

Through 2005

# TOP TEN MARKETS TO WATCH

FOR COMMERCIAL REAL ESTATE INVESTORS

Retail . Office . Industrial . Multifamily



# retail

SPERRY VAN NESS TOP TEN MARKETS TO WATCH

“Don’t be surprised when many developers of new centers take an aggressive stance in trying to attract tenants from competing centers.”

Bill Hahn - SVN National Retail Director

## TOP SELLER MARKETS

by Hugh Kelly, comments by Bill Hahn


Shopping center owners in the troubled Northeast quadrant of the country are coping with slow population growth (or even decline) and a regional economy that is not responding to household income improvements as well as the balance of the country. Against this background, sellers of retail assets have an excellent timing opportunity as the influx of capital into the sector has lifted prices in consonance with national trends, despite the comparatively high vacancy rates.

Retail assets have been much sought after in recent years, with strong consumption since 2001. Thus, most of the seller markets to watch have average cap rates at or below eight percent.

Seller-advantaged metro areas have projected increases in disposable personal income of between 10 percent and 18 percent in the next three years, according to Economy.com. Four of the markets sport single-digit vacancy rates, and others are in striking distance of that range.

The hot retailing environment, however, is already prompting another upward movement in shopping center development - good for consumers; not so good for shopping center owners. Bill Hahn, Sperry Van Ness National Retail Director states, “In a world where energy, concrete, and steel costs have skyrocketed and interest rates have steadily increased, don’t be surprised when many

developers of new centers take an aggressive stance in trying to attract tenants from competing centers.”

Opportunistic owners looking to stay ahead of the curve will want to book their capital gains quickly in these markets. 

### HARTFORD, CONNECTICUT



## TOP TEN RETAIL SELLER MARKETS TO WATCH OVER \$5M

Rank	Top Seller Markets	Vacancy*	Proj. Change % <small>in disposable income through 2007</small>	CAP	\$/sf	Job Growth %
1	Hartford, CT	11.4%	12.67%	7.7%	\$175	-1.4
2	Cincinnati, OH	10.8%	12.31%	8.1%	\$135	0.8
3	Columbus, OH	12.3%	15.58%	8.1%	\$104	0.1
4	Pittsburgh, PA	10.1%	10.02%	7.6%	\$123	-0.1
5	Nassau-Suffolk, NY	3.3%	12.47%	6.4%	\$240	1.2
6	Charlotte, NC	10.1%	17.51%	7.8%	\$176	1.2
7	Indianapolis, IN	12.4%	14.92%	8.9%	\$120	-0.8
8	Orange County, CA	3.0%	18.08%	6.6%	\$288	0.3
9	Richmond, VA	9.9%	17.63%	8.0%	\$174	1.5
10	Jacksonville, FL	5.7%	14.36%	8.0%	\$98	2.6

\* Data provided by Real Capital Analytics, except for Vacancy Rates data provided by REIS

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# retail

SPERRY VAN NESS TOP TEN MARKETS TO WATCH

Bill Hahn - SVN National Retail Director




"Look carefully at job growth and consumer confidence in the area before blindly depending on a high cap rate to carry your investment."

## TOP BUYER MARKETS

Buyers looking to manage risk will look for a combination of solid current occupancy, very strong prospective increases in consumer buying power, and relatively high cap rates for retail assets. Raleigh, for example, has sustained occupancy of 94 percent even though it has added millions of square feet of store space since 2000. At \$118 per square foot, retail assets look like they have excellent potential for upward movement. Even tighter conditions are reported in Northern New Jersey, Washington DC, and San Diego. Despite average prices at \$200 per square foot and higher, such markets promise acquirers substantial leverage at the tenant/landlord negotiating table.

Austin has been battered in the tech collapse, but it would be a mistake to see this market as permanently handicapped. With projected income growth faster than nine percent per year, stores should see sharply improved revenue through 2007. Sacramento is another such market, awaiting a rebound in Northern California that is probably just a matter of time.

