SPERRY NEWS YOU CAN USE

SEATTLE, WASHINGTON

A Word From Our Chairman

As we enter the year 2023 many of us are thinking, "Well, now what? Are we in a recession? Are we heading into a second recession?" Personally, I think we are definitely heading into a recession, especially with regard to real estate. How could it not affect real estate when the prime rate has climbed 350 basis points just since summer. As real estate interest rates have recently jumped from 3.5% to 6.5% and higher, depending on the product, then logically cap rates should go up too, by approximately 300 basis points. Good news, bad news, depending on whether you are a seller or buyer - cap rates are currently moving up at a snail's space. There is movement, but nothing like how quickly interest rates have shot up. It may be the significant gap between seller and buyer expectations that is creating such a slow crawl. Many owners locked in their financing at low interest rates, so there is minimal motivation to liquidate. However, the majority of buyers need financing, and they are looking down the barrel of 6.5% rates or higher. So, my projection is that we will be long into the new year before we see some loosening of cap rates. The only real motivation for owners to sell will be if their loan comes due in 2023. Rather than lock in at a high interest rate, they may decide to cash in and that will narrow the seller/buyer gap somewhat. We will see, so stay tuned and stay connected with your local SperryCGA broker to see what happens. You should also read our editorial, 'Ready Your Business For Recession', published in the CCIM Institute Fall edition of the Commercial Investment Real Estate magazine, which is reprinted here on page 9.

NEWS INSIDE THIS ISSUE:

SPERRY COMMERCIAL GLOBAL AFFILIATES℠

"Commercial real estate is purely about numbers, purely about business," said Tim Harber, broker and president of Harber Real Estate, and Harber Real Estate – Commercial Investment Advisors in Rockledge.

Harber is one of about a dozen professionals in his industry in Brevard who hold the CCIM credential. He's been a Brevard resident since 1977 and has held a Florida real estate licensed since 1987.
Commercial real estate is a great way to diversify an investment portfolio, giving an investor the potential to generate income and see the asset grow in value.

Harber started his career on the residential side of the industry. He introduced the Weichert Realtors brand in Brevard County some 20 years ago. He grew the operation to roughly 90 agents.

CERTIFIED COMMERCIAL INVESTMENT MEMBER CREDENTIAL AN INDUSTRY STANDARD FOR ACHIEVEMENT; HARBER, FLINT, AND COOPER AMONG CCIMS IN BREVARD

by: KEN DATZMAN
BREVARDBUSINESSNEWS.COM

Commercial real estate transactions often present complex problems that need to be addressed by an industry professional.

And experts say it's a smart investment to seek out someone who holds the Certified Commercial Investment Member designation, an industry standard, when considering buying, selling, or leasing commercial real estate.

The commercial real estate profession is a specialized field, covering everything from identifying properties to analyzing properties, and much more.

Commercial real estate is any property that is used for business-related purposes.

The categories include office space, strip malls, restaurants, retail, health-care facilities, hotels and resorts, industrial structures, and multifamily properties.

"Weichert also had a commercial arm and that brought me into the side of the industry I greatly enjoy today. I am fully dedicated to the commercial market at Harber Real Estate — Commercial Investment Advisors."

Harber is the newest CCIM holder in Brevard. He said earning that credential was one of his career goals. Harber, who oversees his own portfolio of commercial properties, was awarded his CCIM in 2021.

"I could have tested in 2020, but the CCIM Institute halted testing during the COVID-19 pandemic," said Harber, adding, "Achieving my CCIM designation was a lifetime goal."

...cont'd on page 3

"The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands in times of challenge and controversy."

- Dr. Martin Luther King, Jr.

...cont'd from page 2

Industry Standard For Achievement

The CCIM credential is awarded to commercial real estate professionals upon successful completion of a graduate–level education curriculum and presentation of a portfolio of qualifying experience. The course work includes 160 hours.

CCIMs complete a series of courses, provide evidence of their experience in the industry, and bring it all together in a final and comprehensive examination.

The curriculum addresses financial analysis, market analysis, user–decision analysis, and investment analysis — the cornerstones of the commercial real estate industry.

CCIMs are recognized experts in commercial real estate brokerage, leasing, asset management, valuation, and investment analysis.

Less than 10 percent of commercial real estate professionals are CCIMs, according to the National Association of Realtors. CCIM is a division of the NAR. "I have been working in the commercial real estate business since 2014," said James Flint, founding principal of Sperry Commercial Global Affiliates — Flint Brokers & Associates in Melbourne.

To continue reading, please click ***here***.

This article has been reprinted courtesy of BrevardBusinessNews.com

"Our greatest glory is not in never failing, but in rising up every time we fail."

- Ralph Waldo Emerson

MULTIFAMILY'S CHANGING LANDSCAPE LENDS OPPORTUNITY TO INVESTORS

by: PAUL FIORILLA
DIRECTOR OF RESEARCH
YARDI MATRIX

Rising interest rates and decelerating rents have brought a rapid change to the multifamily investment landscape. Debt suddenly looks more attractive than equity and high-yield investors are licking their chops at the opportunities for distress.

Though broad economic measures such as employment and consumer spending remain healthy, the Federal Reserve is trying to slow down inflation via rapid interest rate increases that are intended to slow demand and increase the number of jobless.

The Fed's aggressive moves to contain inflation have led commercial real estate investors to downgrade the economic outlook, increasing the likelihood of a recession and the expected depth of that downturn. Some such as Barry Sternlicht, chief executive at Starwood Capital, worry that policymakers are moving too fast and should slow down the pace of rate increases. The Fed has raised short-term rates by 300 basis points this year and is expected to increase them another 150 - 200 basis points by early next year.

Sternlicht, speaking last month at the Pension Real Estate Association's Annual Investor Conference in Washington, D.C., noted that inflationary segments such as housing costs are rapidly decelerating.

Referencing the saying that "rising tides lift all boats," he noted: "No one will survive if all the water is drained from the ocean."

...cont'd on page 4

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Multifamily's Changing Landscape

The impact on multifamily prices and deal flow is significant. Deal flow is set to wane because market players are unsure how to value properties. Multifamily had reached record-high prices and historically low capitalization rates in the spring amid chart-topping rent growth over the last 18 months. Transaction activity reached a historical high of $220 billion in 2021, per Yardi Matrix, with the average acquisition yield dropping to about 4.5%. Now multifamily values are being hit with a double whammy: After falling to the 3% range, and lower in some cases, mortgage rates have risen to 6-7%. Meanwhile, rent growth is decelerating, with the U.S. average asking rent flat at $1,718 for three straight months through September, per Matrix.

