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Real estate investment in Texas is down, but not out

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While Texas has fared better than most states, it has not escaped the investment slowdown that has gripped commercial real estate markets throughout the country.

According to a recent report by the Federal Reserve Bank of Dallas, as of the end of August 2008, annualized sales for commercial properties in Texas stood at \$14 billion — quite a drop from actual sales of \$31.6 billion reported for the same period in 2007.

The report, "U.S. Financial Woes Taking a Toll on Texas Industry," is one of several items in the latest issue of Southwest Economy — a publication distributed by Federal Reserve Bank six times annually. The report was written by D'Ann Petersen, business economist with the Federal Reserve Bank; and associate economist Laila Assanie.

The commercial real estate investment slump has been spurred by a national economy that began showing signs of stress last August, note Petersen and Assanie. Any hopes that credit disruptions would be brief were dashed by the recent Wall Street meltdown, the study adds. With credit harder to come by, and investors demanding higher risk premiums, the velocity of commercial real estate transactions has slowed significantly.

The investment falloff in Texas has been felt in all types of commercial real estate. Annualized 2008 sales of Austin commercial assets — including office, industrial, retail and apartments — are running 54 percent behind actual sales posted in 2007.

Looking ahead at the rest of this year and into 2009, Petersen and Assanie state that national economic woes will continue to weigh on investment activity in Texas. Still, the very drivers that brought investment money to the Lone Star State in the first place — including its healthy real-estate market fundamentals — are still in place, and will bring the investors back once the economy rebounds, their report predicts.

Courtesy of JB Goodwin