In today's pricing environment, cap rates above nine percent light up the radar screen. Detroit and St. Louis undeniably have fewer players seeking deals, putting those buyers willing to explore such areas in strong bargaining positions for selective purchases.

Hahn adds, "No matter how attractive the cap rate or acquisition cost makes the investment seem to buyers, strong retail investments depend on tenants being able to grow because of increased consumer spending. Look carefully at job growth and consumer confidence in the area before blindly depending on a high cap rate to carry your investment." 

### RALEIGH, NORTH CAROLINA



## TOP TEN RETAIL BUYER MARKETS TO WATCH OVER \$5M

Rank	Top Buyer Markets	Vacancy*	Proj. Change % <small>in disposable income through 2007</small>	CAP	\$/sf	Job Growth %
1	Raleigh, NC	6.0%	21.68%	10.4%	\$118	1.8
2	St. Louis, MO	7.5%	13.28%	9.5%	\$64	2.6
3	Detroit, MI	7.2%	11.98%	9.5%	\$119	-1.5
4	Austin, TX	7.6%	27.26%	8.6%	\$181	0.7
5	Orlando, FL	6.2%	19.92%	9.1%	\$104	2.4
6	No. New Jersey, NJ	3.8%	14.16%	7.5%	\$205	1.6
7	Baltimore, MD	5.1%	15.31%	9.2%	\$149	1.6
8	Sacramento, CA	5.0%	23.68%	7.6%	\$233	0.0
9	Washington DC	3.9%	16.48%	7.2%	\$208	2.5
10	San Diego, CA	2.5%	16.40%	7.7%	\$222	1.4

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# office

SPERRY VAN NESS TOP TEN MARKETS TO WATCH

"As fundamentals improve in 2005, market dynamics could be shifting and mid-tier markets improving as absorption trends bolster the capital pool for more volatile metro areas.

Hugh Keely - SVN Market Analyst

## TOP SELLER MARKETS

by Hugh Kelly, comments by John McDermott


A tremendous inflow of investment capital has been targeted toward a handful of major U.S. office markets, lifting prices and providing exceptional liquidity for prospective sellers. Many of the top markets are the so-called "24-hour cities" on the coasts, where high urban densities, nearby amenities, and strong proximity to executive housing sustain office demand.

Markets to watch for sellers are those where the period for the market to return to equilibrium is likely to be long. Building owners seeking to take advantage of today's low cap rates may prefer to realize a relatively high

price/income ratio and allow a buyer with an appetite for risk to undertake repositioning efforts in markets with very high vacancies like San Jose, Pittsburgh, or Hartford.

San Jose may provide the most extreme opportunity. Who is willing to predict that the future will be less reliant on technology than the past? Yet San Jose's 23 percent vacancy rate provides ample capacity to absorb new employment growth, and its low cap rate means that current income is richly priced. For sellers who want to shed leasing risk and still achieve an excellent price per square foot, San Jose

now presents an exceptional window for marketing office buildings.

As fundamentals improve in 2005, market dynamics could be shifting and mid-tier markets improving as absorption trends bolster the capital pool for more volatile metro areas. 

### SAN JOSE, CALIFORNIA



## TOP TEN OFFICE SELLER MARKETS TO WATCH OVER \$5M

Rank	Top Seller Markets	Vacancy*	Proj. Change % in office employment through 2007	CAP	\$/sf	Job Growth %
1	San Jose, CA	23.0%	8.38%	7.0%	\$229	-1.3
2	Boston, MA	19.8%	5.01%	7.8%	\$198	-0.4
3	New York, NY	10.5%	4.09%	7.2%	\$313	1.2
4	San Francisco, CA	21.3%	7.46%	8.4%	\$191	0.1
5	Pittsburgh, PA	20.1%	1.88%	7.6%	\$151	-0.1
6	Nashville, TN	13.8%	8.73%	7.0%	\$116	1.2
7	Chicago, IL	19.1%	6.50%	7.4%	\$126	0.2
8	Hartford, CT	18.4%	4.57%	7.5%	\$112	-1.4
9	Miami, FL	15.1%	6.24%	7.5%	\$133	1.3
10	Los Angeles, CA	13.8%	5.36%	7.7%	\$190	0.2

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# office

SPERRY VAN NESS TOP TEN MARKETS TO WATCH

John McDermott - SVN National Office & Industrial Director



"In 2004, one-half of the investment transactions over \$5 million took place in markets with less than one million in population."