Buying properties at an initial yield lower than the mortgage rate is a risky proposition when rent growth is strong, but in an environment in which rent growth is likely to turn flat or grow only moderately, such a strategy is a recipe for disaster. Cap rates are rising, and prices have fallen 20-25% from their peaks, with more to come if rates keep accelerating. Sellers are unlikely to complete transactions in such an environment unless they have little or no choice.

LISTEN NOW ON SPOTIFY

"Everyone is a genius in a bull market"

- Mark Cuban

DEBT, HIGH-YIELD OPPORTUNITIES

So where is the opportunity for multifamily investors in a market in which mortgage rates remain persistently high, as is likely? One is in originating debt as traditional lenders move to the sidelines. Commercial banks are well-capitalized but exercising extreme caution on commercial real estate, while weak demand for bonds is hindering lenders that rely on securitization as an execution. CMBS and private equity funds that issue collateralized loan obligations are almost entirely out of the market. Even the government-sponsored enterprises have limited capital available.

Investors with a balance sheet to hold mortgages can originate loans with 6% coupons in the senior part of the capital stack, which is a solid return compared to the recent market conditions that produced lower yields for equity, a riskier position in the capital stack.

Another lending opportunity is construction loans. Large banks are cutting back on construction lending as they face scrutiny from regulators. Private equity lenders, which have increased market share in this segment in recent years, will only be able to lend on balance sheet now that the CLO market is closed. That means investors that can write construction loans will find plenty of demand.

For investors that are not equipped for senior or construction debt, there is a brewing opportunity for mezzanine debt and preferred equity —"gap capital"— from owners squeezed by the increase in mortgage rates. This involves properties that find themselves short of capital due to higher interest rates.

Refinancing will be difficult for properties that took out low-coupon floating-rate mortgages over the last two years but will be unable to get the same amount of proceeds when the loans mature. For example, a property valued at $10 million backed by a 70% loan-to-value ($7 million) mortgage with a 3% interest rate and 30-year repayment schedule has a $29,500 per month payment. That monthly payment would net a borrower $4.9 million (on the same repayment schedule) with a 6% mortgage. Put another way, if all else is the same, the borrower needs to come up with an extra $2.1 million of equity or debt at refinancing.

To continue reading, please click here.

This article has been reprinted courtesy of Yardi Matrix

Current Rates

AS OF 11/29/2022 (12:00 PM EST)

Sperrycap.com

Capital Markets Leader

Sperry RE Capital is a commercial real estate finance company that specializes in debt and equity for real estate transactions. The team has over 100 years combined experience in real estate finance, real estate development, accounting, and commercial brokerage. Sperry RE Capital provides capital market solutions to our client's commercial real estate needs. The rates provided here are for informational use only. For specific quotes, contact your local office or whomever sent you this issue of Sperry News You Can Use.

Current Index Rates As of 11/30/22

5-Year Treasury	3.90%
7-Year-Treasury	3.83%
10-Year Treasury	3.72%
30-Day Avg. SOFR	3.70%
10-Year Swap	3.69%

Fannie Mae-Conventional

Term	LTV	DSCR	Spread	Rate
15-Year	65%	1.35x	180-245	5.35%-6.00%
12-Year	65%	1.35x	165-230	5.25%-5.90%
10-Year	55%	1.55x	135-200	4.80%-5.45%
10-Year	65%	1.35x	155-220	5.00%-5.65%
10-Year	80%	1.25x	175-240	5.20%-5.85%
7-Year	55%	1.55x	130-195	4.95%-5.60%
7-Year	65%	1.35x	150-215	5.15%-5.80%
7-Year	80%	1.25x	170-235	5.35%-6.00%
10-Year ARM	75%	1.00x	290-320	6.60%-6.90%

15-year floor and 10-year index floor is 1.00%; 7-year index floor is 0.80%

Construction Loan Financing

Construction Loans- Please Call Agent		

Commercial

Life Companies

Term	Amortization	LTV	Spread	Rate
5-Year	25-30	65%-75%	170-210	5.60%-6.00%
10-Year	25-30	50%-65%	160-180	5.30%-5.50%
10-Year	25-30	65%-75%	180-210	5.50%-5.80%
15-Year	25-30	65%-75%	180-210	5.55%-5.85%
15-20 Year Fully Amortizing		65%-75%	180-210	5.50%-5.80%

Most life company lenders have floors of 2.75% and above. CALL FOR RATES.

CMBS

Term	Amortization	LTV	Spread	Rate
5-Year	30	65%-75%	330-370	7.20%-7.60%
10-Year	30	65%-75%	215-255	5.85%-6.25%

FHA-221(D) 4 Construction/Permanent

Term	Amortization	LTV	DSCR	Rate
40	40	85%	1.176x	5.75%-5.95%

Before MIP of 0.25% to 0.65%

Life Companies

Term	Amortization	LTV	Spread	Rate
5-Year	25-30	65%-75%	160-200	5.50%-5.90%
10-Year	25-30	50%-65%	150-175	5.20%-5.45%
10-Year	25-30	65%-75%	170-200	5.40%-5.70%
15-Year	25-30	65%-75%	170-200	5.45%-5.75%
15-20 YR	Fully Amortizing	65%-75%	170-200	5.40%-5.70%

Most life company lenders have floors of 2.65% and above. CALL FOR RATES.

Multifamily

Freddie Mac-Conventional

Term	LTV	DSCR	Spread	Rate
15-Year	65%	1.35x	170-200	5.40%-5.70%
12-Year	65%	1.35x	170-200	5.40%-5.70%
10-Year	55%	1.55x	140-170	5.10%-5.40%
10-Year	65%	1.35x	160-190	5.30%-5.60%
10-Year	80%	1.25x	175-205	5.45%-5.75%
7-Year	55%	1.55x	150-180	5.30%-5.60%
7-Year	65%	1.35x	170-200	5.50%-5.80%
7-Year	80%	1.25x	185-215	5.65%-5.95%
10-Year ARM	80%	1.25x	215-245	5.85%-6.15%

Minimum index floor of 0.50% for all fixed-rate terms

CMBS

Term	Amortization	LTV	Spread	Rate
5-Year	30	65%-75%	325-360	7.15%-7.50%
10-Year	30	65%-75%	210-250	5.80%-6.20%

Rates are general in nature and are informational use only. Rates are subject to change at anytime and the information provided is not a commitment to lend. For specific quotes based on your property, contact a Sperry RE Capital representative or whomever sent you this issue of Sperry News You Can Use.

