

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.

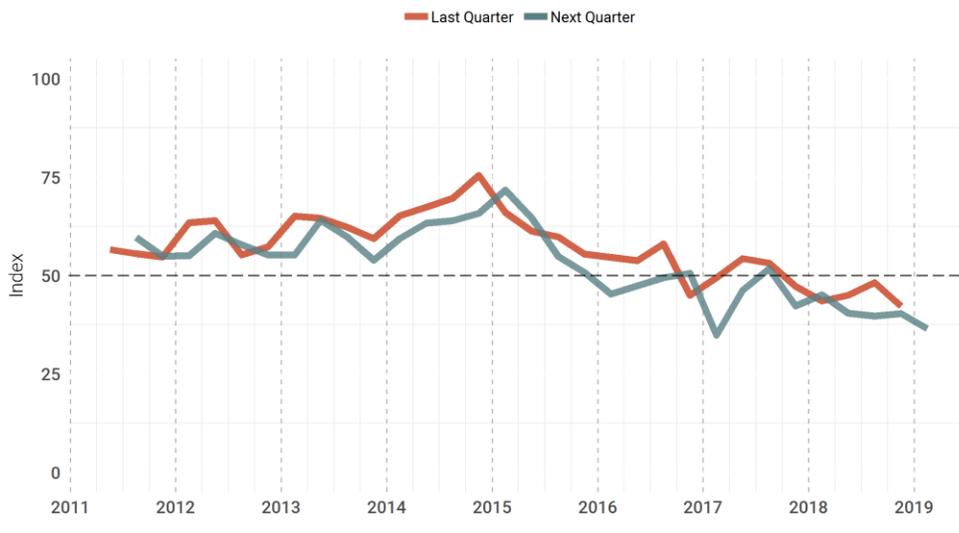
The Index receives input from executives in all major asset classes who operate in all submarkets across the Mid-Atlantic region. An Index of 50 suggests that, on average, real estate conditions have or will stay the same; readings above 50 indicate general agreement that conditions have improved or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

Key Components of the Index:

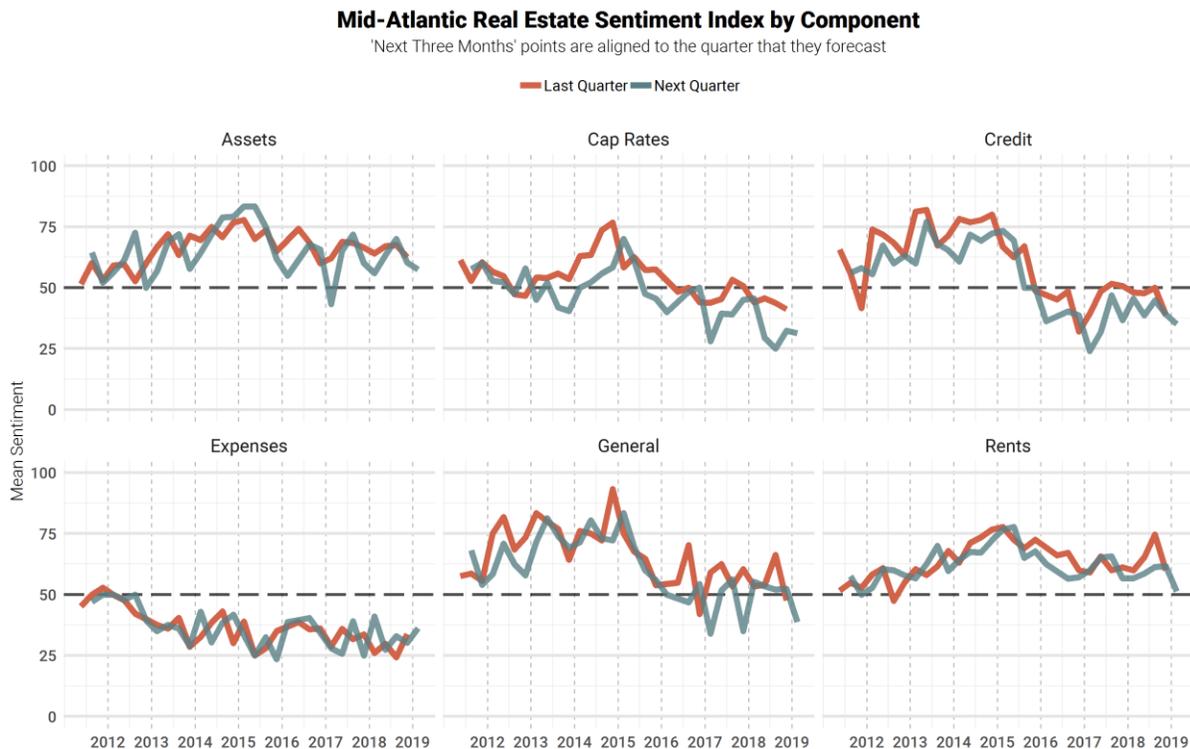
- General conditions
- Commercial rents
- Leasing Activity
- Operating Expenses
- Construction Costs
- Cap rates
- Credit conditions
- Gross assets

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 40 real estate professionals who were surveyed has decreased; and forward-looking sentiment has continued to slightly drop so that it is more pessimistic than the previous quarter, even in certain categories where survey respondents have had generally rosy outlooks in the past few quarters. In Q3 2018, those surveyed had a generally positive outlook on the performance of commercial rental rates was viewed as generally positive. One quarter later, the sentiment of these two dimensions is moderating, not anticipating that the previous rental rate growth will continue. Further, over the course of a quarter, the sentiment on general market conditions has gone from relatively optimistic to slightly pessimistic.



