NATIONAL ASSOCIATION of REALTORS®

www.realtor.org/commercial

COMMERCIALCONNECTIONS

THE NATIONAL ASSOCIATION OF REALTORS® COMMERCIAL REAL ESTATE NEWSLETTER VOLUME 12 ISSUE 4 **FALL 2011**

CO–WORKING SPACES AND COMMERCIAL REAL ESTATE

PAGE 6

Reach any of us at:
NARCommercial@realtors.org
430 N. Michigan Avenue
Chicago, Illinois 60611-4087
800.874.6500

THE LATEST

WELCOME TO THE REALTORS® CONFERENCE & EXPO EDITION OF *COMMERCIAL CONNECTIONS*

REALTORS® Conference & Expo
November 11-14, 2011 • ANAHEIM

IN EARLY NOVEMBER, more than 20,000 REALTORS® (including thousands of commercial practitioners) met to "Seize the Day" in Anaheim. Every year, NAR Commercial designs a "conference within a conference" specifically for commercial real estate. It includes a commercial real estate expo, "Commercial Block," and several days of education and networking events supporting members' commercial business.

In this issue, the NAR Commercial Team highlights some of the content and resources from some of these sessions, however, there's no reason for you or your team to miss any of the conference programming.

If you attended as a full conference registrant, attendees can access all of the audio for free at *PlayBackNAR.com!* Missed the conference? REALTORS® Conference Collection packages— starting at $195—can give you a seat at every conference session. Visit *PlayBackNAR.com* and click on "Train Your Team" today.

CONGRATULATIONS TO THE 2012 NAR COMMERCIAL VOLUNTEER LEADERSHIP TEAM!

Randy Scheidt, CCIM, GREEN
Commercial Committee Chair
Indianapolis, IN

Linda St. Peter, CCIM, CIPS, GREEN
Commercial Committee Vice-Chair
Rocky Hill, CT

Max W. Gurvitch, GREEN
Commercial Legislative & Regulatory Subcommittee Chair
Brooklyn, NY

Cindy S. Chandler, CCIM, CRE
Commercial Legislative & Regulatory Subcommittee Vice-Chair
Charlotte, NC

Steven Moreira, CCIM, CIPS, GREEN
Commercial Research Subcommittee Chair
Longwood, FL

Gregory Hrabcak
Commercial Research Subcommittee Vice-Chair
Columbus, OH

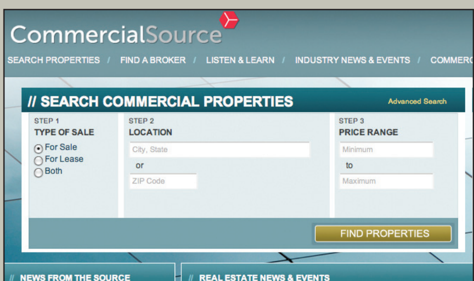
For more information about how you can participate in NAR Commercial volunteer activities, visit ***www.Realtor.org/nar_governance***.

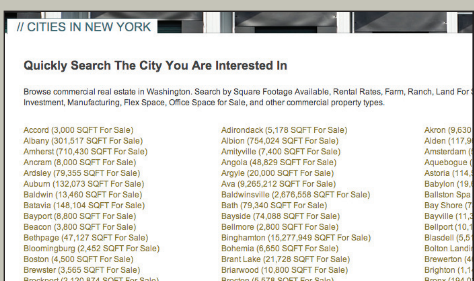
SEARCH AND DISPLAY LISTINGS NOW ON COMMERCIALSOURCE.COM

THE SEARCH AND DISPLAY of commercial real estate listings that you asked for is now available on *CommercialSource.com!* Users can search listings three ways: 1) simple text search, 2) advanced text search and 3) draw your own map!

CommercialSource.com users will also find a refreshed member site that makes it easier to upload and maintain listings in user accounts.

Call us today if you're interested in learning more about how to display your listings on *CommercialSource.com:* (800) 874-6500. CC





Visit ***www.commercialsource.com*** to search for commercial real estate listings.

NATIONAL COMMERCIAL AWARDS

COMMERCIAL Real Estate REALTOR®

NATIONAL ASSOCIATION *of* REALTORS®

MONTY BERRY, *CCIM*
NAI Commercial Properties, Tulsa, OK **AWARD:** 2010 Commercial REALTOR® of the Year **ASSOCIATION:** Greater Tulsa Association of REALTORS®

GEORGE W. BOSS
Taylor & McChesney, Winston Salem, NC **AWARD:** 2010 Elder Statesman Award **ASSOCIATION:** Winston Salem Regional Association of REALTORS®
"There is a substantial need for a stronger background in finance management in real estate. Do it now!"