Contact: Hillman Lam hlam@sperrycap.com
646-820-8618

Will Lawyer wlawyer@sperrycap.com
917-704-7708

Commercial Real Estate
Debt + Equity
Investment Sales
Loan Servicing

SCAN ME

Please click on photo below to open flyer

Q4 2022 ON MARKET

2712 N COCOA BLVD
COCOA, FL

RETAIL BLDG & BUSINESS

$1,495,000
FOR SALE

5073 SALEM DALLAS HWY
SALEM, OR

INDUSTRIAL PROPERTY

$2,650,000
FOR SALE

3401-3435 S LINCOLN ST
14-16 E GIRARD AVENUE

ENGLEWOOD, CO

$5,600,000
FOR SALE

2830 19TH STREET SE
SALEM, OR

INDUSTRIAL PROPERTY

$1,250,000
FOR SALE

2107 S MAIN STREET
SANTA ANA, CA

NYSCOE MOTORS

$2,600,000
FOR SALE

1771 S STATE ROAD 7
FORT LAUDERDALE, FL

AUTO DEALERSHIP

$5,575,500
FOR SALE

1543 S STATE ROAD 7
FORT LAUDERDALE, FL

TRANSMISSION SHOP

$2,235,490
FOR SALE

301 E THOMAS STREET
SEATTLE, WA

CLIFT HOUSE

$5,150,000
FOR SALE

797 W GUADALUPE ROAD
GILBERT, AZ

MARZOCCHI AUTO

$2,000,000
FOR SALE

315 BELMONT AVE EAST
SEATTLE, WA

THUNDERBIRD APTS

$5,720,000
FOR SALE

Q4 2022 CLOSED SALES

Please click on photo below to open flyer

7171-7319 W 95TH STREET
OVERLAND PARK, KS

95 METCALF SQUARE

$8,800,000
CLOSED!


95 Metcalf Square
7171 - 7319 W. 95TH ST., OVERLAND PARK, KS 66212
CLOSED
$8,800,000

Features
- Mixed Use Office/Retail
- Sale Closed: 10/4/2022
- Building Size: 128,499 SF
- Occupancy: 73%
- Cap Rate: 6.8%
- Price/SF: $68

SPERRY EQUITIES
Burton Young
PRESIDENT


Ridge Plaza Tire & Auto
9190 W. State Road 84, Davie Fl
Closed
Sold Price: $2,967,935.00
COE: 10/27/2022

Closing Details
- Sale Price: 2,967,935
- Property Type: Auto Repair
- Building Size: 5,300sf
- Lot Size:23,006sf
- Year Built:1984
- Occupancy:100% STNL
- Cap Rate/GRM: 6.2%
- Price/SF/unit: $560
- NOI: 181,000
- Financing:50%, nonrecourse, No Windstorm Insurance
- Tenant has been in the building for 38 years 8+ years left on lease with annual rent increases.

This is the 4 transaction with this investor in the last 12 months and we have another in contract.

SPERRY COMMERCIAL
Ron Osborne

9190 W STATE ROAD 84
DAVIE, FL

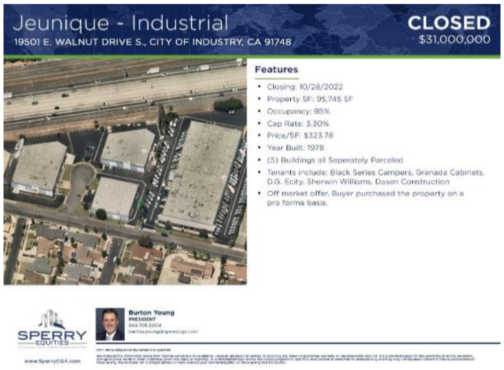
RIDGE PLAZA TIRE/AUTO

$2,967,935
CLOSED!

19501 E WALNUT DRIVE S
CITY OF INDUSTRY, CA

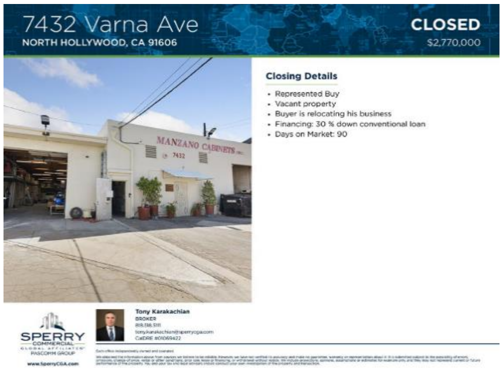
JEUNIQUE - INDUSTRIAL

$31,000,000
CLOSED!


Jeunique - Industrial
19501 E. WALNUT DRIVE S., CITY OF INDUSTRY, CA 91748
CLOSED
$31,000,000

Features
- Closing: 10/28/2022
- Property SF: 95,745 SF
- Occupancy: 95%
- Cap Rate: 3.30%
- Price/SF: $323.78
- Year Built: 1978
- (5) Buildings all Seperately Parceled
- Tenants include: Black Series Campers, Granada Cabinets, D.G. Ecity, Sherwin Williams, Dosen Construction
- Off market offer. Buyer purchased the property on a pro forma basis.

SPERRY EQUITIES
Burton Young
PRESIDENT


7432 Varna Ave
NORTH HOLLYWOOD, CA 91606
CLOSED
$2,770,000

Closing Details
- Represented Buy
- Vacant property
- Buyer is relocating his business
- Financing: 30 % down conventional loan
- Days on Market: 90

SPERRY COMMERCIAL
Tony Karakachian
BROKER

7432 VARNA AVE
NORTH HOLLYWOOD, CA

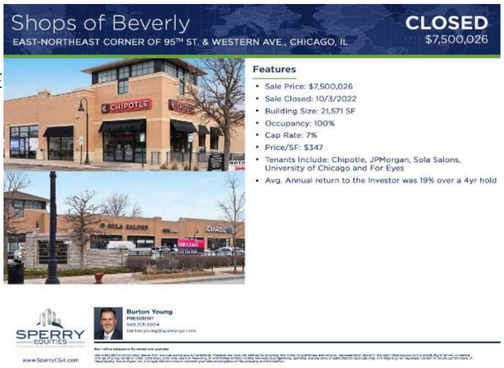
INDUSTRIAL WAREHOUSE

$2,770,000
CLOSED!

NEC 95TH ST & WESTERN AVE
CHICAGO, IL

8 PLEX MULTIFAMILY

$7,500,026
CLOSED!