## TOP BUYER MARKETS

Buyers are always betting on the future and, therefore, favor markets with a long-term growth orientation. Sunbelt markets with strong employment outlooks are, therefore, office markets to watch. The "Inland Empire" in California's Riverside and San Bernardino counties epitomizes this profile, which also fits many Florida cities, and the desert bloomers of Las Vegas, Phoenix, and Tucson.

Of course, the "buy low" strategy maintains that if you can acquire assets at low prices per square foot and/or comparatively high cap rates, an investment can produce attractive results even in slow growth markets.


Much has been made of the "institutionalization" of commercial real estate markets. But the upward price-pressure from pension funds, Wall Street, and offshore investors is not equally felt across U.S. cities. That creates buying opportunities for smaller investors,

perhaps more attuned to local market nuances, in markets relatively neglected by "the big guys."

John McDermott, Sperry Van Ness National Office and Industrial Director states, "In 2004, one-half of the investment transactions over \$5 million took place in markets with less than one million in population."

Most of the markets on our watch list for office buyers feature prices below the U.S. average per foot. Employment statistics have already turned positive and appear to be accelerating in these markets. Most have solid demographic foundations and virtually all have attractive cap rates based upon current income, indicating that improving occupancy could push returns into double-digit territory.

McDermott adds, "Office is being driven on the investment side by two distinct funda-

mentals: replacement costs are accelerating very rapidly and the barriers to entry into most markets for new development are significant (land-use issues, zoning, absorption, vacancy, and costs). The results are little speculative construction and value added opportunities which can be ready to take advantage of any immediate demand shift." He adds, "An office client with a 75 percent occupied building will still win the race to full against an investor with just land, mired in the approval process." 

RIVERSIDE/SAN BERNARDINO COUNTY CALIFORNIA



## TOP TEN OFFICE BUYER MARKETS TO WATCH OVER \$5M

Rank	Top Buyer Markets	Vacancy*	Proj. Change % <small>in office employment through 2007</small>	CAP	\$/sf	Job Growth %
1	Riverside/SB County, CA	9.5%	12.34%	8.2%	\$136	2.2
2	Detroit, MI	18.7%	4.77%	10.0%	\$111	-1.5
3	Cincinnati, OH	17.3%	6.74%	9.2%	\$92	0.8
4	Tampa, FL	16.7%	13.36%	8.8%	\$116	1.3
5	Las Vegas, NV	14.5%	13.88%	8.5%	\$197	4.7
6	Phoenix, AZ	19.0%	13.12%	8.8%	\$145	2.5
7	Salt Lake City, UT	18.7%	7.64%	**	\$75	1.7
8	West Palm Beach, FL	13.8%	12.62%	8.7%	\$146	2.8
9	Tucson, AZ	13.9%	9.93%	8.7%	\$112	1.9
10	Raleigh, NC	19.3%	12.94%	8.7%	\$103	1.8

\*\* CAP rate sample size insufficient/not applicable or owner/user transaction.

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# industrial

SPERRY VAN NESS TOP TEN MARKETS TO WATCH

“Markets to watch are those that can provide ample space to capture renewed demand, and an economic base that emphasizes information technology, bio-tech, or defense.”

Hugh Kelly - SVN Market Analyst

## TOP SELLER MARKETS

by Hugh Kelly, comments by John McDermott

A combination of depressed manufacturing and cutbacks in the technology sector has inhibited interest in industrial investments. Statistics on absorption and occupancy are beginning to improve, though. Markets to watch are those that can provide ample space to capture renewed demand, and an economic base that emphasizes information technology, bio-tech, or defense. This list spans the continent from Raleigh's Research Triangle and Boston's Route 128 corridor, to the Bay Area and Southern California.