LOUIS G. CHRISTOPHER
Cushman & Wakefield, Washington, DC **AWARD:** 2010 Broker of the Year **ASSOCIATION:** Greater Washington Commercial Association of REALTORS®

CHARLES M. CLIFTON, *CCIM*
Coldwell Banker Commercial NRT, Tampa, FL **AWARD:** 2011 Henry Blanton Lifetime Achievement Award **ASSOCIATION:** Florida Gulfcoast Commercial Association of REALTORS® *"I was able to institute a Commercial Information Exchange for our association to better serve commercial specialists."*

G. JOSEPH COSENZA
Inland Real Estate Acquisitions, Inc., Oak Brook, IL **AWARD:** 2011 Hall of Fame Inductee **ASSOCIATION:** Chicago Association of REALTORS®
"Whether you are representing people as a salesman or a broker, or negotiating across the table with them to purchase their property, treat people kindly, fairly and with respect."

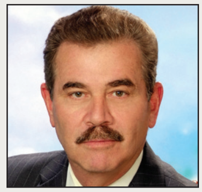
BETH CRISTINA, *ALC*
Stirling Properties
New Orleans, LA **AWARD:** 2010 Louisiana REALTOR® of the Year **ASSOCIATION:** New Orleans Metro Association of REALTORS®
"Practice mindful awareness; the ability to recognize what is happening in the very moment it occurs and accepting the experience without any judgment."

GARY CUFF, *CCIM*
Colliers International, Las Vegas, NV **AWARD:** 2010 Member of the Year **ASSOCIATION:** Greater Las Vegas Association of REALTORS®
"Be an agent of change! Our business is evolving at a faster pace than we have experienced in many years. It can no longer be business as usual and we must be constantly refining how to do things faster, easier and with less expense than before."

RICHARD ELOSH, *GRI, SIOR*
Victory Realty Services, Columbus, OH **AWARD:** 2010 CBR's Erika Blumenstein Memorial Award **ASSOCIATION:** Columbus Board of REALTORS® *"Now is the time to take on difficult and challenging real estate courses and professional programs. There are affiliate organizations which will enable you to sharpen your skills and expand the services you can offer your clients."*

WILLIAM A. ESHENBAUGH, *ALC, CCIM*
Eshenbaugh Land Company, Tampa, FL **AWARD:** 2010 Florida REALTORS® Commercial Award **ASSOCIATION:** Florida Association of REALTORS®
"As a land specialist for over 35 years, the Eshenbaugh firm has emerged as an important community influence as a result of active involvement and leadership throughout the real estate community."

ALAN HENDRICKSON
Corporate Commercial Realty, Melville, NY **AWARD:** 2010 NYSCAR REALTOR® of the Year **ASSOCIATION:** New York State Commercial Association of REALTORS® *"Become an expert in commercial real estate. Network with REALTORS® and select a mentor. Learn the NAR Code of Ethics and incorporate it into everything you do in commercial real estate."*



BILL HERRERA, *CIPS, CRS, TRC*
Palm Pacific Realty, Inc., San Gabriel, CA **AWARD:** 2011 Commercial Alliance REALTOR® of the Year **ASSOCIATION:** West San Gabriel Valley Association of REALTORS® *"Get connected with NAR Commercial. The website CommercialSource.com is an excellent way to expose yourself and your clients to commercial properties on a national scale."*

BRETT G. HUNSAKER
Grubb & Ellis Company, Atlanta, GA **AWARD:** REALTOR® of the Year **ASSOCIATION:** Atlanta Commercial Board of REALTORS®
"Go back to the basics: meet with your existing clients and established relationships. Help your peers help themselves. Stay connected with those in our industry looking for jobs and work with them to help find opportunities."

ANDREW P. JENSEN, JR., *SIOR*
The Boerke Company, Milwaukee, WI **AWARD:** CARW 2010 REALTOR® of the Year **ASSOCIATION:** Commercial Association of REALTORS® – Wisconsin *"Always look for the value add you can provide clients."*

RECOGNITION for excellence in the commercial real estate industry this past year.
All are members of REALTOR® associations that have NAR's Commercial Services Accreditation.