Shops of Beverly
EAST-NORTHEAST CORNER OF 95TH ST. & WESTERN AVE., CHICAGO, IL
CLOSED
$7,500,026

Features
- Sale Price: $7,500,026
- Sale Closed: 10/3/2022
- Building Size: 21,571 SF
- Occupancy: 100%
- Cap Rate: 7%
- Price/SF: $347
- Tenants Include: Chipotle, JPMorgan, Sola Salons, University of Chicago and For Eyes
- Avg. Annual return to the investor was 19% over a 4yr hold

SPERRY EQUITIES
Burton Young
PRESIDENT


Sossaman & Riggs - +/-5.1 Acres
SEC OF SOSSAMAN RD AND RIGGS RD, QUEEN CREEK, AZ 85142
CLOSED
$1,380,000

Closing Details
- Property Type: Land
- Lot Size: ±5.1 Acres ($6.21/SF)
- Zoning: RU-43 (Re-Zoned to C-3 CUPD)
- VPD: 16,732 Combined Traffic Count at Intersection (2020)
- Great Demographics
- Directly Across from Newell Barney Junior High School
- Submarket Currently Experiencing Very Strong Growth
- Buyer to Build RV / Boat Storage On Site
- APN: 304-90-408F

SPERRY COMMERCIAL
Neil Sherman, CCIM
MANAGING DIRECTOR

SOSSAMAN & RIGGS ROAD
QUEEN CREEK, AZ

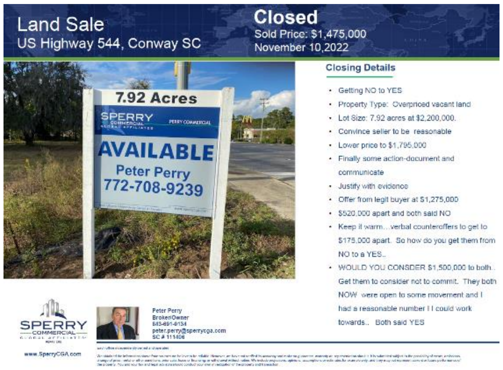
RV/BOAT STORAGE SITE

$1,380,000
CLOSED!

US HIGHWAY 544
CONWAY, SC

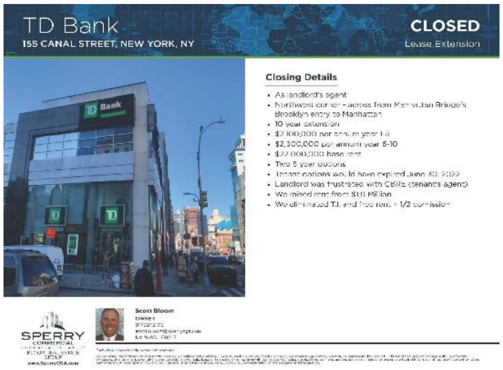
7.92 ACRES

$1,475,000
CLOSED!


Land Sale
US Highway 544, Conway SC
Closed
Sold Price: $1,475,000
November 10,2022

Closing Details
- Getting NO to YES
- Property Type: Overpriced vacant land
- Lot Size: 7.92 acres at $2,200,000
- Convince seller to be reasonable
- Lower price to $1,795,000
- Finally some action-document and communicate
- Justify with evidence
- Offer from legit buyer at $1,275,000
- $520,000 apart and both said NO
- Keep it warm... verbal counteroffers to get to $175,000 apart. So how do you get them from NO to a YES...
- WOULD YOU CONSIDER $1,500,000 to both. Get them to consider not to commit. They both NOW were open to some movement and I had a reasonable number I could work towards... Both said YES

SPERRY COMMERCIAL
Peter Perry


TD Bank
155 CANAL STREET, NEW YORK, NY
CLOSED
Lease Extension

Closing Details
- As landlord's agent
- Northwest corner - across from Manhattan Bridge's Brooklyn entry to Manhattan
- 10 year extension
- $2,100,000 per annum year 1-4
- $2,300,000 per annum year 5-10
- $22,000,000 base rent
- Two 5 year options
- Tenant options would have expired June 30, 2029
- Landlord was frustrated with CBRE (tenant's agent)
- We raised rent from $11 Million
- We eliminated TI and free rent + 1/2 commission

SPERRY COMMERCIAL
Scott Bloom

155 CANAL STREET
NEW YORK, NY

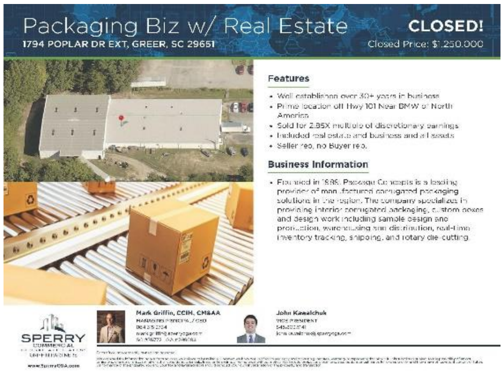
TD BANK

$22,00,000
LEASED!

1794 POPLAR DRIVE EXT
GREER, SC

RIVERBEND APARTMENTS

$1,250,000
CLOSED!

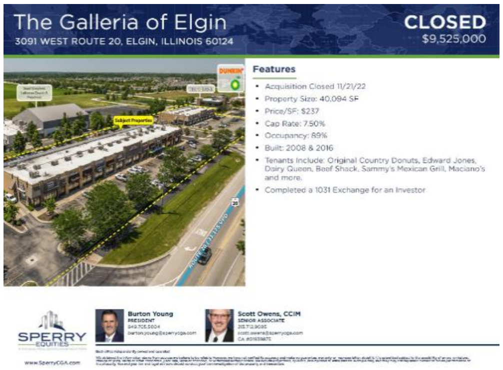

Packaging Biz w/ Real Estate
1794 POPLAR DR EXT, GREER, SC 29651
CLOSED!
Closed Price: $1,250,000

Features
- Well established over 30+ years in business
- Prime location off Hwy 101 near BMW of North America
- Sold for 2.85X multiple of discretionary earnings
- Included real estate and business and all assets
- Seller rep, no buyer rep.

Business Information

Founded in 1986, Pacesetter Co. is a leading provider of manufactured corrugated packaging solutions in the region. The company specializes in providing interior corrugated packaging, custom boxes and design work including sample design and production, warehousing and distribution, real-time inventory tracking, shipping, and rotary die cutting.