The mix of industrial assets typically has a higher-than-normal proportion of R&D space, a category severely affected by the “tech wreck.” Yet prices remain fairly high for such assets (in part reflecting the strong value performance of offices), and cap rates run in the seven to eight percent range.

An important economic clue can be found in the markets not on the list: major regional distribution hubs like Atlanta and Chicago, and big ports including New York/New Jersey and Los Angeles/Long Beach. Soaring trade volumes and strong consumption have bolstered the distribution sector, encouraging owners to hold industrial properties in the expectation of further appreciation over the mid-decade time span.

John McDermott, Sperry Van Ness National Office and Industrial Director states, “What maintains industrial investments as the product of choice for buyers makes it lucrative for the sellers of industrial real estate as well. Sellers can benefit from the significant demand for their product in nearly every market (versus other product types at lower cap rates and higher prices per foot)

and are most commonly faced with the quandary of what to buy, should they take their profits and sell their industrial real estate.” For most it is an easy decision - buy larger industrial buildings at lower prices per foot in the markets that have had issues and challenges. When those markets recover, their acquisitions at well below replacement costs will continue to mature and appreciate - and industrial owners are typically very patient. |||

### SAN JOSE, CALIFORNIA



## TOP TEN INDUSTRIAL SELLER MARKETS TO WATCH OVER \$5M

Rank	Top Seller Markets	Vacancy*	Proj. Change % in industrial employment through 2007	CAP	\$/sf	Job Growth %
1	San Jose, CA	16.50%	4.34%	8.9%	\$117	-1.3
2	San Francisco, CA	15.40%	2.67%	9.6%	\$98	0.1
3	Boston, MA	19.20%	5.10%	8.9%	\$69	-0.4
4	Richmond, VA	16.60%	5.07%	7.8%	\$75	1.5
5	Hartford, CT	15.80%	3.98%	8.8%	\$64	-1.4
6	Nassau-Suffolk, NY	6.30%	4.79%	7.3%	\$112	1.2
7	San Diego, CA	8.80%	6.90%	7.3%	\$99	1.4
8	Orange County, CA	12.50%	5.69%	8.2%	\$93	0.2
9	Philadelphia, PA	15.90%	3.74%	8.7%	\$67	0.2
10	Raleigh, NC	15.30%	8.75%	**	\$95	1.8

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# industrial

SPERRY VAN NESS TOP TEN MARKETS TO WATCH

John McDermott - SVN National Office & Industrial Director



"High barriers to entry, lack of industrial zoning, and the conversion of older buildings...make industrial a product of choice attracting many cross-over clients."

## TOP BUYER MARKETS


Experienced industrial investors know that the warehouse market is more affected by the flow of goods than by employment statistics, and that GDP is, therefore, a more reliable indicator than job change of near-term trends. Output data has been strong throughout 2004 and looks sustainable in 2005, and so vacancy in the warehouse sector could drop swiftly. Markets already in single-digit vacancy should be able to boost rents quickly, and are, therefore, the key locations for buyers to watch in 2005.

Third-party logistics suppliers have increased their influence both on the supplier chain serving manufacturing, and in linking production facilities to points of retail sale. Thus, we find distribution hubs in the center of the country appearing frequently on the list of markets to watch for buyers, as are many of the Florida markets on the list. As

population explodes, both the homebuilding industry and retailers are hungry for supporting warehousing to manage inventory requirements.

Prices per square foot for basic distribution space have been less affected by plummeting cap rates, as investment flows have been disproportionately directed to offices, apartments, and retail. We find less discussion of a "disconnect" between user and investor fundamentals.