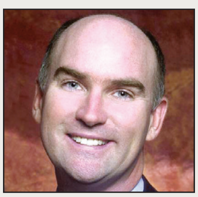
EDWARD KEARNEY, *CCIM*
Kearney Commercial Realty, Inc., West Palm Beach, FL **AWARD:** 2010 REALTOR® of the Year **ASSOCIATION:** REALTORS® Association of the Palm Beaches *"Persistence, persistence, persistence. Put yourself in the prospect's shoes and think of what you would do or want if roles were reversed."*

RONALD KOHN, *CCIM*
Kohn Commercial, Miami, FL **AWARD:** Commercial REALTOR® of the Year **ASSOCIATION:** Miami Association of REALTORS® *"Be a person of integrity and a helpful part of the community. Be positive. In serving others, you will serve yourself."*

DAVID MAYBANK, III, *CCIM*
Maybank Properties, LLC, Charleston, SC **AWARD:** 2010 Charleston Commercial REALTOR® of the Year **ASSOCIATION:** Charleston Trident Association of REALTORS® *"I have spent the better part of two decades participating in various industry organizations and non-profits while at the same time pursuing my real estate career. I believe that my service to the community combined with my commitment to the commercial real estate industry led to this award."*

RICHARD W. MEGINNIS, *SIOR*
NAI FMA Realty, Lincoln, NE **AWARD:** Commercial REALTOR® Service Award **ASSOCIATION:** REALTORS® Association of Lincoln *"I strive to be a consultant to my clients. I'm in the business of listening, understanding and adding value that goes beyond the typical brokerage services. Also, being an "expert" means sharing knowledge and expertise for the industry."*

TERESA MORROW, *CCIM*
Blank & McCune, the Real Estate Company, Iowa City, IA **AWARD:** 2010 Presidential Merit Award **ASSOCIATION:** Iowa City Area Association of REALTORS® *"Organizing a regional commercial roundtable was instrumental for creating value for commercial brokers and agents. Networking with government officials and understanding the issues brings greater value to the clients we serve as well as enhances the image of REALTORS® in the community."*



LOU NIMKOFF, *CCIM, CPM*
Brio Real Estate Services, Winter Park, FL **AWARD:** 2010 Wilbur Strickland Award **ASSOCIATION:** Central Florida Commercial Association of REALTORS® *"Stick to one area of focus – either by geographic area or property type. Nobody can be an expert in "everything" and if you try to be, you won't be recognized for anything."*

JOHN C. SHEPLER, *CCIM*
Shepler Commercial, LLC, Santa Fe, NM **AWARD:** CCIM Designation Recipient **ASSOCIATION:** Santa Fe Association of REALTORS® *"Take the time to do your homework well. The more knowledge you can consistently bring to all your commercial real estate situations, then the more assigments and specifically, the better quality assignments will come your way."*

DANIEL E. SIGHT, *CCIM*
Reece & Nichols Corporate, Leawood, KS **AWARD:** KCRAR Commercial REALTOR® of the Year **ASSOCIATION:** Kansas City Regional Association of REALTORS® *"Learn. Be honest. And follow up."*

DUWAYNE DUKE SUWYN, *CCIM, SIOR*
Colliers International, Grand Rapids, MI **AWARD:** 2011 REALTOR® of the Year **ASSOCIATION:** Commercial Alliance of REALTORS® *"Find creative solutions to complex transactions and always remain active in the community."*

BRAD TOOTHAKER, *CPM*
CB Richard Ellis/Bradley, South Bend, IN **AWARD:** 2010 REALTOR® of the Year **ASSOCIATION:** Indiana Commercial Board of REALTORS® *"Become transactional and treat every property like a business in itself. Understand each property integrates capital, expense management and revenue streams. These are the three components to the commercial real estate industry."*

KELLY TRUITT, *CCIM, CPM*
CB Richard Ellis - Memphis, TN **AWARD:** MAAR Commercial Council 2010 Broker of the Year **ASSOCIATION:** Memphis Area Association of REALTORS® *"Persevere through the tough times! It's a great industry and it's worth it."*

SMEDES YORK
York Properties, Inc., Raleigh, NC **AWARD:** 2011 Commercial REALTOR® of the Year **ASSOCIATION:** Triangle Commercial Association of REALTORS® *"Don't try to do everything on the computer - remember the value of a personal touch."*

CO-WORKING SPACES AND COMMERCIAL REAL ESTATE

BY BILL RISSER VP/DIRECTOR OF NEW MEDIA AND EDUCATION, CHICAGO TITLE AGENCY, INC. AND CHERÉ LAROSE-SENNE, MANAGING DIRECTOR, NAR COMMERCIAL

YOU MAY HAVE NOTICED over the last several years that your local coffee shop has become more and more crowded. You're right if you thought that a $3.50 cup of coffee can't be the only reason why so many people camp out with their laptops on every available horizontal surface.

