Real Estate and Construction Survey
Philadelphia and Delaware Valley

2016 YEAR END RESULTS
2017 MARKET EXPECTATIONS

JANUARY 2017
A Message from Joseph DiAngelo
Dean, Haub School of Business

We are proud to bring you the first in a new series of research reports from the Haub School of Business Real Estate Program at Saint Joseph’s University. The research series will focus upon topics that impact the Real Estate community in the Greater Delaware Valley area. Our Advisory Board made up of distinguished real estate practitioners in the development, legal, real estate and construction, brokerage, and financial arena have provided guidance and assistance with this endeavor. Our goal is to become a resource to the community exploring ideas that are on the cutting edge of Real Estate Development. We encourage your input and if you wish to recommend topics for further research please do not hesitate to contact me at joseph.diangelo@sju.edu.

Thank you for your interest in our program and we look forward to serving your needs.

Joseph A DiAngelo, Ed.D.
Dean, Haub School of Business
Saint Joseph’s University

A Message from Joseph Kessler
Saint Joseph’s Real Estate and Construction Alumni Board

Celebrating ten years of the Saint Joseph’s University Real Estate and Construction Alumni, we are thrilled to have collaborated with the faculty of the Haub School of Business for this inaugural report. SJU REC is a bridge between those students aspiring for a career in real estate and Saint Joseph’s vibrant alumni who have already blazed that trail. In addition to academic rigor, by SJU REC providing mentoring, real life experience, intern and job opportunities, Saint Joseph’s is developing the next generation of real estate professionals. The SJU REC events, panels, speaker series, as well as the Annual Holiday Luncheon, provide meaningful network opportunities for students, alumni and the real estate professionals in the Delaware Valley. Participation in SJU REC is welcomed.

Joseph F. Kessler
Dilworth Paxson LLP
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Over the previous twelve months, business at your firm has ___?

Overall, 80% of the respondents indicate that business increased over 2016, with 17% indicating that business had remained flat. Only 3% indicated that business decreased in their respective markets. When looking at location specific data, in Philadelphia, 81% of respondents saw business increasing during 2016. Similar percentages of 74% and 82% were reported for the Suburbs and Southern New Jersey respectively.

The overwhelming majority of respondents in each of the professional segments report increasing business activity in 2016. Very few (23, or 15.75% of the responses) report flat business activities, and only three individual responses indicate that business decreased during 2016.
In the next twelve months, business at your firm will ________?

Overall, 59% of the respondents expect business to increase during 2017, with 35% indicating that business will remain flat. Only 6% indicate that business will decrease in their respective markets. When looking at location specific data, in Philadelphia, 56% of respondents expect business to increase in 2017. Similar percentages of 56% and 50% were reported for the Suburbs and Southern New Jersey respectively.

The overwhelming majority of respondents expect a similar picture with overall industry growth predicted for most areas with construction and property owner coming in with the highest projected increases by 84% and 73% of respondents, respectively.
All professions reported increased hiring over the preceding twelve months. Overall, 61% of the respondents report increased hiring. We see that 67%, 60%, and 72% of the Philadelphia, Philadelphia Suburban, and Southern New Jersey employers report an increase in hiring.

For 2017, respondents from construction (74%) and project management (56%) industries believe employment will increase in 2017. In other well represented industries in the survey, respondents believe, employment will stay at the current levels or will decline.
Growth

What Factors Affect Your Decision Making About Growth?

The top factors affecting growth are supply/demand (38% of responses), increased competition (21%), the availability of financing (13%), and labor costs (10%). Other responses are federal government (8%), lack of labor (6%), cost of material (3%), and shortage of materials (2%).

How Can Government Assist in Growth?

Government can help most by lowering taxes (32.86%), reducing bureaucracy (20%), education (8.57%), tax abatements (6.43%), infrastructure (6.43%), wage tax reductions (5.00%), L&I (4.29%), supply/demand (4.29%), union costs (2.86%), zoning (2.86%), and other (6.43%).
Strategy in the Philadelphia Real Estate Market

Opportunities

The top strategic opportunities in the Philadelphia market are infrastructure (20%), tax abatement (19%), millennials (13%), taxes (7%), housing (6%), education (6%), quality of life (6%), job growth (5%), attract companies (3%), location (3%), and other (8%).