SPERRY COMMERCIAL
Mark Griffin, CCIM, CM&AA
John Kasalchuk


The Galleria of Elgin
3091 WEST ROUTE 20, ELGIN, ILLINOIS 60124
CLOSED
$9,525,000

Features
- Acquisition Closed 11/21/22
- Property Size: 40,094 SF
- Price/SF: $237
- Cap Rate: 7.50%
- Occupancy: 89%
- Built: 2008 & 2016
- Tenants Include: Original Country Donuts, Edward Jones, Dairy Queen, Beef Shack, Sammy's Mexican Grill, Maciano's and more.
- Completed a 1031 Exchange for an investor

SPERRY EQUITIES
Burton Young
PRESIDENT
Scott Owens, CCIM
SENIOR ASSOCIATE

3091 W ROUTE 20
ELGIN, ILLINOIS 60124

THE GALLERIA OF ELGIN

$9,525,000
CLOSED!

SEATTLE, WASHINGTON

by: RYAN DOWNING
CAPSTONE COMMERCIAL REAL ESTATE

Seattle has never known a true Buyer's market. It has always been varying degrees of a Seller's market. Owners of apartment buildings in Seattle are happy with their properties, always have been, with rare exceptions. They sell only if there's a specific reason – partnership breakup, estate planning, 1031 to enhance portfolio value, that type of thing. None of them are in trouble with their buildings. None of us as agents are familiar with the term "fire sale." It just doesn't happen in Seattle. Even back in the early 80's when interest rates were 23% and 24%, investors believed in the future of Seattle real estate.

They're a special breed, Seattle real estate investors, consisting in large part of second-generation families. People like Paul McTaggart of DARCO, who worked 18 hours a day as a salesperson putting partnerships together, throwing his commission into the deals for small percentages of ownership. Now, forty years later, the engine room on Paul's boat is bigger than my office. His son Stuart now runs the company. Everyone thinks DARCO stands for Diversified Apartment Real Estate Company. If you look it up in the Secretary of State filings, you'll find it stands for "Darlene's Company." Darlene is Paul's wife. He adores her, always has.

Paul Stephanus of ARMCO. Paul built his empire of over 5,000 units from the ground up, starting by buying no-down deals. Now Paul has passed on and his son John has the empire. He is also a successful blues singers on the local scene, by the way. Paul once made the statement to me. "I'd give it all to be 25 years old again, just for the fun of doing it all over."

Mickey Rashkov has passed on as well. He started out buying houses when he was a Metro bus driver. Now his daughter Laurie has the buildings. Mickey was OCD. He was a compulsive fixer. When he'd buy a building, he'd go through the inspection with his tool belt strapped to his waist. The building would end up in better condition than when he started. Loose doorknobs, dripping faucets – he'd fix them all.

George Wilson got out of the army back in the 50's with a savings of $5,000 and parlayed it into a huge empire of both apartments and commercial, not to mention his sprawling Lake Washington waterfront home complete with yacht and floatplane. George would frustrate me, because he would always have to have his attorney review a document before signing. I'd say, "George, why waste the money; it's just in its inspection phase. Look, it says right here that failure of Purchaser to respond in writing shall render this agreement null and void. "Nope," he would say. "My attorney has to see it." Finally, one day an older agent explained the reason why. "Didn't you know?" he said. "George can't read.

These stories could go on and on, but space won't allow.

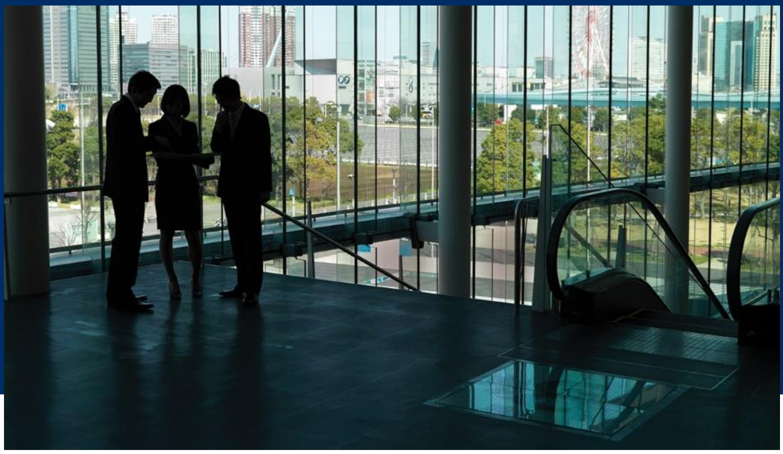
The real estate market in Seattle goes in ten-year cycles, give or take. Seven years up, three years flat. It's been that way for over 40 years. During the flat periods economists like to say we're in a recession. The nay-sayers come out of the woods writing their books about the great real estate crash which never happens. All that happens is that these bogeyman and women get rich from terrifying everyone. I remember one poor fellow who bought into the nonsense – sold everything and bought and stuffed his closet with Chinese Yen. He should have kept the real estate. These flat periods are really correction cycles, as opposed to recessions. There comes a point when tenants cannot – or will not – pay the rent owners are demanding because of their increasing expenses, so the market goes into its correction cycle. Before things can change the income side of the economy has to start moving upward. We begin to see workers on strike demanding more money. Minimum wage scales start to move up, and soon some buyer will "overpay" for a building. Then another will do the same, and another. The area begins to swell with new business, which brings in new employees at higher salaries. Rents start going up, hence values. And it happens all over again.

Seattle has always preformed and always will. We're all a little concerned about the extreme movements toward socialism among some city council members, but we're confident the great engine of
Free Enterprise will bring things back to center.

READY YOUR BUSINESS FOR RECESSION

by: MARK HINKINS, CCIM, FRICS
PRESIDENT, SPERRYCGA

While the market is unpredictable, preparations can and should be made for difficult economic times.



Recessions always seem to catch people by surprise — even though lots of supporting evidence indicates they're forming and proves they're cyclical. This time around, with the pandemic's work-from-home routine adopted by many companies, commercial real estate is being deeply tested.

The post-COVID-19 recession may already be here, though it may only become more clearly visible by the middle of next year. Commercial real estate values will start falling as liquidity goes out of the market. In preparation, brokers and agents must adapt their business today, so they can stay profitable during the next 18 to 36 months. Here are seven time-tested approaches for recession-proofing your real estate business and a glimpse into the future of our industry.

PICK A WINNING SIDE

Any real estate market contains these four pillars: sellers, buyers, tenants, and landlords. You're trained to think how to represent one of these factions as best you can, but during economic downturns, it's a matter of who you represent, because knowing which side to represent amid changing market conditions is how the agile brokerage adapts, follows the money, survives, and flourishes.