According to the International Data Corporation (IDC) report "Worldwide Mobile Worker Population 2009 – 2013 Forecast," worldwide mobile workers could increase from 919.4 million in 2008 to 1.19 billion in 2013. That's almost 30 percent. And the most highly concentrated market for mobile workers? The United States, with 75.5 percent of all workers projected to be mobile by 2013. But what exactly is a mobile worker and how does that impact co-working?

The IDC splits mobile workers into three categories: office-based mobile workers (workers who are away from their office 20 percent of the time), non-office-based mobile workers and home-based mobile workers. (Both working remotely, these last two categories are also known as telecommuters.) Any one of these mobile workers may find themselves essentially co-working in a coffee shop or alternative workspace for a variety of reasons (access to Wi-Fi, a place to meet with clients or looking for interaction and collaboration with others.) According to a survey of co-workers by Deskmag.com, the average co-worker is a young, college-educated male, who works in the technology industry and lives close to his co-working space. Interestingly, 55 percent of coworkers from the Deskmag.com study own or work for a company with employees while the minority (44 percent) are freelancers.

These mobile workers may find their way to your local coffee shop, but increasingly they're demanding more services than the average coffee shop can provide. Co-working spaces are starting to meet this need.

So what is a co-working space? Loosely defined, a co-working space is a site where independent professionals and freelancers—anyone with workplace flexibility and mobility—can come to work. The space generally includes certain office amenities like Wi-Fi, printers, scanners, conference rooms and yes, coffee. Co-working spaces also provide a unique sense of community that can foster collaboration in those who utilize the space. This sense of community creates a more effective idea incubator, engendering knowledge-sharing that's more difficult for isolated workers. Co-workers indicate that collaboration and knowledge-sharing is a primary benefit of co-working environments.

As of May 2011, North America had 380 co-working spaces, according to Deskmag.com. That's a huge gap

"LOOSELY DEFINED, A CO-WORKING SPACE IS A SITE WHERE INDEPENDENT PROFESSIONALS AND FREELANCERS–ANYONE WITH WORKPLACE FLEXIBILITY AND MOBILITY–CAN COME TO WORK."

between the number of mobile workers who may be demanding co-working arrangements in the near future and the supply of co-working facilities. What's more, the Deskmag.com study cited above also reveals that 8 percent of those surveyed are employed by companies with over 100 employees. That reflects a trend of larger firms utilizing co-working spaces. Employees of large corporations telecommute for various reasons, but a co-working space close to where they live can offer more benefit than working from home, which can be a very distracting environment.

But what about the economics? How are co-working spaces funded? The most common business model is user-pay, with users typically charged for the amount of time and space used. For example, a co-working operation in Minneapolis, CoCo (Co-working and Collaborative), has multiple levels of membership. A $50 day pass provides access to a workspace, Wi-Fi, coffee and printer and copier services. Other individual worker options range from a part-time membership (one day per week from 8am to 5pm) for $50 a month to a $350 full-time membership that includes a dedicated desk. CoCo also offers group and corporate levels of membership.

In another business model, anchor tenants pay for most or all of the space costs. They have private office space for their own use, but also provide open, collaborative work-spaces for others to use. Usage fees may be charged, as in the model above, or the anchor tenants may forego charging a fee for using the collaborative work-space. Why wouldn't they charge anything? One reason is to help foster the sense of community they want in the space, one that will create an incubator for ideas and potential new business models and partners. Gangplank in Chandler, Arizona is an example of this model.

As described on its website: "Gangplank was built on the idea that many small businesses can exist in a space, working alongside each other, sharing resources and ideas. Our anchor companies base their operations out of Gangplank, with permanent desk space for multiple employees. Each anchor is involved in Gangplank planning meetings, as well as contributes to the community through donations, services, etc."

