



Commercial real estate development significantly contributes to nation's economy

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In today's economy, understanding the significant economic contributions made by the commercial real estate development industry is more valuable than ever.

The NAIOP Research Foundation has issued a report that details the tremendous impact commercial real estate development has on the nation's economy, citing construction-related spending reaching \$549 billion and adding 839 million s/f existing building space in 2007, the latest comprehensive data available.

"The magnitude of commercial construction's economic impact is tremendous. This report reconfirms that a healthy real estate economy is vital to a prosperous U.S. economy," said Thomas Bisacquino, NAIOP president. "Commercial real estate development has an immense ripple effect in the economy, providing wages and jobs that quickly roll over into increased consumer spending."

How Commercial Building Construction Contributes

The data and analysis are detailed in "The Contribution of Office, Industrial and Retail Development and Construction to the U.S. Economy - 2008 Edition," a report authored by Dr. Stephen Fuller, director of the Center for Regional Analysis at George Mason University, and funded by the NAIOP Research Foundation.

Three phases of development contribute to commercial real estate's ongoing sustainability:

- * Hard costs (actual construction costs.)
- * Soft costs (architecture, engineering, marketing, legal, management), site development and tenant improvements.
- * Building operations (maintenance, repair, custodial services, utilities and management.)

Combined, the three phases of development represent commercial real estate development's enduring financial strength and compounded economic impact. The breakdown:

- * \$283.7 billion was spent on the hard costs, or actual construction outlays.
- * Another \$265 billion was spent on soft costs, site development and tenant improvements.
- * Ongoing maintenance and operating costs added an additional \$5.1 billion to the GDP.

The commercial real estate development industry is also one of the leading employers in the U.S., supporting 4.89 million full-time equivalent jobs in 2007, and generating personal earnings of \$170.1 billion.

Overall, total construction spending (commercial and residential) totaled \$1.16 trillion, approximately 8.5% of the nation's Gross Domestic Product (GDP; \$13.8 trillion in 2007). Of the \$1.16 trillion, non-residential building construction (office, industrial, warehouse and retail) accounted for \$400.6 billion, or 34% of all construction spending.

Economic Engine for Nation, States

Construction impact of adding 839 million s/f - enough space to house 2 million jobs (using standard

jobs-per-s/f estimates) - will continue to provide economic benefits to the development's host state after construction is complete. The ongoing outlays for building operations of office, industrial, warehouse and retail space built in 2007 are estimated at \$2.4 billion annually. This direct spending - which recurs annually and accumulates as new space is added to the market - adds \$5.1 billion to the GDP, supports 56,887 new jobs and generates \$1.6 billion in new personal earnings.

The report also identifies the Top 10 states by construction value in four categories (office, industrial, warehouse and retail), and by the number of jobs and increase in personal income tied to that construction. South Carolina leads in industrial construction; Texas leads in office and warehouse; and Florida in retail. Overall, for total commercial construction, Texas ranks first, Florida second and California third, followed by New York, South Carolina, Georgia, Illinois, Arizona, North Carolina and Indiana.

This report enables the commercial real estate industry to quantify the numbers that demonstrate its considerable and sustained contribution to the U.S. economy. With this data, NAIOP hopes to educate the public and state and local governments on the ways that commercial development makes a positive and lasting contribution to their communities, including:

- * Supporting the creation of jobs.
- * Generating personal earnings.
- * Promoting new spending activity across the breadth of the economy.

The report was produced using data provided by the Bureau of Economic Analysis, U.S. Department of Commerce, U.S. Census Bureau, McGraw Hill Construction and a NAIOP member survey. The NAIOP Research Foundation published a 2006 Edition last year.

To access a copy of the report, visit the NAIOP Research Foundation website at www.naiopr.org.

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