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## IT DEPENDS!

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We've been asked a lot lately if the corporate real estate market has bottomed out yet. And the answer is: ***"It depends!"***

### ***Inefficient Markets***

The corporate real estate market, unlike other asset marketplaces, is an inefficient one. Transactional and financial data, while more readily available now than at any time in history, is not standardized the way the securities industry formats buy and sell data, by way of example. Property owners, managers, occupants, and service providers aggregate and distribute various bits of data based on numerous formats to suit the specific needs of the gatherer, the client, and / or other particular readers. While such data acquirers may follow similar formats, few adhere to any particular industry standard. As such, determining whether any one market, or a segment within, is performing better or worse than the last time one checked, often yields subjective and inconclusive results. Multiple companies maintaining research staffs who analyze markets will often simultaneously report disparate conclusions about the same markets.

Furthermore, the vast majority of real estate related market data is supply-side oriented, leaving out the much needed demand-side data. Only recently have some data companies begun reporting on the demand-side of the data equation for large property sales. Smaller sales and lease data reporting is still most often singularly focused on the supply-side, as accurate acquisition of closed transaction data is often difficult and unavailable in the public domain.

### ***Consensus Analysis***

However, I once overheard one person say to another "If enough people tell you that you are a horse, it may be time to buy a saddle!" So, if you listen very closely to what's consistently being said about corporate real estate markets by those who are "in the know" you'll begin to get the picture. And, in markets where inefficient data rules the roost, Consensus Analysis may be your most telling means of determining a market's direction. Consensus Analysis is just that: Listening carefully to the position taken by those who spend the time and resources to review reams of data, both historical and projected, and then seeking out and analyzing the hidden consensus within all the chatter. Conducting Consensus Analyses is certainly not an exact science and there probably have been few books, if any, written on the subject. However, when few standards are adhered to by the known purveyors of information and where market intelligence is required so that management can be well advised as to how best to make

the right business decisions, one must build confidence in one's own understanding of diverse and disparate data through creative means, like Consensus Analysis.

### *So, What's the Answer?*

The Consensus Answer is that depending on the geographic areas and property types in which your company has interest, some corporate real estate markets remain solid and some remain challenged.

- Office space is still in over-supply mode in most major and secondary markets around the country. This continues to create financially and operational flexible opportunities for companies interested in acquiring more space or restructuring existing leases to reduce cost and increase corporate profitability. The good news here is that new and first-time sublease offerings and the wholesale giving-back of excess space by corporate occupants has noticeably slowed in most markets around the country.
- Logistics space markets are generally strong with some weak spots here and there. Some markets are experiencing over-supply, not from severe dispositions of excess space as has occurred in many office markets, but often from new capacity coming to market simultaneously. Overall health in most major Logistics markets is good, with pricing remaining relatively firm, and creating select opportunities in some areas.
- Technology space markets are less firm than Office and Logistics markets, with particular parts of the country offering larger quantities of laboratory and telecommunications properties than in recent years. However, in both of these sectors the newest and most technologically advanced properties tend not to languish and typically trade at or near their real value.

So, has the corporate real estate market bottomed-out? Do your homework, listen and decipher carefully. And along with that saddle, I may pick-up a set of boots and a nice Stetson!

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Mr. Zedas is well-known for his ease and informative style of public speaking, and has given talks, presentations, and has lead educational programs for business, professional, government, and trade associations, including the Building Owners and Managers Association, American Management Association, the U.S. Postal Service, RealComm, Society of Industrial and Office Realtors (SIOR), and others. Andrew is National Chairman of the SIOR Tenant Representation Specialty Practice Board, and is a licensed real estate instructor in Texas and Indiana. He can be reached at 908 245 5999 or via [email](mailto:andrew@realstrat.com).

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