

Do Looming Debt Maturities in Commercial Real Estate

Portend that the Worst Is Yet to Come for the Job Market?

By David Funk



David Funk served as Director of the Cornell University Program in Real Estate where he also is a senior lecturer. Previously, Dr. Funk directed full-time and executive M.B.A. programs, including the program at the University of Alabama's Manderson Graduate School of Business. He completed his Ph.D. from the University of Wisconsin-Madison with an interdisciplinary focus on real estate and university administration.

The “Select Leaders/Cornell Annual Assessment of the Commercial Real Estate Job Market,” hints that September 2009 will stand as the historical low point. The Report exhibits a steep decline in commercial real estate hiring activity from a year ago, and the question remains: will September 2009 stand as a historical low point, or do troubling concerns ahead, including looming debt maturities in commercial real estate, portend continued weakness?

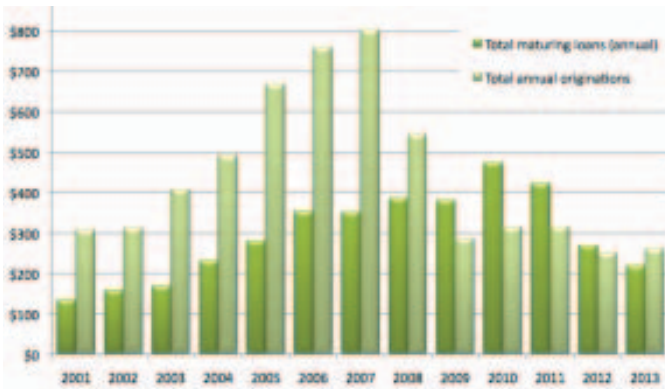
Given concerns in commercial real estate, many are pessimistic about the job outlook, implying that the worst may be yet to come, but the Job Barometer 2009 indicates that the bottom may have hit in 2009, and that the lag effect will be shortened due to an extensive and prolonged shedding of real estate jobs. The Job Barometer Report assesses commercial real estate job opportunities on a continuous basis, and is

conducted by Cornell University and the SelectLeaders Job Network, of which SIOR is a member.

September 2009 was the lowest point in commercial real estate opportunities since the inception of the Job Barometer, and not a single month of job activity in 2009 bested the worst month in 2008. From the peak in June 2007 to the low in September 2009, there was an 83 percent decline in the number of commercial real estate job opportunities. However, there were 40 percent more commercial real estate job postings in October 2009 than there were in September 2009, evidence that a slight recovery has begun. Nonetheless, the volume of maturing commercial mortgages will be highest during 2010 and 2011, and the ability of borrowers and lenders to make it through that time period is the one variable that is substantially affecting the real estate job market (see chart

below). This uncertainty is a cause for employers to delay hiring new employees until they see how the loan maturities play out.

Volume of Maturing Commercial Mortgages vs. Originations (\$bil)



Federal Reserve; PREI Research

What does this imply for the commercial real estate job market? Anthony LoPinto, Founder of SelectLeaders, a leading real estate job site network, anticipates that there should be growing job opportunities in workouts, acquisitions of distressed assets, and asset management, although it may take 12 to 24 months for those positions to materialize. If you follow the opportunities, a job seeker would orient his or her resume toward asset management and property management experience, which becomes very apparent to a reader of the SelectLeaders/Cornell Job Barometer.

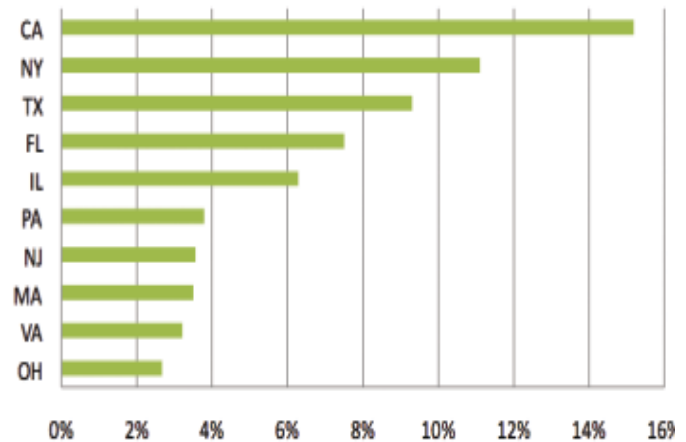
Selected findings from the Job Barometer report include:

- Largest decline in job postings: Colorado (-58%), Washington (-51%), and Massachusetts (-49%)
- Leading state for job opportunities: California held its number one position, yet the total number of jobs in this state was down 46 percent from 2008

Percentage Change in Job Postings Feb–Sept 2008 Compared to Feb–Sept 2009

STATE	% CHANGE	STATE	% CHANGE
MI	8%	NV	-38%
IN	5%	MO	-38%
NC	4%	NY	-40%
DC	-8%	OH	-41%
VA	-15%	GA	-44%
CT	-21%	MD	-45%
IL	-24%	CA	-46%
FL	-24%	AZ	-47%
PA	-32%	MN	-47%
NJ	-37%	MA	-49%
TX	-38%	WA	-51%
NV	-38%	CO	-58%

Job Postings by Location—Top 10



Source: New postings of commercial real estate positions on key job boards over the months of January, February, March, April, May, July and August 2009.

- Sectors with the highest number of job postings: Multi-Family (35%), followed by Multi-Sector (20%)—indicating employers were seeking broader experience, and third, Banking (15%)
- The only job function that grew: Property Management experienced a 44 percent increase from 2008, as owners seek talent that can maximize their assets

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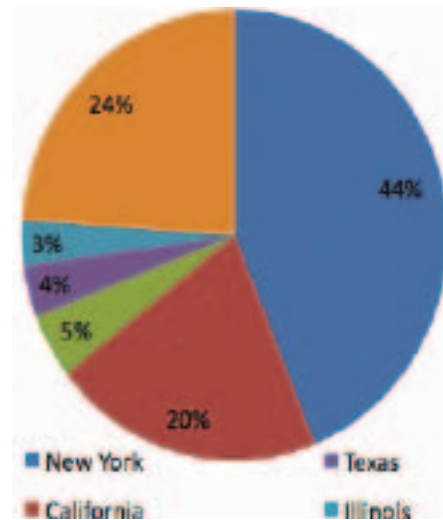
- Development job opportunities: decreased by a staggering 42 percent
- Salaries for graduates of Real Estate programs decreased 4.3 percent, from \$97,242 in 2008 to \$93,069 in 2009

What Did We Learn from 2009?

As 2010 unfolds, unemployment stands at 10 percent, while the underemployment rate—which includes part-time workers who'd prefer a full-time position and people who want work but have given up looking—is 17.3 percent. The share of the population in the labor force—64.6 percent—fell to the lowest level in 24 years. The ominous clouds of concern noted for the commercial real estate job market in 2008 turned into an all-out storm in 2009, and outpaced the overall job market in terms of decline. There was not a single month during 2009 where job opportunities exceeded the lowest month in 2008. The high point of 1,081 professional commercial real estate job opportunities posted in June had fallen to a mere 254 by September 2009, representing a 77 percent fall, peak to trough, in roughly a one-year timeframe. Perhaps more telling, 2008 saw an average of 760 commercial real estate job postings per month, while that number had fallen to an average of just 420 per month in 2009, an average fall of 44 percent. In the midst of this job decline, you will find in this report that job seekers remain resilient, as more than 74,000 individual resumes were submitted via the SelectLeaders

Job Network in 2009, which is the same number as the previous year, yet chasing far fewer jobs. As Darwin would conclude, "Only the adaptable survive." This report finds commercial real estate professionals adapting and surviving in 2010.

Top 5 States Receiving Resumes for Online Job Postings as a Percentage of Total Job Postings



For detailed results and additional information on survey methodology, go to static.selectleaders.com/static/JobBarometer2009.pdf or visit the SIOR Career Center.

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