CONNECTING REAL ESTATE IN THE WEST
WESTERN REAL ESTATE BUSINESS

2013 OUTLOOK

percent rate).
r survey include Seat-
8.3 percent), Denver
percent), Tucson 10.8
rcent) and the Inland
stands at 11.2 percent
Western markets that
rrent levels of vacancy
rcent (down from 11.7
rcent (down from 12.2
rcent (down from 13.2
ent (down from 14.8
ent (up from 13.5 per-
that only one of these
no, has seen vacancy
early all others posted

ill initially see a con-
owth trends. We are
00 potential new U.S.
s for next year. Keep
figure and it does not
sures.
ing year will continue
on the extreme ends
r stores and discount-
el to groceries, remain
e, we also see luxury
hough their numbers
eir focus is limited to
d high street districts.
the wealth effect will
ll see more mid-price
t for a couple of years.
trend in retail growth
cation on price point
-related retail and ser-
groceries, restaurants,
ce-related shops like
s don't have to com-
while many markets

Commercial 2013 Real Estate Update

By Kenneth S. Fields, partner, Greenberg Glusker Fields Claman & Machtinger LLP

Fields

I remain cautiously optimistic about California's real estate market in 2013. Our office has experienced a significant increase in purchase, sale, financing, leasing and other activity during the past six to eight months, and my peers indicate similar activity in their practices. I anticipate this trend will continue into 2013, albeit at a slower pace during the first half of the year.

While the election is over, political uncertainty remains strong. Specific factors include the impending fiscal cliff, the ongoing Euro-debt crisis, budget deficits at the federal, state and local government levels, and a deadlocked Congress. I anticipate these problems will pervade during the first half of 2013. However, due to the election results, there is certainty of further implementation of Dodd Frank and the Affordable Care Act, which will add some stability to the capital and healthcare markets.

Notwithstanding these challenges, I believe the West Coast markets should continue to experience growth during the first half of the year, with the greatest activity levels likely to continue in Northern California and Orange County. Los Angeles County's industrial and office markets experienced increased vacancy rates during the third quarter, but rents increased slightly during that same period. In contrast, Los Angeles' retail market experienced both increased vacancy and decreased rents, so this remains very much a tenant's market. Hotel transaction volume is likely to continue upward, and multifamily and student housing fundamentals should remain strong. We should also continue to see an increase in the single-family housing market, both in activity and pricing. My impression is that demand for quality homes in high-value areas is already beginning to outstrip inventory. This should bode well for the economy in general.

Office activity will remain strongest in urban areas, with the greatest demand for Class A buildings, particularly those with green elements. Class B and below office buildings, especially those located in suburban areas, will continue to see tenant-controlled transactions.

Lenders and private equity funds are freeing up capital, and developers are increasingly looking to EB-5 money as an available resource. CMBS has returned in force, making non-recourse money far more prevalent as of late. However, lenders and capital partners are being more selective about the geographic markets and asset types they will fund. They also expect their borrowers/partners to have more skin in the game. LIBOR and treasuries remain at historic lows. Life insurance companies and banks remain active and competitive. Investors will continue to chase yield, which will drive up prices for stabilized assets in core markets.

Job growth should continue into 2013, albeit somewhat anemically. That growth should help increase absorption levels in industrial, office and retail markets. It should also assist in the ongoing recovery of the single-family home market.

Healthcare and technology should continue as bright spots, with the most significant growth focused in matured urban areas.