If you represent sellers, show them how commercial real estate values historically dropped following stock market corrections. If it's buyers, shift their mindset to see a recession as a friend — an opportunity, as growth happens, paradoxically, when buying and not selling. If it's tenants, assess the impact of the lease based on your clients' expenses and work policies. Finally, if it's landlords, take stock of their expenses and exposure to lease defaults.

If you're a real estate investor, stock up on cash and be prepared to buy. It's true that prime rates aren't favorable right now, due to the federal government's desire to combat a 40-year high in inflation. But remember that you can always renegotiate and refinance down the road. Having something to refinance is better than having nothing — and it's better to have a tenant to renegotiate with later than having empty space.

Finally, lenders must avoid dealing with empty spaces. Some buyers see this as an opportunity, others as a problem. Look at the reserve budget because the costs of services, construction, and material go down during recessions — and it might just be the best time for the borrower to fix the building. Shifting your perspective on repairs in the dip — when labor and materials are cheap and selling or refinancing at peaks is a game-changer — because you'll ultimately enjoy better-term refinancing or high-profit sales.

Having something to refinance is better than having nothing — and it's better to have a tenant to renegotiate with later than having empty space.

ACCOUNTABILITY, ETHICS, AND COMMUNITY OUTREACH

We live in a deeply divided nation. During this time, take responsibility for your actions; define your approach to ethics, honesty, and transparency; and seek to foster a culture where it's safe to share and voice opinions. Providing knowledge or income isn't enough in today's market because clients pick those whose values align the most with their own. This also means staying connected and giving back to your community during hardships, not only in monetary ways, but also with empathy and education.

DISCIPLINE AND EDUCATION

Professional agents adapt and lead in times of change, and entrepreneurial agents excel at this, especially those who own and operate their own brokerage firms. Slowing markets require commitment and perseverance, and it's in times of foggy terrain when people look for seasoned navigators. Helm your vessel by demonstrating that your agents are the most trained, educated, and knowledgeable in the industry. Help them brand themselves, because client relationships endure throughout all market cycles.

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Ready Your Business For Recession

FISCAL ACCOUNTABILITY

Be nimble and control your operating cost — but never cut your services or marketing spend during recessions. Ensure your company structure leverages the value of investment and technology, while providing your affiliates access to tools, training, education, and technology. A value-based affiliation allows agents to operate with higher profit margins, keep more money in their pocket, and access more capital to invest in their businesses and household.

COLLABORATION AND AFFILIATIONS

The 1991 and 2008 recessions proved that agents stranded without affiliations are by themselves as lone rangers with low chances of survival, let alone success. Clients are unlikely to go with generic brokerages when compared to recognized and trusted names. It's imperative to them, when market conditions are challenging, that they're following someone who can successfully liquidate their assets at a fair price, if need be. Often, it's not even a question of dollars and cents — they're looking for peace of mind and certainty, two priceless commodities in uncertain times.

During recessions, when the buy-side goes away, is when you'll need to be affiliated to win listings. When choosing a branded name, seek a regional or national platform providing a collaborative environment that fosters goodwill, a cooperative spirit, and strong alliances, yielding more recognition, increased leads, and more income. As the proverb says, "If you want to go fast, go alone; if you want to go far, go together."

DIVERSIFICATION OF SERVICES

Putting all your eggs in one basket is like building your own guillotine with a recession being the executioner. It's important to expose your client's portfolio to all asset classes, including to Class A properties in prime areas. Additionally, you can diversify your income by offering specialty products like consulting services on debt restructuring, exit strategies, and acquisition formulas.

TECHNOLOGY

Commercial real estate has gone through a catching-up period after lagging behind other industries more open to tech adoption. But, if a decade ago, you bent your ear to the ground, you might've heard the train of digital innovation coming toward CRE. Today, even with earplugs in, you can feel the gravel beneath your feet vibrating and see the smoke coming out of the prop-tech locomotive.

A decade ago, approximately 75 proptech startups raised $220 million in venture capital. Fast forward to 1Q2022, and VC poured $4 billion into the sector. In 1H2022, VC investments in private real estate tech companies topped $13.1 billion, outperforming the global venture capital market, according to GlobeSt.

Putting all your eggs in one basket is like building your own guillotine with a recession being the executioner.

Looking forward, the quality and ease of 3D scanning and augmented reality in the sector will skyrocket, while attaining such services will cost drastically less. These trends will enable medium-sized brokerages to pierce the veil of exclusivity and reach clients from outside their limited ZIP code. Proptech will also greatly enhance an agent's ability to represent a client's best interests in marketing the property, while also giving the buyer or the tenant unique insight into the property, allowing them to make an informed decision before ever stepping through the front door.

But proptech will extend beyond photos and aerial videos for marketing and sales teams. It'll rectify the construction, property management, and insurance sub-sectors, with its advantages mostly felt in the property inspections sector. It'll allow property managers and owners to seamlessly track, record, and weave the condition of the property into stats readily available and accessible for limited partners, bankers, and insurance agencies.

Recessions aren't easy. Learning how to leverage such times will be crucial for you and your team. Pick the winning side, be ethical when you do so, give back to your community, and educate your agents. Diversify your services, portfolio, and technology offerings. And remember: While technology changes the world, the commercial real estate market is, and always will be, about developing personal relationships across the board.

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Q3 2022: AFFORDABLE HOUSING QUARTERLY VIEW

by: DAVID CAPUTO
DATA SCIENTIST
MOODY'S ANALYTICS

Rent Growth Continues Momentum as Vacancy Remains Flat During 3rd Quarter

The national vacancy rate for the affordable housing sector, which is comprised of Low Income Housing Tax Credit (LIHTC) markets, finished at 2.3% in the 3rd quarter, making it the third straight quarter of flat movement. Since Moody's Analytics REIS began tracking this sector, the vacancy rate has remained within the range of 2.0% to 2.6%. It is expected to stay within that range for the foreseeable future.

The affordable housing sector saw an inventory growth of only 0.1% during the 3rd quarter with 1,730 new completions coming onto the market. This falls well short of the 3rd quarter completion average going back to 2016, which was just about 7,288 units. Because of the lack of new construction seen so far, only 37,000 units are projected to hit the market by the end of 2022.

The national rent growth finished at 0.9% this quarter, bringing the average asking rent to $1,024. This was the second consecutive quarter of strong growth for the sector, following last quarter's growth of 1.2%. The sector now projects to finish 2022 at 3.0% growth, up from the 2.4% figure forecasted last quarter.

