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Will 2012 be better than 2011?

The article I wrote last year reflected more of my optimistic nature and wishful thinking than facts and figures. That said, 2011 was a better year than 2010, both for Stewart Title and for the overall commercial real estate market.

■ **Multifamily.** In 2011 we saw continued growth and positive performance in the multifamily segment, which was the star of commercial real estate over the past year. Properties in major market cities such as New York, San Francisco, Washington, D.C., and Boston traded at pre-2006 and 2007 capitalization rates. Major institutional buyers and real estate investment trusts were paying top dollar and closing quickly on Class A product. Trades of Class B and C product have increased as owner-operators look to fill niches in their local and regional markets. The Denver market has seen price growth as well as an increase in development deals, with at least 10 new multifamily projects slated for construction and completion in 2012 and 2013. While lenders compete for acquisition, refinance and construction loans, there is no shortage of capital in this space. Lastly, there has been a significant increase in affordable housing transactions in 2010 and 2011. If the housing market continues as it has in the previous few years, these trends are likely to continue in the multifamily segment.

Tom Konkel
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■ **Office.** The office market also has improved from our perspective, but the improvement is limited to top-tier cities and Class A buildings. Rents in these markets have stabilized, and transaction volume has increased. The same cannot be said for Class B and C office buildings, for which tenancy and rents are still not stable. However, opportunistic investors are finding success with the purchase of distressed assets and loans.

■ **Hospitality, industrial and retail.** In addition to multifamily and office, there are a few other segments that merit comment. Hospitality is the market that surprised me the most in the past year both by the number of and value of trades. According to my very unofficial and unscientific poll of some of our clients, there seems to be a continued optimism for performance in the hospitality market, but a hesitance toward any major new construction. Industrial continues to perform well, especially in port cities and cities with major distribution hubs. Retail (with apologies to my friends in retail) continues to bring up the rear as it is still considered overbuilt and underleased in many markets. The news is not all bad though; there have been significant trades of well-leased, high-credit tenant projects. Retailers such as Dollar General, Walgreens and Family Dollar are projecting growth for the next 12 to 36 months.

Is 2012 going to be better than 2011? Yes, it should be, but not significantly. There are major economic issues that face the U.S. and global economies. The United States faces an election year, huge debt issues that remain unsolved, unemployment that continues above 9 percent and the European capital markets, which affect our stock market daily. Commercial real estate as an asset class, overall, still has good fundamentals. This cannot be said for the national residential market; the weakness we have seen in the past few years looks to continue going forward. I believe, however, that Denver and the Front Range will perform at or above national levels.

All of this said, remember that I am the "glass is half-full" kind of guy and the Denver Broncos under Tim Tebow are 6-1. We are not out of the woods yet, but we're moving in the right direction.▲