

## **Florida Commercial Real Estate Market Gets More Good News: San Francisco Fed Reserve Bank Predicts Bright Future for US Commercial Real Estate Markets**

By Rosa Schechter

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Last evening, the **Federal Reserve Bank of San Francisco** released its economic letter analysis entitled "*Cap Rates and Commercial Property Prices*," written by Bart Hobijn, John Krainer and David Lang ([read the report here in its entirety](#)) which brings much needed good news to anyone involved in the commercial real estate industry in Miami, Tampa, Fort Lauderdale, or anywhere else in Florida or the rest of the United States.

***According to the San Francisco Federal Reserve analysis, real estate investors should see a tremendous "rebound" in our commercial real estate markets.***

Written by FedReserve economists, the prediction is based upon their review of capitalization rates, using capitalization rates as a means of determining expected returns on commercial real estate properties in the future. From the report:

*Commercial real estate capitalization rates have been found to be good indicators of expected returns in commercial properties. Recent declines in these cap rates appear to be signaling a commercial real estate rebound, indicating improved investor expectations of price growth in the market. Movements in national cap rates are the predominant drivers of changes in cap rates in local markets. Therefore, the anticipated commercial real estate rebound is likely to be widespread across many metropolitan areas.*

***News is spreading around the country, as different regions determine how good the news is for them***

Already picked up by the wires, real estate industry leaders in different parts of the country are reviewing the Federal Reserve's analysis in detail, to determine how good the news is for them. This "rebound" will be better for some parts of the country than others, and some parts of the State of Florida are predicted to fare better in this commercial real estate rebound than others.

Housing Wire points out that prices are predicted to rise about 2% more in places like Kansas City and Austin, Texas, than the national trend. And, from within the economists' letter itself, the study - while good news for all of us - predicts that Fort Lauderdale commercial real estate will be recovering better than Tampa or Miami ([see its Figure 3, National and city-specific components of office cap rates, 2011:Q1](#)).