



by Henry Hagendorf, CCIM
Sperry Van Ness/Williford Property



2006 Commercial
Real Estate Forecast
Competition

Houston's Best Prognosticators of Real Estate Activities

Houston's commercial real estate's biggest stars and brightest minds gathered at the Galleria's Hilton Hotel for the thirteenth annual, and biggest ever, CCIM Commercial Real Estate Forecast Competition. The ballroom was packed with 520 attendees representing all aspects of the commercial real estate profession, financial institutions and other related parties. The event was opened by Bud Friedman, CCIM, Chapter President and chaired by Corey Ferguson, CCIM, Chapter President-Elect and Chairman of the event. In chairing this event Corey Ferguson and his committee were responsible for overall event organization and scheduling of the participants. The four hour program included an economic overview by renowned Economist Dr. Mark Dotzour Ph.D. and 2006 year-end predictions related to all commercial real estate markets: office, retail, multi-family, industrial and land.

The format for this educational program is to showcase two real estate professionals (competitors) in the five categories. Each competitor will provide their projections for the current year in the essential categories for each group – inventory, absorption, vacancy rental rates, sales prices, and in the case of land – residential starts, lot prices, lots developed and price per square foot and per acre. This event has evolved and improved over the years building on the successes of prior years when, in addition to merely offering professional opinions and comments, predictions were given utilizing the art of humor, magic and tailored costumes from special guests including the "Wizard" in 1997, "Roman Brutus" in 1998, the "Sultan" in 1999 or "Superman" in 2000. There have also been presenters disguised as "Rocky", the "Harley Man" and a timely theme based on the academy awards. The king of all prognosticators has been Stacy Hunt who won the multi-family category eight consecutive years.

Keynote Speaker:
Dr. Mark Dotzour Ph.D.
*Chief Economist Real Estate at
Texas A&M University*



The 2006 Outlook For Job Growth and The Investment Climate

Comments Offered By Dr. Dotzour:

- » Continued increase in corporate profits
- » Interest rates slowly increasing
- » Moderate increase in hiring
- » Slow but positive absorption for commercial real estate
- » High investment demand for real estate
- » Continued strong demand on housing
- » Continued low cap rates
- » Strong economy because of low interest rates
- » Fed's are determined to slow the economy
- » Hyper-aggressive mortgage lenders
- » Commercial investors buying properties in the future for tax reasons

Why Are Cap Rates So Low?

- » Weak performance in the stock market
- » Declining real rate of interest
- » Declining risk premiums on all assets

Henry W. Hagendorf, CCIM, is senior investment advisor and executive vice president of Sperry Van Ness/Williford Property. Henry specializes in seller and buyer representation of commercial properties, primarily office properties. He is the past president of the CCIM Houston Chapter and regional vice president for the CCIM Institute. Henry can be reached via e-mail at henry.hagendorf@svn.com.

APARTMENT FORECAST 2006

	MICHAEL STEVENS (MICHAEL STEVENS INTERESTS)	MATT P. ROTAN (APARTMENT REALTY ADVISORS)
Apartment Inventory (Projects > 50K SF)	498,614	499,000
Net Absorption	1,250	4,600
Occupancy Rate	88.6%	91.0%
EFFECTIVE RENTS PSF		
Class A	\$11.88	\$11.88
Class B (Average \$PSF w/o floor plan demarcation)	\$8.64	\$8.76
SALES		
Units Sold	45,500	44,500
Average Price Per Unit	47,500	48,000
Average Sales PSF	\$54.30	\$54.50

INDUSTRIAL FORECAST 2006

	ROSS MATTHEWS (PROLOGIS)	MICHAEL TAETZ (COLLIERS INTERNATIONAL)
Industrial Inventory	424,737,000	425,500,000
Net Absorption	4,500,000	10,000,000
OCCUPANCY RATE PERCENTAGE		
Dock High Space	93.3	94.5%
Service Center Space	83.4	86.0%
ASKING RENTAL RATE PSF		
Dock High Space	\$5.24	\$5.25
Service Center Space	\$7.44	\$8.05
AVERAGE SALES PRICE PSF (> 50,000 SF)		
Dock High Space	\$36.00	\$35.00
Service Center Space	\$43.00	\$42.00
Manufacturing / Crane Served / Metal	\$24.00	\$28.00

LAND FORECAST 2006

	JEFF LOKEY (NEW QUEST PROPERTIES)	KEITH GROTHAUS (CALDWELL WATSON)
Number of Single Family Residential Starts	47,000	48,250
Average Lot Price (Planned Communities) For 65 Lots	\$38,750	\$44,800
Number of New Home Lots Developed	50,000	56,300
Average PSF for Midtown Land	\$35	\$33.50
Average PSF for Retail Site Under 5 Acres outside Beltway 8	\$8	\$7.45
Average Price Per Acre for Suburban Land Sites Between 100-250 Acres	\$34,000	\$29,250

OFFICE FORECAST 2006

	Dan Bellow (The Staubach Company)	Jon Silberman (NAI Houston)
Office Inventory	201,500,000	200,600,000
Net Absorption	2,300,000	3,600,000
Downtown Average Rental Rates		
Class A Space	\$21.50	\$19.95
Class B Space	\$17.50	\$17.50
Downtown Occupancy Levels		
Class A Space	82.0%	80.9%
Class B Space	88.5%	87.2%
Suburban Average Rental Rates		
Class A Space	\$21.00	\$20.20
Class B Space	\$16.50	\$16.00
Suburban Occupancy Levels		
Class A Space	87.5%	88%
Class B Space	85.0%	85.0%

RETAIL FORECAST 2006

	KENNETH KATZ (BAKER KATZ)	NICK HERNANDEZ (PAGE PARTNERS)
Retail Inventory	136,000,000	134,209,000
Net Absorption	3,017,000	2,350,000
Occupancy Rate	86.07%	87.63%
Asking Rental Rate PSF Anchored Center Space (>20,000 SF)	\$25.32	\$25.08
Average Sales PSF (>25,000 SF)	\$123.25	\$112.62