Located in Chandler's historic downtown, Gangplank partnered with the city, which saw the advantages of a co-working space in the district. Gangplank, with its steady flow of anchors, guest tenants and visitors, increases traffic for surrounding retailers and businesses, making it attractive to the community in much the same way that a corporate office does.

"This sense of community creates a more effective idea incubator, engendering knowledge-sharing that's more difficult for isolated workers."

Nick Miner, CCIM, with Commercial Properties Inc., Scottsdale, AZ, has looked into the economic development opportunities of local co-working spaces. Asked if he sees potential investment opportunities for his clients, he replied, "Yes and no. It depends on the location of the co-working space. It also depends on the adjoining property types, and what's going in them. If it's in a retail center," he explained, "then obviously providing foot traffic to the neighboring retailers, especially lunch and dinner establishments and even coffee shops, could be a home run."

By itself, a space like CoCo, with a business where all users pay, would be looked at more from a hard number point of view by the owners/investors. What about for commercial real estate investors? Does the return on investment in co-working spaces make sense? Where vacant and underused commercial office and retail exists, a co-working business model may be better than the space collecting dust. As companies grow, the potential for converting a co-working client from user pay to a traditional lease grows as well. In order to proceed, do your homework and collaborate with co-working centers in similar market areas in order to determine if your vacant space would be an ideal place to start a collaborative co-working environment.

In the case of Real Estate Tech Tank (RETT) East, Chicago Title Agency, Inc. converted vacant Phoenix office space for the collaborative use of local real estate agents, lenders, and title representatives. Part of the vision of this space is the technology services utilized by real estate professionals. Featuring events such as "SEO Tuesdays" and "Video Thursdays", RETT attracts real estate professionals to the space to collaborate with people who can help to optimize their websites and listings. RETT offers users desks and all the office amenities (there's that coffee again.)

All real estate professionals, including affiliates and vendors, are welcome to use RETT, when available. Two local Toastmaster groups utilize the space for events as well as a BNI International (business networking) group. On any day, there are as many as eight to ten real estate industry professionals working and collaborating at RETT. While Chicago Title Agency does not charge users

PLEASE TURN TO PAGE 9

DODD-FRANK PROPOSED RULE: CMBS AT RISK?

BY: VIJAY YADLAPATI, NAR ASSOCIATE COMMERCIAL POLICY REPRESENTATIVE

ISSUE:

SINCE THE PEAK of the financial crisis, a number of regulatory proposals and actions that could be harmful for the commercial real estate market recovery, such as Basel III bank capital standards, have been introduced. However, one regulatory issue in particular—one that could have an even more damaging impact on the industry—is a credit risk retention or "skin-in-the-game" rule proposed by U.S. regulators. Bottom line: New rules so narrowly focus underwriting requirements that CMBS loans would be in jeopardy of qualifying.

ORIGIN:

The proposed rule is a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law last year. Dodd-Frank tasks six U.S. banking agencies to establish rules that would require any entities that securitize mortgage loans to retain an economic interest in a portion of the credit risk. The Act generally requires 5 percent risk retention for most asset classes. However, the law gives federal agencies broad authority to identify the acceptable types, forms and amounts of risk retention for "low credit risk" commercial and multifamily mortgages.

PROPOSED RULE:

The agencies' proposed rule outlines low credit risk underwriting standards that would permit asset-backed securities backed exclusively by commercial and multifamily loans to qualify for less than 5 percent risk retention. Specifically, the agencies have proposed zero percent risk retention for commercial mortgage-backed securities (CMBS) issuances that meet a series of underwriting standards. Moreover, a qualifying commercial real estate loan must meet over 30 different underwriting conditions in order to forgo the agencies' risk retention requirement. The underwriting requirements are so narrowly focused that virtually no CMBS loans could qualify. Accordingly, Morgan Stanley estimates that if just three of these requirements are applied (65 percent loan-to-value, 1.7x or higher debt service coverage ratio and an amortization period of 20 years or less at securitization), approximately 0.4 percent of the $671 billion conduit loans that have been securitized since the creation of the CMBS market would have qualified.

