

THE MID ATLANTIC REAL ESTATE SENTIMENT INDEX

PRESENTED BY:



Philadelphia
Real Estate Council



POWERED BY:



The Philadelphia Real Estate Council (PREC) produces the quarterly Mid-Atlantic Real Estate Sentiment Index, powered by Econsult Solutions, Inc., surveying the Mid-Atlantic real estate community for their opinion on whether specific conditions in the market are better, worse or the same than the previous quarter, and what their outlook is for the coming quarter.

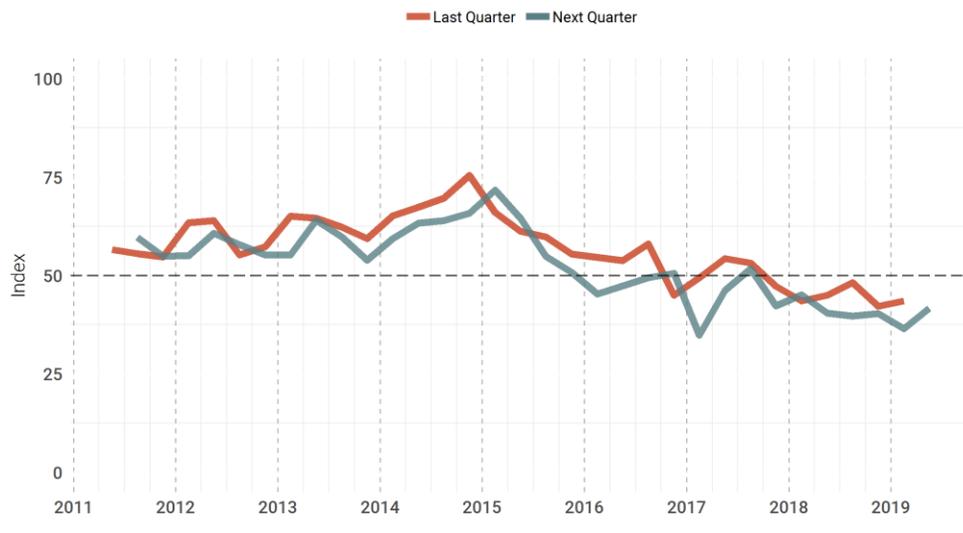
The Index receives input from executives in all major asset classes who operate in all submarkets across the Mid-Atlantic region. An Index of 50 suggests that, on average, real estate conditions have or will stay the same; readings above 50 indicate general agreement that conditions have improved or will improve; readings below 50 indicate general agreement that conditions will or have worsened.

Key Components of the Index:

- General conditions
- Commercial rents
- Leasing Activity
- Operating Expenses
- Construction Costs
- Cap rates
- Credit conditions
- Gross assets

Mid-Atlantic Real Estate Sentiment Index

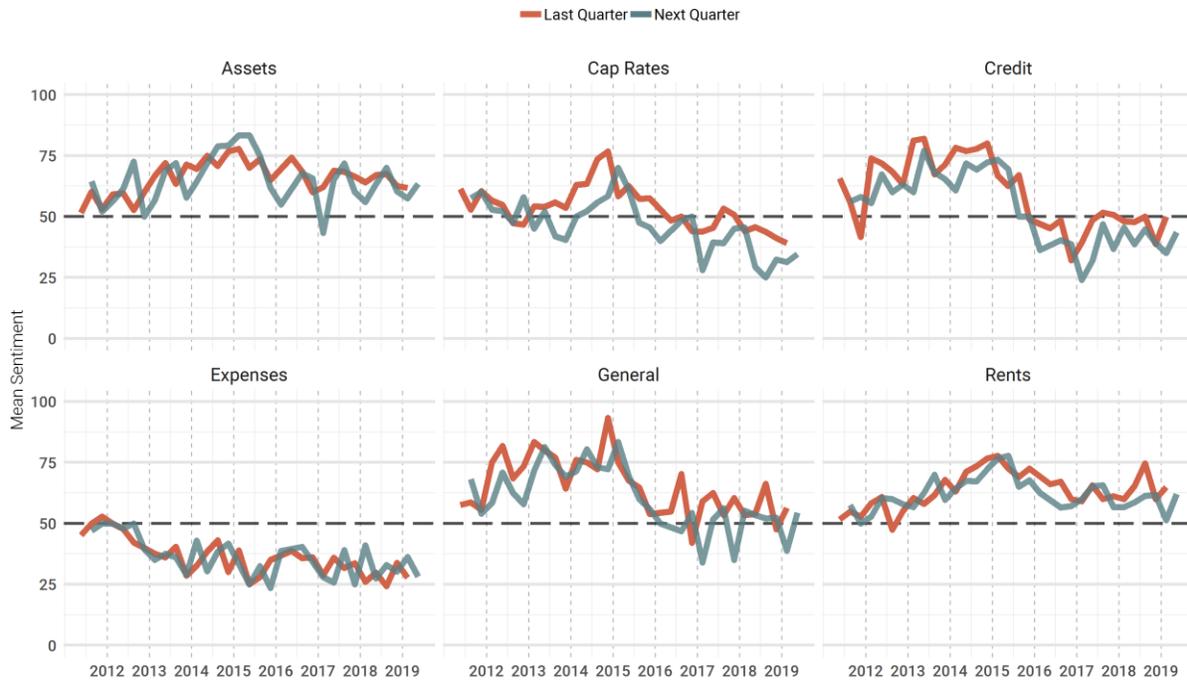
'Next Three Months' points are aligned to the quarter that they forecast



Since last quarter, the Index's overall sentiment from the 56 real estate professionals who were surveyed has increased; and forward-looking outlook has reversed the past years' trend of declining sentiment. In Q42018, those surveyed had a generally pessimistic outlook on capitalization rates and optimistic outlook on commercial rents. In Q12019, past sentiment for capitalization rates is slightly higher while commercial rents remained about the same. Although general sentiment this quarter has rebounded upward, the index remains relatively pessimistic in outlook.