METRO-LEVEL INSIGHTS

San Francisco and Minneapolis posted the strongest figures for net absorption this quarter. Out of the 100 metros that Moody's Analytics REIS tracks in the affordable housing sector, only 18 had negative net absorption this quarter while the rest had zero or positive absorption. The most negative was Albany at -46 units, followed by Dallas at -33 units and District of Columbia at -17 units. Net absorption in the affordable sector is typically limited by completions as affordable tenants infrequently vacate their units. Consequently, the magnitude of net absorption loss is rarely significant.

Occupancy rose the most in Wichita, St. Louis, and Chicago at 0.9%, 0.2%, and 0.2%, respectively. Albany, Westchester, and San Antonio had the largest drops in occupancy at -1.1%, -0.3%, and -0.2%, respectively. Louisville and Buffalo led the way in terms of rent increases growing by 2.4% each. There were only 9 metros with a decrease. It can also be noted that even the best performing affordable markets such as Louisville, Buffalo and Nashville are being outgrown by their comparable market-rate properties in the 3rd quarter. The only exception in his category was Colorado Springs, which saw an even rent increase between market rate and affordable rent growth.

As Rochester's LIHTC's rents have increased by nearly 5% since the beginning of 2021, while maintaining a vacancy level of 2% or lower over that time period, the need for more affordable housing has become increasingly noticeable. Help will be on the way as Rochester Governor Kathy Hochul recently announced the completion of a $118 million rehabilitation project at the Park Square affordable housing complex in Rochester, which now provides 335 modern and energy efficient apartments. These 335 apartments remain affordable to households with incomes at or below 60 percent of the Area Median Income. "As part of my administration's commitment to making sure every New Yorker has access to affordable housing, we are taking on monumental transformations to preserve our supply and quality of affordable homes for Rochester's current and future residents," Governor Hochul said. The rehabilitation also included the demolition of a partially condemned parking garage and 40 obsolete townhouses. The demolished townhouses will be rebuilt, along with additional affordable housing, in subsequent development phases.

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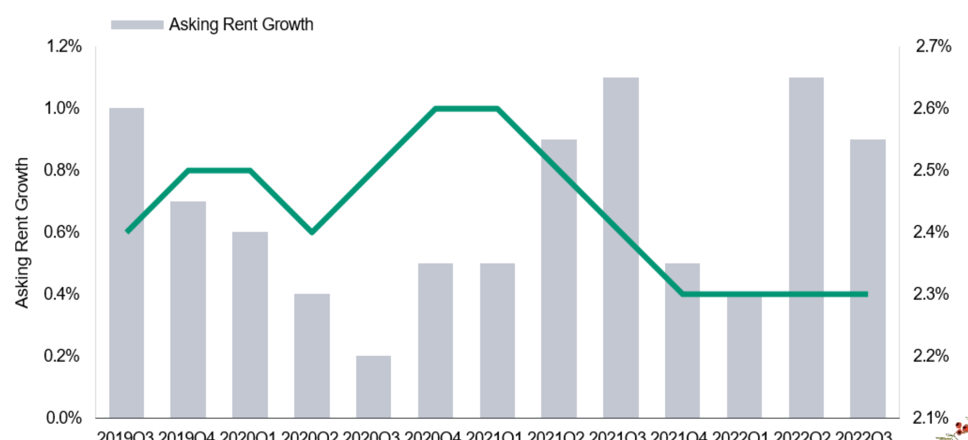
Figure 1 Affordable Housing Vacancy and Rent Growth



Source: Moody's Analytics REIS

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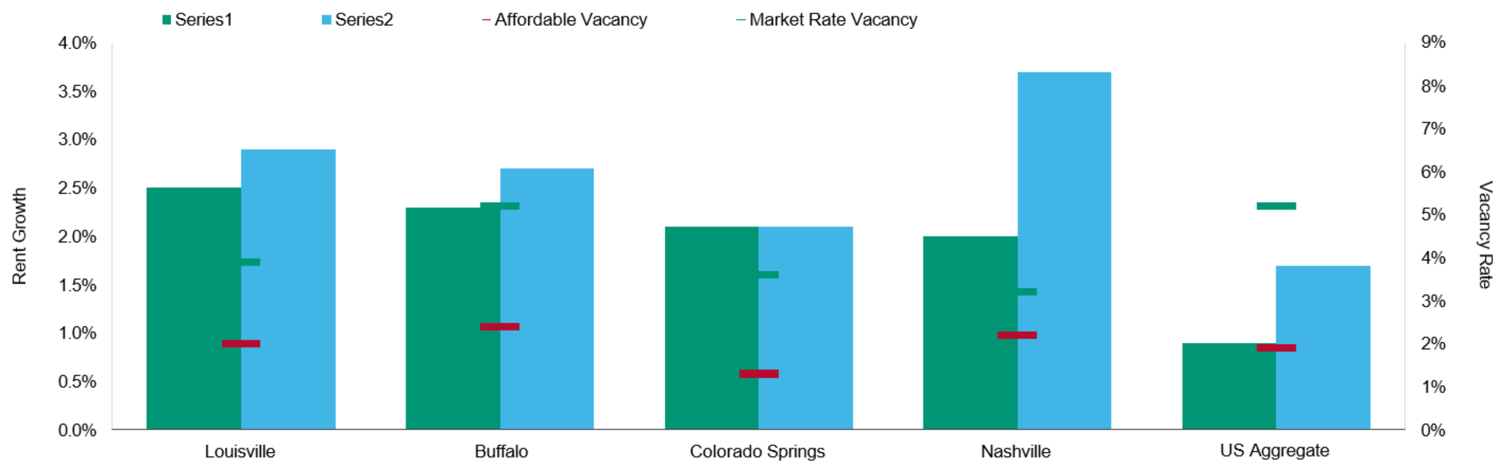
Figure 2 Top Affordable Housing Markets by 2022Q3 Rent Growth



Source: Moody's Analytics REIS

OUTLOOK

The new phenomenon known as inflation migration has begun to take its toll on affordable housing. Inflation migration started during the pandemic as workers were given the opportunity to work from home, which saw many take this as a chance to leave their current locations and move somewhere more desirable and usually cheaper. This new influx of people has now turned these once reasonably priced metros into "migration hotspots", creating a surge in inflation. The Sun Belt region has been the area most affected, as they attracted the most newcomers over the past 2 years. Three cities most notably affected have been Phoenix, Atlanta, and Tampa. The biggest concern around inflation migration is that it is slowly making all locations unaffordable, and if the amount of housing doesn't increase to offset the rise in population then renters will be priced out with no cheaper options to move to.