WHAT'S AT STAKE:

In the past, the CMBS market has been able to meet the refinancing needs of property owners when the banking sector failed to meet demand from commercial borrowers. The CMBS market currently represents nearly 26 percent of the outstanding balance of commercial and multifamily mortgages. This is down from nearly 50 percent in 2007, when the CMBS market provided

> "NEW RULES SO NARROWLY FOCUS UNDERWRITING REQUIREMENTS THAT CMBS LOANS WOULD BE IN JEOPARDY OF QUALIFYING."

approximately $240 billion in financing. In contrast, the CMBS market provided less than $13 billion in issuances in 2008 and $2 billion in 2009, despite strong credit performance and huge demand from borrowers. Although the CMBS market is showing some signs of a recovery, with $12.3 billion in new issuances in 2010, prolonged weak economic fundamentals continue to limit the CMBS market's capacity to refinance commercial loans. In fact, the inability to secure refinancing will result in increased defaults and foreclosures in addition to the forced sale of many properties at greatly depressed prices, creating a ripple effect of financial losses and increased job layoffs, threatening our nation's economic recovery.

WHAT NAR IS DOING:

In an August 2011 letter to bank regulators, NAR stressed its concern that the proposed thresholds for loans to be exempt from risk retention are too restrictive to apply to the majority of commercial and multifamily loans. This would effectively reduce the number of CMBS issuance, increasing borrowing costs, severely diminishing the amount of financing available to the commercial and multifamily sector and exacerbating the current commercial real estate lending crisis.

HOW TO GET INVOLVED:

Visit *RealtorActionCenter.com*, sign up for Calls to Action and donate to the REALTOR® Party supporting these efforts and all those impacting the real estate industry today.

Commercial Real Estate Has an Advocate in NAR

One of the most important REALTOR® benefits is the tireless efforts NAR and its members expend towards protecting real estate professionals and their clients on local, state and federal levels. For a good overview of today's issues and how NAR is addressing them, visit *playbackNAR.com* to download presentations from the 2011 REALTORS® Conference & Expo, including the Legislative & Political Forum. Alex Castellanos, a Republican media consultant for seven presidential campaigns, and Eugene Robinson, 2009 Pulitzer Prize winner for his commentary on the 2008 presidential race, provide their perspectives of the 2012 campaigns.

COVER STORY

CO-WORKING SPACES AND COMMERCIAL REAL ESTATE

CONTINUED FROM PAGE 7

for the utilization of the space they do benefit from the business incubator created by the collaboration amongst real estate professionals in their market area

In 2010, NAR Commercial published a study, "A Tale of Two Economies: The Outlook for the Commercial Real Estate Market." (See Commercial Connections, Fall 2010 on www.Realtor.org/Commercial for a recap of this study.) In that study, alternative work-spaces, co-working facilities, were pinpointed as a future driver of commercial real estate investment decisions. In addition to the intense growth of mobile workers and telecommuting cited earlier, the increased investment in technology infrastructure, longer commutes and the cost savings realized by corporations on their space needs for workers contribute to co-working space becoming a potential niche in the commercial real estate industry.

What does this mean for the commercial real estate broker? Possibilities include expanding commercial real estate consulting services on space requirements to determine companies co-working and telecommuter usage and identifying property managers developing expertise in facilitating the needs of co-working and alternative workspaces. Telecommuting does reduce commercial real estate costs. According to the "Tale of Two Economies" study, Sun MicroSystems implemented teleworking and saved more than $400 million in commercial real estate expenses. Understanding the needs of telecommuters and their increasing need for co-working spaces creates a new opportunity for your corporate clients to reassess and adjust their needs for commercial real estate space. In order to take advantage of the co-working property niche, commercial real estate professionals should become part of their clients' business process on the way to being the executor of their property transactions.

To learn more and obtain copies of studies mentioned here, send an email to Chere at *clarose@realtors.org*. Links to online resources to learn more: ***deskmag.com***; ***cocomsp.com***; ***hudson-business-lounge.com***; ***gangplankhq.com***; ***retechtank.com***