Qualitative Indicators and the Real Estate Market

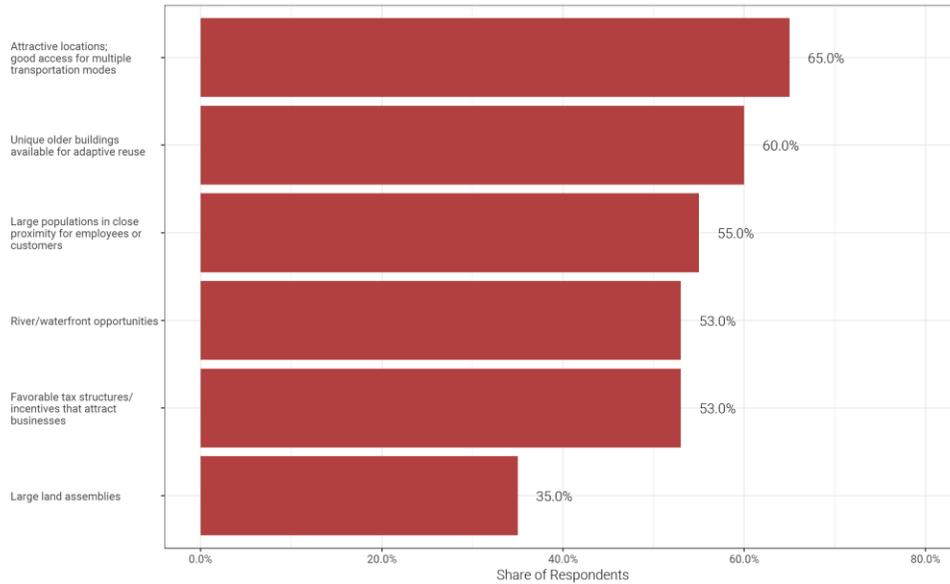
Each quarter, the PREC Sentiment Index includes qualitative questions related to market conditions, future growth, and local or national trends. In Q4 2018, we asked respondents to comment on the development advantages of Philadelphia’s major satellite cities—locations like Camden, Wilmington, Chester, and Upper Darby which were once waterfront centers of commerce and manufacturing and have begun to see renewed interested in redevelopment. Sixty-five percent of respondents answered that the biggest advantage of these cities was their attractive locations with good access to transit. Other major benefits of these locations are the unique older buildings available for adaptive reuse and the large population centers within close proximity.

Want to know more?

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Within 30 minutes of Philadelphia are four former economic powerhouse satellite cities - Camden, Wilmington, Upper Darby, Chester. As they focus on attracting investment in their communities, what advantages for development do you see these older cities have?

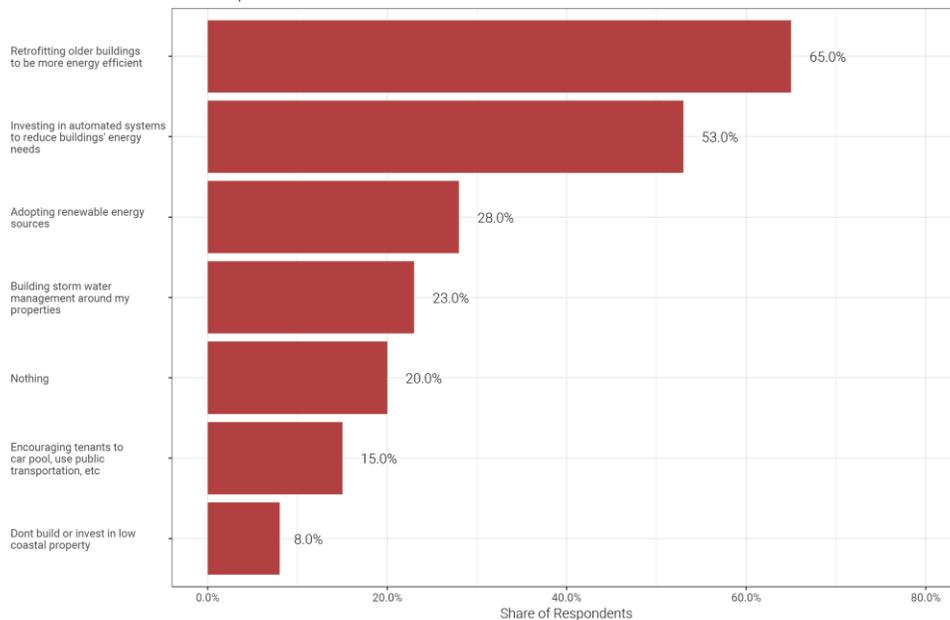
All 40 respondents



PREC also asked how real estate professionals (or how professionals' clients) were protecting their assets from environmental changes due to climate change. The majority (65 percent) of respondents were retrofitting older buildings to be more energy efficient. In addition, over half of respondents were automating systems in their buildings to reduce energy needs. However, 20 percent of respondents are not doing anything currently to protect their assets.

What are you doing to protect your assets (or your client's assets) from environmental changes?

All 40 respondents



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