McDermott adds, "Industrial investment properties continue to see favor from an enlarging buyer pool due to several major factors including low price per foot compared to other core investments (office, retail and apartments), highly tolerant tenants and low rents per foot compared to other properties in the same marketplace.

High barriers to entry, lack of industrial zoning, and the conversion of older buildings to other uses including industrial condos along with what will be higher and higher replacements costs make industrial a product of choice attracting many cross-over clients from apartments and retail in nearly every region of the country." Tightening markets make this a good time to buy. 

### DALLAS, TEXAS



## TOP TEN INDUSTRIAL BUYER MARKETS TO WATCH OVER \$5M

Rank	Top Buyer Markets	Vacancy*	Proj. Change % in industrial employment through 2007	CAP	\$/sf	Job Growth %
1	Dallas, TX	13.30%	10.25%	9.6%	\$52	0.5
2	Salt Lake City, UT	7.40%	5.41%	**	\$49	1.7
3	Orlando, FL	13.40%	12.21%	8.4%	\$78	2.4
4	West Palm Beach, FL	8.00%	12.93%	7.9%	\$85	2.2
5	Milwaukee, WI	8.30%	4.08%	8.9%	\$37	1.4
6	Indianapolis, IN	10.40%	5.82%	8.9%	\$29	-0.8
7	Ft. Lauderdale, FL	9.20%	11.48%	8.2%	\$74	1.9
8	Tampa, FL	8.50%	9.05%	8.2%	\$71	1.3
9	No. New Jersey, NJ	8.40%	5.37%	8.4%	\$65	1.6
10	Jacksonville, FL	10.30%	7.73%	9.1%	\$31	2.6

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# multifamily

SPERRY VAN NESS TOP TEN MARKETS TO WATCH

“Owners that acquired multifamily properties with low capitalization rates and adjustable financing could witness a sizable decline in cash flows as improving market fundamentals will unlikely keep pace with rising interest rates.”

David Rich - SVN National Multifamily Director

## TOP SELLER MARKETS

by Hugh Kelly, comments by David Rich

Apartments have long been coveted by investors seeking comparatively low-volatility assets. Vacancy swings in the multifamily sector tend to be less dramatic than in offices, for instance, and the speed of recovery after market troughs is typically quicker. One look at the vacancy levels reported by Reis for our seller-oriented “markets to watch” confirms the vacancy story: all ten markets are in the single digit range. And low cap rates suggest confidence in improving cash flow.

So, why sell? First of all, cap rates in the five to six percent area are probably as low as they can get and there is little to be gained by waiting during a period of rising interest rates. Next, most of these markets have fairly

slow projected increases in the number of households through 2007. On top of that, apartment development has been quite robust even though vacancy has risen nationwide since 2000. For some markets, the timing looks right to take profits at what looks like a cyclical value peak.

Interestingly, most of the seller-advantaged markets are big cities. For many of these markets, apartments are influenced by “barrier to entry” conditions. Good high-rise apartment sites are expensive and comparatively scarce, compared to metro areas where rental units are low-cost garden complexes at the periphery.

Sperry Van Ness National Multifamily

Director, David Rich states, “Owners that acquired multifamily properties with low capitalization rates and adjustable financing could witness a sizable decline in cash flows as improving market fundamentals will unlikely keep pace with rising interest rates.” He adds, “These investors should consider diversifying their portfolios into other asset categories or geographic locations.”

### NEW YORK, NEW YORK



## TOP TEN MULTIFAMILY SELLER MARKETS TO WATCH OVER \$5M

Rank	Top Seller Markets	Vacancy*	Proj. Change % in renter h/h through 2007	CAP	\$/Unit	Job Growth %
1	New York, NY	3.0%	1.56%	5.2%	\$363,856	1.2
2	Atlanta, GA	9.9%	9.08%	7.0%	\$73,203	0.5
3	San Jose, CA	5.0%	3.40%	5.4%	\$133,322	-1.3
4	Boston, MA	5.0%	2.38%	6.5%	\$183,155	-0.4
5	Miami, FL	6.4%	4.47%	6.0%	\$120,712	1.3
6	San Francisco, CA	5.2%	2.95%	6.1%	\$166,422	0.1
7	San Diego, CA	4.2%	6.82%	5.6%	\$169,880	1.4
8	Charlotte, NC	9.9%	6.20%	6.9%	\$65,288	1.2
9	Denver, CO	9.7%	4.79%	8.0%	\$74,786	0.4
10	Columbus, OH	8.9%	4.56%	7.7%	\$44,230	0.1