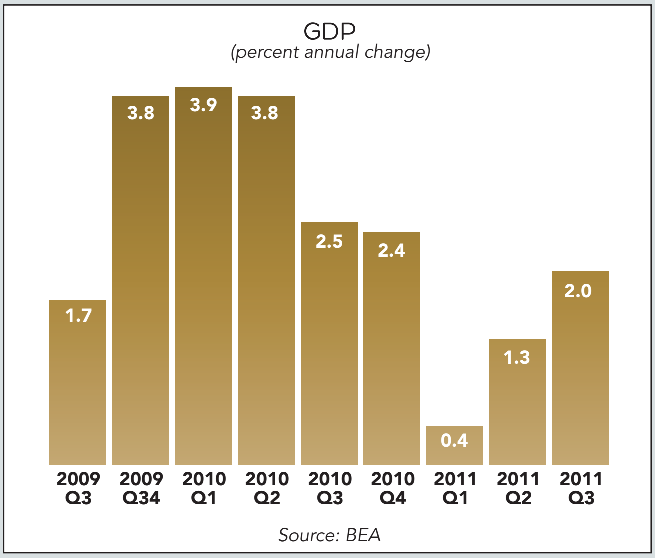
REALTORS Conference & EXPO on ***PlaybackNAR.com.*** Conference attendees can download sessions for free. Look for the following session: ***"How Co-Working Spaces Can Work For You"*** presented by Jay Thompson, Nobu Hata, Bill Risser and Jeffrey Turner.

COMMERCIAL MARKETS APPROACH YEAR END WITH CAUTION

BY GEORGE RATIU, MANAGER QUANTITATIVE AND COMMERCIAL RESEARCH, NATIONAL ASSOCIATION OF REALTORS®

Heading into the traditional holiday season, the economy is looking for some sparkle. While the third quarter brought some positive news, it still doesn't add up to a bountiful season. With unemployment staying high, and European issues continuing to weigh on financial markets, economic concerns slowed commercial real estate markets.

Based on the Bureau of Economic Analysis's second estimate, gross domestic product (GDP) rose 2.0 percent in the third quarter. Mirroring second quarter's patterns, all major components advanced, except government spending. Business investments provided a double-digit boost behind the economic advance. Business spending rose 14.8 percent during the quarter. Businesses have accelerated spending in each successive quarter during 2011. They upped their spending on equipment—transportation was up 31.7 percent, while industrial equipment rose 31.6 percent. Notably, spending on commercial real estate gained for the second consecutive quarter, advancing 12.6 percent.



The major driver of economic growth by scale, consumer spending remained steady, gaining 2.3 percent during the third quarter. While at modest levels, consumers increased their spending on both goods and services. Spending on furnishings and household equipment was up 5.3 percent, while consumption of recreational goods and vehicles rose 10.8 percent. Cars and auto parts registered a 1.9 percent rise. Consumers also increased their spending on financial services and insurance (2.4 percent), recreation (2.8 percent) and health care (5.5 percent).

International trade, which has proven resilient this year, continued to expand during the quarter. With exports rising by 4.3 percent and imports growing by 0.5 percent, the balance of trade was positive. Along with growth in trade, prices of exchanged goods also increased. Import prices, in particular, have been growing at double-digit rates for the better part of 2011, with September's prices 13.4 percent higher year-over-year. Export prices rose at a much slower pace, with September 2011 figures up 9.5 percent from the prior year.

The other major contributor to economic growth—government spending—was flat. Federal spending increased 1.9 percent, driven by defense expenditures, up 4.7 percent. State and local governments slashed their spending by 1.4 percent as they continued to face mounting deficits.

"For commercial real estate, improving fundamentals should translate into a more positive trend into 2012."

NCREIF PROPERTY INDEX RETURNS: 2011 Q3

NATIONAL	3.30%
OFFICE	2.96%
INDUSTRIAL	3.39%
RETAIL	3.58%
APARTMENT	3.60%

Source: National Council of Real Estate Investment Fiduciaries

On the employment front, the third quarter witnessed a slowdown. Businesses cite general uncertainty, lack of demand and regulatory concerns as the main reason for modest hiring. The number of payroll jobs rose by 368,000 during the quarter. Manufacturing, construction and mining maintained a steady pace of growth. In a positive sign, professional and business services posted a net 100,000 new jobs during the quarter. The other contributors to employment growth were the education and health sectors.

