4.9
	Not sure	2.2	0.0	0.0	0.0	0.0
MARKET DISLOCATION [a]						
Assess *foreclosures of commercial real estate* loans as a potential sign of a troubled real estate market and rate your assessment at the present time compared to 6 months ago.	Much more now than 6 months ago	0.0	0.0	0.0	0.4	0.0
	Somewhat more now than 6 months ago	5.1	7.1	12.0	18.5	17.9
	About the same	64.7	69.3	69.7	63.4	60.7
	Somewhat less now than 6 months ago	7.7	2.5	4.4	1.6	1.7
	Much less now than 6 months ago	0.8	0.4	0.0	0.0	0.0
	Not sure	21.7	20.6	13.9	16.1	19.7
Assess *commercial and retail bankruptcies* as a potential sign of a troubled real estate market and rate your assessment at the present time compared to 6 months ago.	Much more now than 6 months ago	0.0	0.4	0.0	1.2	0.9
	Somewhat more now than 6 months ago	13.2	21.0	31.9	39.8	35.8
	About the same	59.2	53.8	49.8	44.5	42.8
	Somewhat less now than 6 months ago	7.2	5.0	2.8	0.8	1.7
	Much less now than 6 months ago	0.4	0.0	0.0	0.0	0.0
	Not sure	20.0	19.8	15.5	13.8	18.8
Assess the *length of time to lease a property* as a potential sign of a troubled real estate market and rate your assessment at the present time compared to 6 months ago.	Much more now than 6 months ago	0.0	0.0	1.6	2.8	0.9
	Somewhat more now than 6 months ago	12.3	19.3	36.3	54.3	47.6
	About the same	55.3	55.0	39.8	24.4	31.4
	Somewhat less now than 6 months ago	9.4	2.5	1.5	2.0	2.6
	Much less now than 6 months ago	0.4	0.0	0.0	0.0	0.0
	Not sure	22.6	23.1	20.7	16.5	17.5

[a] The results for this section were recalculated to reflect the removal of survey responses that did not answer these questions, which were previously included in the “Not Sure” response.

NOTES:

1) These results aggregate responses filed for 73 major and non-major metropolitan markets covering every state except Alaska, Idaho, West Virginia, and Wyoming. The number of respondents by property sector was: single-family (229), multifamily (157), office (168), retail (137), and industrial (82).
2) Respondents reported on the following major and non-major metropolitan areas: Albany, Albuquerque, Atlanta, Austin, Baltimore, Bergen-Passaic, Billings, Birmingham, Boston, Buffalo, Burlington, Charlotte, Chicago, Cincinnati, Cleveland, Columbus, Dallas, Denver, Des Moines, Detroit, Fargo, Fort Lauderdale, Fresno, Grand Rapids, Greenville-Spartanburg, Hartford, Honolulu, Houston, Indianapolis, Jackson, Jacksonville, Kansas City, Las Vegas, Little Rock, Los Angeles, Louisville, Memphis, Miami, Milwaukee, Minneapolis, Nashua, Nashville, Newark, New Orleans, New York City, Norfolk, Oakland, Oklahoma City, Omaha, Orange County, Orlando, Philadelphia, Phoenix, Pittsburgh, Portland (Maine), Portland (Oregon), Providence, Raleigh, Richmond, Sacramento, Salt Lake City, San Diego, San Francisco, San Juan, Seattle, Sioux Falls, St. Louis, Stamford, Tampa, Tulsa, Washington, DC, West Palm Beach, and Wilmington.
3) Survey respondents were asked to assess current real estate market conditions as compared with six months ago in relative terms: **A lot better**: Market conditions have improved considerably. There are strong, visible signs of improvement in terms of vacancy rates, market prices, or the pace of sales. Moreover, there is general agreement among market observers on this improvement. **A little better**: Market conditions have improved slightly. There are some visible signs of improvement in terms of market prices or the pace of sales. However, there need not be general agreement among market observers on this improvement. **About the same**: Market conditions are essentially unchanged from what they were six months ago. **A little worse**: Market conditions have deteriorated slightly. There are some visible signs of deterioration in terms of market prices or the pace of sales. However, there need not be general agreement among market observers on this deterioration. **A lot worse**: Market conditions have deteriorated considerably. There are strong, visible signs of deterioration in terms of vacancy rates, market prices, or the pace of sales. Moreover, there is general agreement among market observers on this deterioration. **Not sure**: Unable to assess the current market conditions due to inadequate information, conflicting information, or for other reasons.