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# multifamily

SPERRY VAN NESS TOP TEN MARKETS TO WATCH

David Rich - SVN National Multifamily Director



“Buyers acquiring multifamily assets at cap rates of eight percent or higher and for less than \$70,000 per unit can enjoy excellent income returns and have a reasonable expectation of appreciation as demand tightens.

## TOP BUYER MARKETS

One of the great “chicken or egg” questions is whether jobs follow people, or people follow jobs. Whichever point of view you accept, one thing is clear: new job creation is the most basic indicator of rental apartment demand. Buyers are, therefore, quite encouraged as evidence of renewed job growth spreads across the nation.

There is a real mix in the “markets to watch” from the buyer perspective, though. The key elements are on the pricing side. Where most “seller-advantaged” markets are expensive big cities, we find a combination of fast-growth Sunbelt areas (Las Vegas, Riverside/San Bernardino, Phoenix) paired with some much more stable markets where cap rates and unit-sale-prices look very

affordable. Buyers acquiring multifamily assets at cap rates of eight percent or higher and for less than \$70,000 per unit can enjoy excellent income returns and have a reasonable expectation of appreciation as demand tightens.

What is the critical element? Wherever existing product is selling at prices below what new multifamily costs to build, there is going to be upward pull on values. That spells opportunity to investors able to be patient as recovery matures. Even troubled areas like the Great Lakes and overbuilt Texas markets can reward buyers of well-situated apartment properties.

Rich comments on the future of mortgages

as they relate to household income. “The percentage of household income a family spends on mortgages is expected to rise in 2005 as housing prices and interest rates continue to increase. This scenario will force many would-be home buyers into renting, thereby pushing down vacancy rates.”

### LAS VEGAS, NEVADA



## TOP TEN MULTIFAMILY BUYER MARKETS TO WATCH OVER \$5M

Rank	Top Buyer Markets	Vacancy*	Proj. Change % <small>in renter h/h income through 2007</small>	CAP	\$/unit	Job Growth %
1	Las Vegas, NV	4.9%	13.47%	7.7%	\$61,567	4.7
2	Riverside, CA	4.0%	10.39%	6.2%	\$100,784	2.2
3	Detroit, MI	6.7%	2.00%	9.1%	\$69,456	-1.5
4	San Antonio, TX	7.0%	8.63%	8.0%	\$59,727	1.4
5	St. Louis, MO	8.5%	2.19%	8.9%	\$49,174	2.6
6	Kansas City, MO	8.4%	3.56%	8.5%	\$60,806	0.1
7	Phoenix, AZ	9.0%	10.06%	7.2%	\$63,755	2.5
8	Houston, TX	10.3%	7.47%	8.1%	\$57,292	1.1
9	Cleveland, OH	6.9%	1.71%	7.9%	\$33,419	-0.1
10	Chicago, IL	6.1%	4.26%	7.5%	\$109,060	0.2