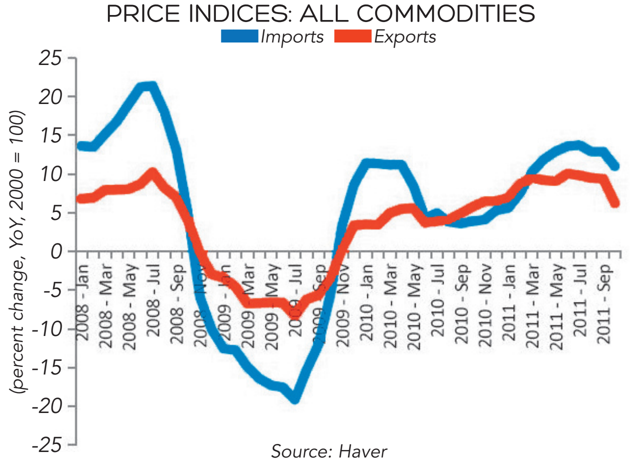
However, employment conditions remain far from a pace that could support sustainable economic growth. The first-time unemployment insurance claims were stubbornly high, at 412,000 per week, during the third quarter. The figure should fall below 400,000 per week to ensure meaningful, consistent job creation. In addition, the number of people drawing unemployment benefits rose to 3.73 million in the third quarter, up from 3.72 million in the second quarter of the year. Not surprisingly, the unemployment rate spent the third quarter pegged at 9.1 percent. It declined to 9.0 percent in October.

With the looming specter of unemployment casting a long shadow across the economy, consumers grew weary. Compiled by the Conference Board, the consumer confidence index—a measure that considers respondents' general feelings about the job market and their finances—declined to 39.8, a low not seen since the first quarter of 2009, during the recession. More troubling, consumers were pessimistic about both current economic conditions as well as their expectations.

Looking ahead, GDP growth will likely close the year at an anemic 1.8 percent annual rate. While the holiday season is expected be positive, it is not expected to provide enough momentum for the year. For commercial real estate, improving fundamentals should translate into a more positive trend into 2012.

For a more extensive look into the Commercial Real Estate Outlook published by NAR Research, visit www.REALTOR.org/Research and click on "Reports by Topic" to find all commercial research publications. Or simply email us at NARCommercial@realtors.org and we will send the PDF to you.

PRICE INDICES: ALL COMMODITIES



Source: Haver

Economic Issues and Commercial Business Trends Forum Keeps You Current

One of the most popular commercial events every year at the REALTOR® Conference & Expo, as well as at the Mid-Year Legislative Meetings, is the Economic Issues and Commercial Business Trends Forum. This event always features Lawrence Yun, NAR Chief Economist, in addition to other top economists. Stay up to date by downloading audio and slides from the November 2011 Forum, which included 2012 economic forecasts by Lawrence, Kenneth P. Riggs, Jr. of the Real Estate Research Corporation (RERC) and Robert M. White of Real Capital Analytics (RCA). Just visit ***PlaybackNAR.com***.

NATIONAL ASSOCIATION of REALTORS®

COMMERCIAL REAL ESTATE DIVISION
430 N. MICHIGAN AVENUE
CHICAGO, ILLINOIS 60611-4087

Commercial Connections is printed on Forest Stewardship Council (FSC) certified paper with vegetable-based ink products that significantly reduce volatile organic compounds and minimize ink loss from oxidation.

UPCOMING COMMERCIAL & AFFILIATE MEETINGS

CCIM INSTITUTE
EMT (Education, Marketing & Technology)
February 6 – 7, 2012
Napa, California
www.ccim.com/networking/conferences-meetings

REALTORS® LAND INSTITUTE (RLI)
National Land Conference
March 27 – 28, 2012
Denver, Colorado
www.rliland.com

INSTITUTE OF REAL ESTATE MANAGEMENT (IREM)
Leadership & Legislative Summit
April 14 – 18, 2012
Washington, DC
www.irem.org/conferences

COUNSELORS OF REAL ESTATE® (CRE®)
2012 Mid-Year Meetings
April 22 – 25, 2012
Chicago, Illinois
www.cre.org

SOCIETY OF INDUSTRIAL AND OFFICE REALTORS® (SIOR)
Spring World Conference
May 10 –12, 2012
Miami, Florida
www.sior.com

Special note: NAR Commercial, for the first time, will make meeting space available for REALTOR® attendees at ICSC RECon. Call or email NAR Commercial today to inquire about scheduling your meetings at ICSC!

NATIONAL ASSOCIATION OF REALTORS® (NAR)
Mid-Year Legislative Meetings & Expo
(Includes Capitol Hill Visits with Congress!)
May 14 – 19, 2012
Washington, DC
www.realtor.org/meetings_and_expo

INTERNATIONAL COUNCIL OF SHOPPING CENTERS (ICSC)
RECon, The Global Retail Real Estate Convention
May 20 – 23, 2012
Las Vegas, Nevada
www.icsc.org