Mid-Atlantic Real Estate Sentiment Index by Component

'Next Three Months' points are aligned to the quarter that they forecast



Qualitative Indicators and the Real Estate Market

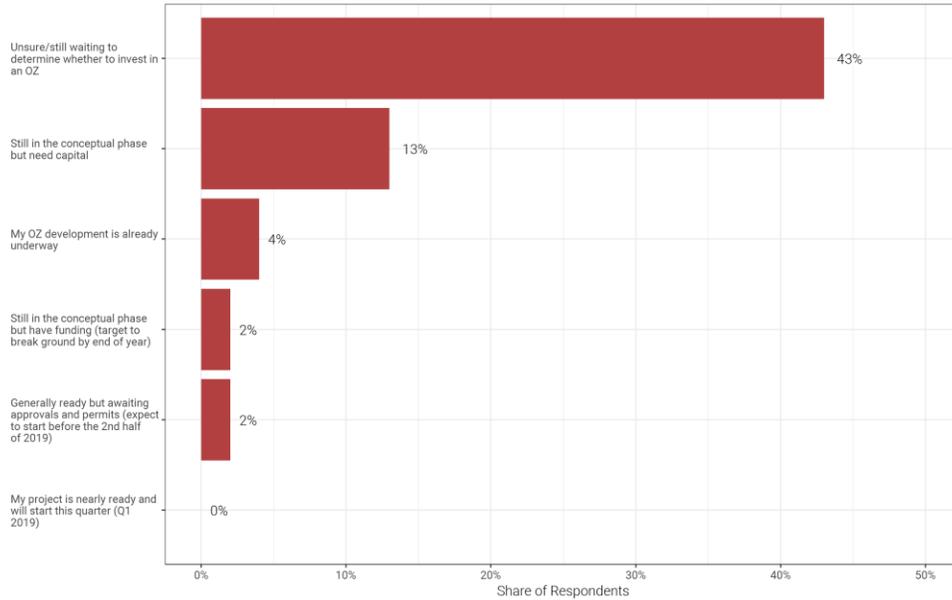
Each quarter, the PREC Sentiment Index includes qualitative questions related to market conditions, future growth, and local or national trends. In Q12019, we asked respondents that were developing property in an opportunity zone about their expected timeline for groundbreaking. Almost half they were answered that they were either unsure or were still waiting to determine whether it was worth investing in an opportunity zone. Only four percent said that they had development already underway. This suggests that while the new Qualified Opportunity Zone (QOZ) incentive has received significant interest, lack of Internal Revenue Code guidance (at least until recently) in the plain statute has made many investors and funds wary about investing in QOZs.

Want to know more?

Tatiana Swedek, Associate Director of Communications at PREC, at tswedek@precouncil.org
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If you are investing in or developing a property in an OZ, what is your general timeline to break ground?

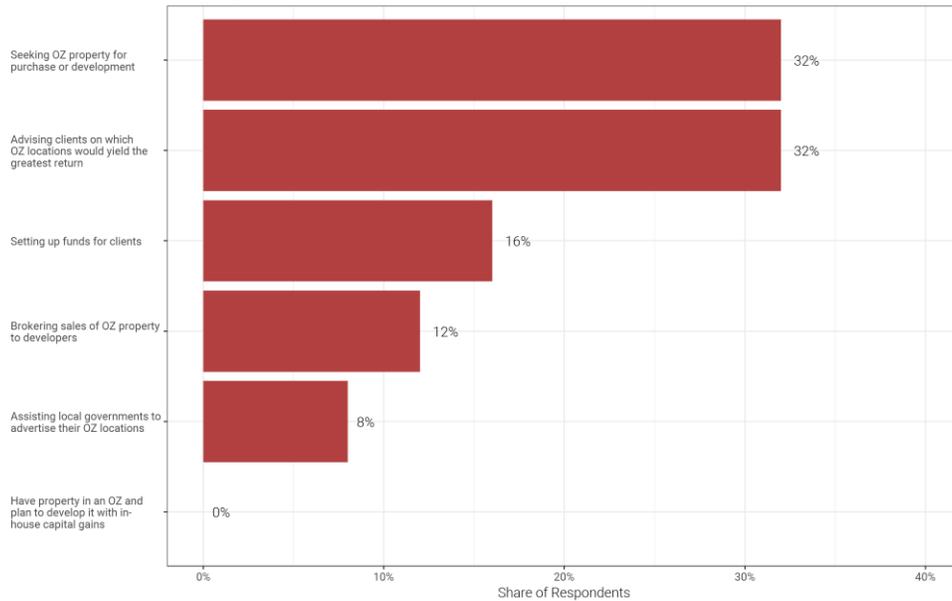
All 56 respondents



PREC also asked how real estate professionals (or how professionals' clients) intend to use the Opportunity Zone program. The majority (30 percent) of respondents answered that they will be seeking development opportunities in Opportunity Zone properties they don't currently own. A similar share of respondents said that they do not plan on using the program because the benefits are still unclear.

If you are not a developer but have clients who are, how are you supporting your clients who are interested in the Opportunity Zone program?

All 25 respondents



Want to know more?

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