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# under \$5M

SPERRY VAN NESS TOP TEN MARKETS TO WATCH

## RANKINGS FOR PROPERTIES UNDER \$5 MILLION

### TOP TEN MARKETS TO WATCH FOR BUYERS

RANK	OFFICE	RETAIL	INDUSTRIAL	MULTIFAMILY
1	Riverside/SB County, CA	No. New Jersey, NJ	Houston, TX	Las Vegas, NV
2	Houston, TX	Baltimore, MD	West Palm Beach, FL	Riverside, CA
3	Austin, TX	Atlanta, GA	Cleveland, OH	Detroit, MI
4	Baltimore, MD	Austin, TX	Dallas, TX	Phoenix, AZ
5	Orlando, FL	Houston, TX	Orlando, FL	Chicago, IL
6	Atlanta, GA	Orlando, FL	Tampa, FL	Cleveland, OH
7	Detroit, MI	Detroit, MI	Detroit, MI	Houston, TX
8	Las Vegas, NV	Washington DC	Ft. Lauderdale, FL	Ft. Lauderdale, FL
9	West Palm Beach, FL	West Palm Beach, FL	Las Vegas, NV	Tucson, AZ
10	Tampa, FL	Tucson, AZ	Cincinnati, OH	Austin, TX

\* Data provided by CoStar Comps

### TOP TEN MARKETS TO WATCH FOR SELLERS

RANK	OFFICE	RETAIL	INDUSTRIAL	MULTIFAMILY
1	San Francisco, CA	Orange County, CA	San Francisco, CA	New York, NY
2	San Jose, CA	San Francisco, CA	Orange County, CA	Atlanta, GA
3	New York, NY	San Jose, CA	San Jose, CA	San Jose, CA
4	Los Angeles, CA	Chicago, IL	Boston, MA	Philadelphia, PA
5	Boston, MA	Los Angeles, CA	Oakland, CA	Boston, MA
6	Denver, CO	Miami, FL	New York, NY	San Francisco, CA
7	Oakland, CA	New York, NY	Sacramento, CA	Miami, FL
8	San Diego, CA	Cincinnati, OH	Los Angeles, CA	San Diego, CA
9	Jacksonville, FL	Cleveland, OH	Philadelphia, PA	Oakland, CA
10	Philadelphia, PA	Denver, CO	Portland, OR	Denver, CO

\* Data provided by CoStar Comps

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# about the report


SPERRY VAN NESS TOP TEN MARKETS TO WATCH

## WHAT MAKES A MARKET QUALIFY

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Our research team reviews a representative sample of commercial property transactions from markets nationwide that are valued at a minimum of \$5 million. We also include a summarized report of properties ranging between \$1 million and \$5 million.

Property sales transactions are ranked based on weighted averages of various factors including capitalization (CAP) rates, price per square foot and price per unit. Also factored in are projections of key indicators by product type through 2007. These include projected employment growth, disposable income, number of renter households and retail/industrial employment growth.

Multiple data sources were used including, but not limited to, the Sperry Van Ness proprietary database, Co-Star's national sales comparables, Real Capital Analytics Reports and REIS. 

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**Hugh Kelly, CRE**

Sperry Van Ness Top Markets To Watch Analyst

Hugh F. Kelly, CRE, is the principal of Hugh Kelly/Real Estate Economics, an independent consulting firm specializing in applied economics and strategic consulting for clients with national and international investment portfolios. He also does training in the field of economic analysis and market studies, and continues to speak on industry trends. Clients have included investment entities; research organizations; real estate owners; and real estate service firms such as Sperry Van Ness.

Hugh has addressed every major industry group in the U.S., and has lectured in Canada, France, the Netherlands, Germany, and the United Kingdom. He won the New York University's award for teaching excellence. Hugh may be best known as the editor and principal author of the Landauer Real Estate Market Forecast from 1985-2001. Hugh also served as editor-in-chief of the SIOR publication Comparative Statistics of Industrial and Office Real Estate Markets from 1989-2000, and resumed that role in 2002 through the present. He wrote and edited the CCIM/Landauer Investment Trends Quarterly from 1996-2003. He is the editor-in-chief of the peer-reviewed journal Real Estate Issues, co-edited its recent Proceedings issue (with the Journal of Real Estate Portfolio Management) for the Harvard University conference on "Global Cities in an Era of Change."

Hugh holds the CRE designation from the Counselors of Real Estate organization, is serving a second 3-year term on its Board of Governors through 2006, serving on the Board's Executive and Nominating Committees.

