

SIOR National President
Lynn Reich, SIOR, CCIM
Colliers Bennett & Kahnweiler

Thank you, Hal. Good morning. I am pleased to be here today for this year's St. Louis Metro Market Forecast.

I've been an SIOR for 23 of my 30 years in the commercial real estate industry. In my role as SIOR President, I am keenly aware of the challenges that our industry and our organization faces and I take my responsibility to help guide us through these times seriously.

Our mantra at SIOR headquarters is– Retool Now, Reinvest Now for the Inevitable Recovery.

Excellent programs such as today's forecast are part of investing and retooling. By being here today, you are doing just that!

Most of you in this room may already be familiar with the Society of Industrial and Office REALTORS. There are currently 2,800 SIOR designees in 580 markets in 26 countries.

55% are with large firms or networks and 45% either own or work for independent firms...And these SIORs boast powerful numbers.

2009 data is being finalized, but in 2008, SIORs completed

- \$125 billion transaction volume
- 83,500 transactions
- Totaling 3.3 billion square feet of space.

The SIOR member-to-member transactions, known to us as "Cooperative Transactions," exceeded \$1.6 billion in 2008. This is truly the Power of the organization.

I would like to stress that brokers holding the SIOR designation do not join; they earn their membership through meeting the industry's most rigorous entry requirements.

SIOR also includes Associate Members such as developers, lenders, corporate real estate directors and other industry service providers. I know there are many folks in the audience today that fall into those categories and who understand the power of the organization.

Several years ago SIOR began its international growth campaign as clients began increasing global real estate needs. SIOR membership is holding strong AND we are actually growing outside of North America with a 50% increase in international membership over the last 18 months.

So where do SIOR members see the industry headed?

First, let's look at where we have been for the last 5 years based on the SIOR Commercial Real Estate Index. The index is based on data provided by SIOR members and evaluated by National Association of Realtors Chief Economist Lawrence Yun and Economist George Ratiu.

The categories include geographic areas, industrial, office and overall results.

100 is a balanced market. Supply and demand are at acceptable levels... the overall index reached a high of 119.7 points in 2005...setting the stage for an unprecedented growth spurt. EOY 2009 shows the index at 35.5....reflecting the results of growth out of balance with demand.

Investment activity continues to be down across the board with buyers looking for pricing below replacement cost... construction activity continues to evaporate across the country with 87% saying that speculative development is virtually nonexistent in their markets for the coming year.

A bright spot...Significant build-to-suits do continue in various markets with creditworthy tenants, long term leases greater than 10 years, and well located sites.

Tenants continue to reap benefits from today's economy as 97% of SIOR respondents report either deep discounts to asking rents or moderate levels of tenant concessions.

A few comments from Colliers research...

Industrial

The graph shows quarterly 2009 results...construction above the line showing the continued reductions, negative absorption continued showing below the line...but a flattening vacancy rate percentage.

The U.S. industrial markets ended the year on a weak note, BUT there were noted improvements from the first three quarters with a reduction in negative absorption and minimal increase in vacancy rate.

Vacancies will likely further increase in 2010, but at a reduced rate and possibly flattening as soon as the second quarter.

“With almost no construction coming onto the market and forecasts for continued economic growth over the next few quarters, occupancies should begin to rise by mid-year and firmer fundamentals by year end.”

Office

This graph shows 4th quarter movement of nearly 18M sq. ft. of absorption to positive territory of 800,000 sq. ft. in the 4th quarter!

After 18 dismal months, in most of North America the office leasing market “began to show signs of hitting rock bottom and recording growth at year's end.”

There is reported new construction nationwide

Early 2010 is trending away from “dramatically rising vacancies and falling rents to more modest movements on both, and a possible stabilization by mid-year. The peak in vacancy is now in sight, but the long road to recovery will be slow and tentative.”

The Positives

Summary of the 4 points...

For 2010 the SIOR index shows nearly 55% of the members indicated the market will show at least minor improvement in the first 2 quarters of 2010...a very good sign.

Finally, as I indicated earlier, the organization is re-investing for the benefit of its members ...helping them retool for the inevitable recovery.

Thank you for inviting me here today and I hope you will join us at the SIOR Spring World Conference in Orlando this April, where the best and brightest convene.