

# Wall Street Journal: Commercial Real Estate Market is Doing Just Fine

## *Limited Space is Keeping Vacancies Low, Rents High*

Despite some instability and uncertainty in our economy, an article published in the Wall Street Journal on July 10, 2006 says the commercial real estate market is doing just fine.

In fact, even though housing sales have slowed (or perhaps because of it), the commercial industry is strong and due mainly to the decreased amount of available space.

The article's author, Jennifer S. Forsyth, cites a few reasons responsible for the industry high, namely in the office market, which is the strongest its been in five years; retail, which stayed strong due to consumer spending; and hotels, which had its most profitable year ever in 2005.

The first point in Forsyth's case is that the residential construction boom left little

land for new commercial construction. This caused vacancy rates to drop, and allowed rents to increase.

Forsyth also refers to the trend of converting apartments, hotels and office buildings into condominiums. Like the limited new construction, this lessened the over-supply of space in the industry.

The article noted that these condominium conversions contributed to the increased cost of land and materials, making it less costly to buy than to build in many markets.

Although real estate is a cyclical industry, and it is early in its recovery, Forsyth expects the office sector to continue to improve, provided that job growth does not plummet.