

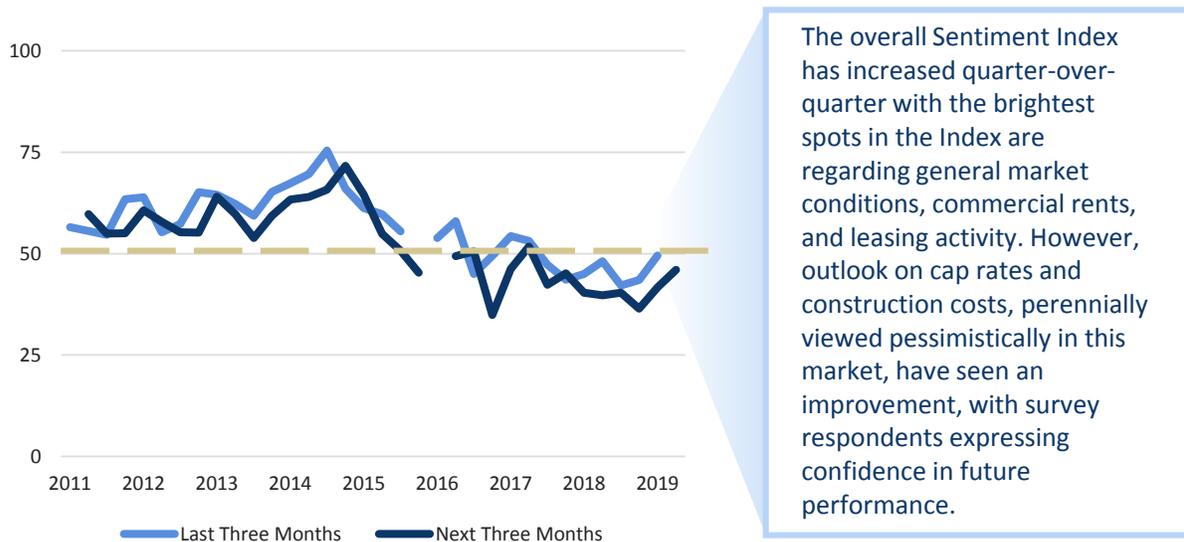


### Explanation of the Mid-Atlantic Real Estate Sentiment Index

For each category and for the survey as a whole, respondents' answers (1, 0, or -1) for each question are summed and indexed as a function of the number of respondents, centered at 50, ranging from 0 to 100.\* Index readings higher than 50 indicate agreement that conditions have improved or will improve. Readings lower than 50 indicate stronger agreement that conditions have worsened or will worsen. Readings closer to 50 suggest agreement that conditions have stayed the same or will stay the same.

### Mid-Atlantic Real Estate Sentiment Index 2011 – 2019

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



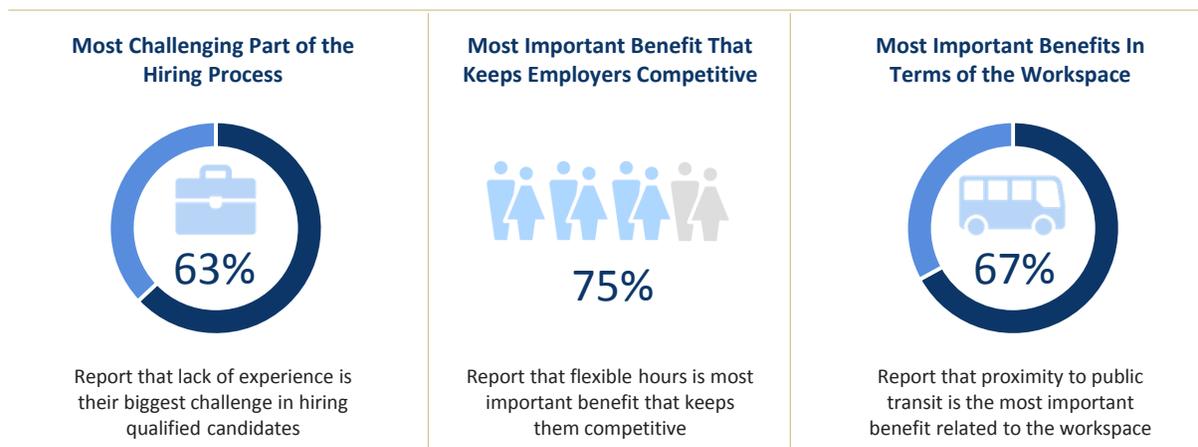
### Forward-Looking Change Since Q1 2019

	Rating	% Change	
↑ GENERAL	56	+2%	<b>CAP RATES</b> One of the most important issues for real estate investors in the year is the outlook for cap rates. During the second half of 2018, cap rates largely remained stable in the single digits, buoyed by a trio of macro factors—positive economic growth, abundant capital and a favorable supply and demand environment. Low cap rates mean a high rate of return for investments, making it challenging for sellers to find new investment opportunities where they can add squeeze additional value from their purchase.
↓ ASSETS	63	-1%	
↓ RENTS	55	-11%	
↑ EXPENSES	33	+16%	
↑ CAP RATES	47	+36%	
↑ CREDIT	48	+10%	

**Survey Response Key:** (a) General Conditions for Real Estate: Better = 1, Same = 0, Worse = -1; (b) Commercial Rents: Higher = 1, Same = 0, Lower = -1; (c) Commercial Operating Expenses: Lower = 1, Same = 0, Higher = -1; (d) Cap Rates: Lower = 1, Same = 0, Higher = -1; (e) Credit Conditions: Better = 1, Same = 0, Worse = -1; (f) Your Gross Assets: Higher = 1, Same = 0, Lower = -1.

### The Battle for Workforce Talent Attraction

We asked respondents about finding qualified candidates in the hiring process. Over half of respondents reported that lack of experience and cultural match were among the biggest challenges. When asked about the most important benefit to current and prospective employees, respondents reported proximity to public transit and in-office amenities as most attractive. Similarly, the majority of respondents reported that flexible hours, professional development opportunities, and remote work options are important benefits that keeps them competitive with other employers.



### Factors Less Related to Workforce Talent Attraction

Few respondents reported that they faced hiring challenges related to outdated work conditions. An even smaller share reported that access to breakrooms is their most important benefit, and only a quarter reported that paid time off benefits kept them competitive. Respondents’ answers demonstrate that these factors have lower-than-expect impact on talent attraction, at least compared to the above factors.



#### Questions or comments?

Please contact Tiffany Ko, PREC’s Associate Director of Research, at 215-621-6925 or [tko@precouncil.org](mailto:tko@precouncil.org); and Gina Lavery, Director, Econsult Solutions, Inc., at 215-717-2777, [lavery@econsultsolutions.com](mailto:lavery@econsultsolutions.com).

© 2019 Philadelphia Real Estate Council, [www.precouncil.org](http://www.precouncil.org). This report is intended for informational purposes only. The Philadelphia Real Estate Council does not guarantee the accuracy or completeness of any information contained herein.