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UCLA Survey Gives Mixed Marks to California Real Estate

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The office markets in Los Angeles and San Diego are moving past the credit crisis, but those in Orange County and San Francisco are not, according to the latest Allen Matkins/UCLA Commercial Real Estate Survey.

Based on polls of panelists in each market, including San Francisco for the first time, the survey attempted to gauge likely market conditions in 2011. Allen Matkins Leck Gamble Mallory & Natsis L.L.P. is a major California law firm.

LOS ANGELES

The panelists generally expect a stable market in LA, with new supply coming on line between now and 2011 to be just about matched by an increase in demand.

SAN DIEGO

Here those surveyed seem to have become more optimistic than they were previously, seeing a turnaround based on growth in office-based employment, with both occupancy and rental rates rising.

“Although San Diego did not make much progress in the first quarter of 2008 in terms of overall job growth, outside of finance, office space-using employment grew in the first quarter 2008 from the first quarter 2007 by 1.5 percent,” Jerry Nickelsburg, an economist with UCLA Anderson Forecast and author of the survey results summary, said in a prepared statement.

As *CPN* reported in March, an Anderson Forecast at that time predicted a growing weakness in the San Diego market, with no turnaround in sight till after the end of 2008. The reasons given in that report included significant job losses in real estate and mortgage banking.

ORANGE COUNTY

Developers are pessimistic about this market, according to the survey’s findings, and there has been downward pressure on the price of land suitable for office development. “[T]his is a market where investors will have to choose their projects carefully,” a summary of the report stated.

SAN FRANCISCO

The panel felt that this office market is somewhat weak and predicted rising occupancy rates alongside falling rents. The report’s authors, however, noted that office-based employment has continued to rise steadily, with indications that real rents are increasing.

“In the case of San Francisco, there appears to be a difference of opinion between the panel’s view and the economic fundamentals from our forecasting models,” said Nickelsburg. “As this unfolds, some interesting investment opportunities could develop.”

The full results of the survey will be discussed at the UCLA Anderson Forecast Conference on June 18

at UCLA.

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