Overall, 2022Q3 rent growth didn't perform quite as well as the 2nd quarter but it was still strong, nonetheless. Because of these two positive consecutive quarters, year-end 2022 rent growth has been adjusted from 2.4% to 3.0% while the projected vacancy rate has been changed from 2.1% to 2.2%. As for new construction, the 3rd quarter of 2022 again saw low completions, so 2022 completions are now projected to finish with just over 37,000 units. Moody's Analytics REIS will continue to monitor the effects that ripple through the affordable housing industry.

This article previously written for and published by Moody's Analytics.

Figure 3 Affordable Housing Fundamentals Data

YEAR	QUARTER	POSITIVE ABSORPTION	NEGATIVE ABSORPTION	POSITIVE OCCUPANCY	NEGATIVE OCCUPANCY	POSITIVE RENT	NEGATIVE EFFECTIVE RENT
2022	3	38	68	14	92	96	10
2022	2	49	57	23	83	96	10
2022	1	64	42	48	58	79	27
2021	4	84	22	48	58	78	28
2021	3	75	31	52	54	97	9

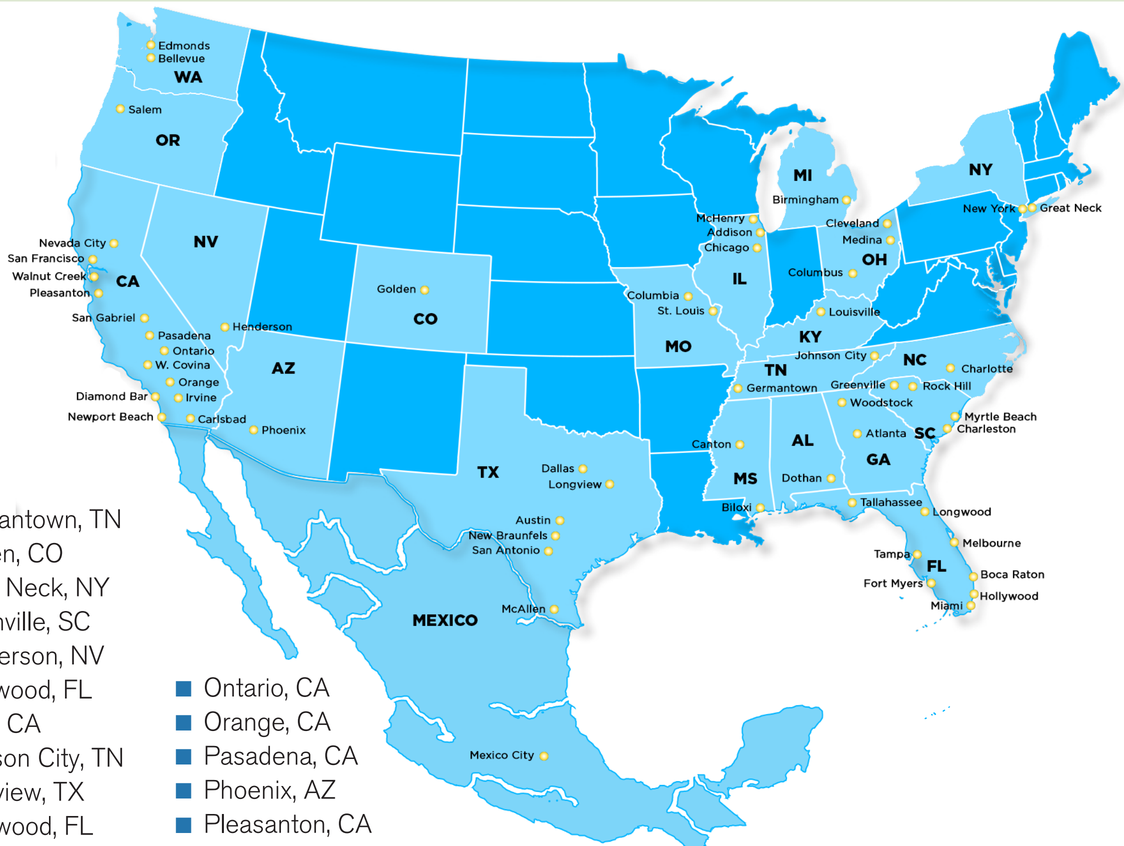
Source: Moody's Analytics REIS

A GROWING GLOBAL NETWORK

Sperry Commercial Global Affiliates

We're growing fast! With a team of talented Agents and Affiliate offices across the nation and beyond, SperryCGA is capable of handling your commercial real estate needs wherever they may take you.

Look for us in the following cities, with more new offices opening soon.



Nationally

- Addison, IL
- Atlanta, GA
- Austin, TX
- Bellevue, WA
- Biloxi, MS
- Birmingham, MI
- Boca Raton, FL
- Canton, MS
- Carlsbad, CA
- Charleston, SC
- Charlotte, NC
- Chicago, IL
- Cleveland, OH
- Columbia, MO
- Columbus, OH
- Cupertino, CA
- Dallas, TX
- Diamond Bar, CA
- Dothan, AL
- Edmonds, WA
- Fort Myers, FL
- Germantown, TN
- Golden, CO
- Great Neck, NY
- Greenville, SC
- Henderson, NV
- Hollywood, FL
- Irvine, CA
- Johnson City, TN
- Longview, TX
- Longwood, FL
- Louisville, KY
- McAllen, TX
- McHenry, IL
- Medina, OH
- Melbourne, FL
- Miami, FL
- Myrtle Beach, SC
- Nevada City, CA
- Newport Beach, CA
- New Braunfels, TX
- New York, NY
- Ontario, CA
- Orange, CA
- Pasadena, CA
- Phoenix, AZ
- Pleasanton, CA
- Rock Hill, SC
- Salem, OR
- San Antonio, TX
- San Francisco, CA
- San Gabriel, CA
- St. Louis, MO
- Tallahassee, FL
- Tampa, FL
- Walnut Creek, CA
- West Covina, CA
- Woodstock, GA

Internationally

- Mexico City, Mexico (Opened 2021)
- Monterrey, Mexico (Opening 2023)
- Madrid, Spain (Opening 2023)
- Barcelona, Spain (Opening 2023)
- London, UK (MOU Partner)
- Tokyo, Japan (MOU Partner)