Issues

The top strategic issues in the Philadelphia market are taxes (34%), costs (15%), economic conditions (9%), zoning (8%), education (7%), bureaucracy (6%), housing availability (5%), debt (4%), demographics (3%), infrastructure (3%), supply/demand (2%), and other (3%).
Additional Breakout of Cost and Tax Related Strategic Issues

There are some respondents who specified specific tax concerns related to their strategic issues. Of those respondents 50% noted Real Estate taxes as the priority issue. This is followed by business taxes (20%), wage tax (20%) and tax abatements (10%).

There are some respondents who specified specific costs related to their strategic issues. Of those respondents 44% of respondents felt construction costs were most important when looking at strategy, while union costs and labor costs followed with 30% and 26% of respondents.
Respondents’ Demographics

The five largest professions represented were Agent/Broker (28%), Construction (16%), Property Owner (13%), Banking (10%) and Project Management (8%). This is a fair representation of the industry.

We received 146 separate responses from the 117 respondents, indicating that our survey participants work in multiple localities. 48% do a majority of their business in Philadelphia, 31% in the Philadelphia suburbs, 11% in Southern New Jersey, 7% nationally, and the remaining 3% do business in other states.
Survey Information and Methodology

Authors: Karen Hogan, Ph.D., Dan Jubinski, Ph.D., and Rajneesh Sharma, Ph.D.

For the past ten years the Saint Joseph’s University (SJU) Real Estate and Construction Advisory Board has held an annual December luncheon to bring together the Philadelphia and the Delaware Valley’s Real Estate professionals. The luncheon has grown significantly over the years and is now considered a “go-to function” for real estate professionals working in the Philadelphia and Delaware Valley markets. About 70 percent of the over 475 attendees were non-SJU alumni. This survey is the first annual installment and was designed with the purpose of summarizing the current real estate trends and providing insight into the future business issues affecting the Philadelphia and Delaware Valley’s Commercial Real Estate market.

We analyze the survey responses of 117 individual members representing 134 professions within 10 areas of expertise of Commercial Real Estate. The survey results represent roughly 30% of those attending the luncheon. However, many of the attendees were at tables of 10 persons representing their corporations and thus some of the responses were most likely a group effort for the table, thus skewing the number of responses down. The overwhelming majority of the respondents conducted business within the city of Philadelphia or the Philadelphia suburbs.

The survey consists of twelve questions and asked the respondents to review past (2016) business conditions, and provide guidance as to the future state of the Real Estate market over the forthcoming year. The overwhelming majority of respondents, regardless of location or profession, reported that business increased in 2016, and indicated that overall the Philadelphia and Delaware Valley’s Real Estate market would continue to grow in 2017. Employment in most industries however, is not expected to keep pace with firm or industry growth with most respondents believing firm and industry employment growth would remain stable. Union and labor costs along with various tax issues, remain heavy on the minds of the participants as an obstacle to growth.

The complete survey and report can be found by contacting Dr. Dan Jubinski at dan.jubinski@sju.edu.

Special thanks to Joseph Kessler and the REC Advisory Board for all their help in designing the survey. Also to Gregory Hogan, Amber Bishop, and Kristin Maier for their invaluable research support.
The Real Estate Finance minor, offered through the finance department in the Haub School of Business (HSB), and gives students the opportunity to gain an understanding of the theory and practice of the real estate industry. Students complete a rigorous six-course program of study with classes covering topics such as commercial real estate valuation, residential loans and investments, and commercial real estate development. As part of their course of study, students enrolled in the minor will receive training in ARGUS, a software tool commonly used for valuing commercial properties.

Beyond the course work, students also interact with Real Estate industry. The SJU Real Estate and Construction Advisory Board is a strongly engaged network of influencers in the industry who work with SJU students to obtain internships and career opportunities. In the past our students have participated in ARGUS challenge, Real Estate Development course case competition, obtained scholarships from the CREW, internships and full time positions. On campus there is real estate club, which organizes events, guest speakers and networking opportunities for students.

For more information contact: Dr. Daniel Jubinski at dan.jubinski@sju.edu or the Finance Department Chair: Dr. Karen Hogan at hogan@sju.edu