**MAXWELL·HENDRY·SIMMONS**
real estate appraisers & consultants

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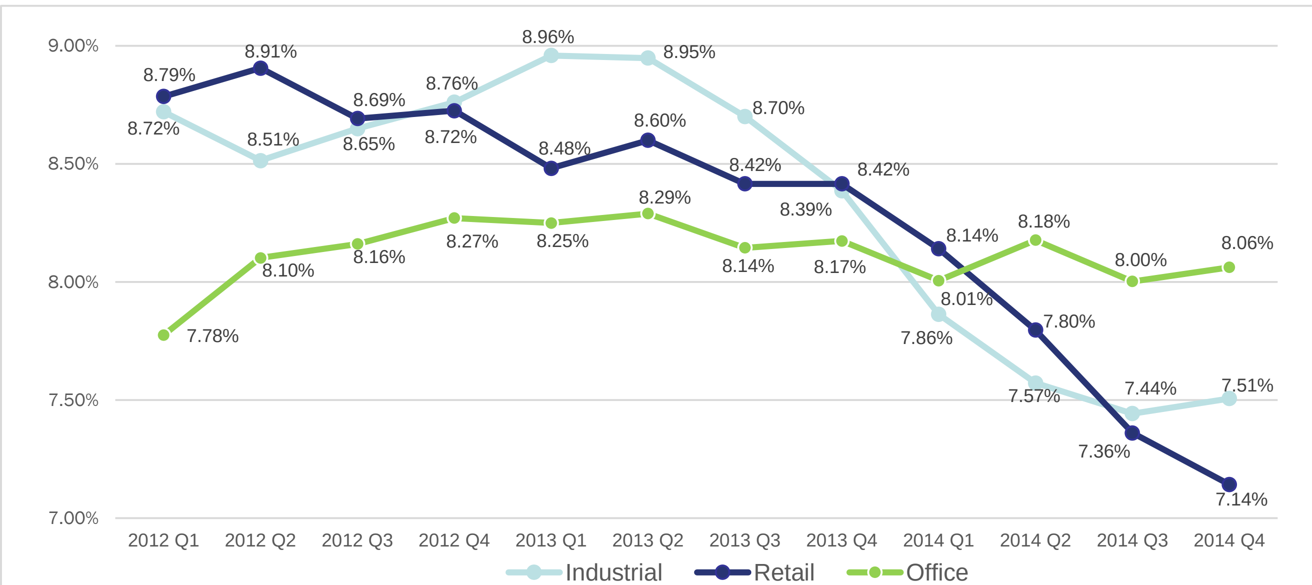
# MARKET SNAPSHOT

## Commercial Cap Rates




The infamous CAP rate. The holy grail. When dealing with commercial real estate, most investors, purchasers and analysts refer to and quote cap rates when pricing properties. Even a slight movement of ¼ or ½ point will raise or lower the value thousands (maybe even millions) of dollars. This month we examined what has happened to cap rates over the past 2 years. Most now recognize that for the last couple of years we have been in a recovery mode. Generally speaking, cap rates were higher during those very ugly years of 2007-2011. The attached chart shows what has happened during our "recovery period" from 2012 to present for office, retail and industrial. Not surprisingly, we see a bending down or lowering of the cap rates—the only exception being the office sector which has been mostly flat. As the market perceives better days ahead, investors are willing to take a bit more risk. Hence, we have seen a slow but steady movement upward in property values and downward in cap rates. We see this trend continuing for 2015, but at a modest rate. If demand for property increases relative to the income being generated through leases (or the ability to adjust quickly), cap rates will drop.



## WORTHY OF NOTE:

- Stronger retail demand appears to be driving CAP rates down
- Office market remains flat, due in part to lagging vacancies

**For more information, contact us at: *info@MHSappraisal.com***