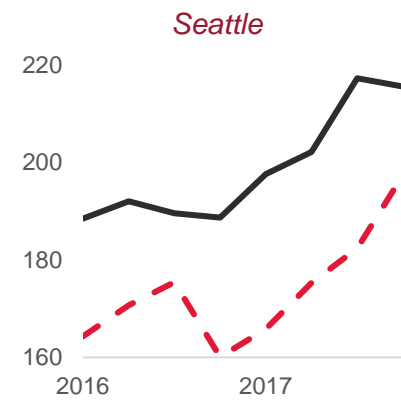
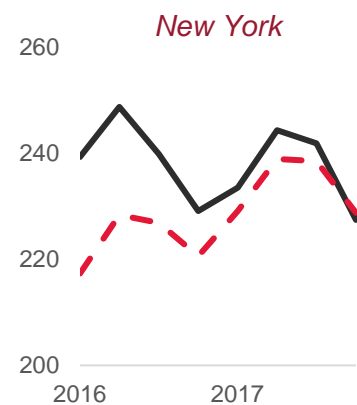
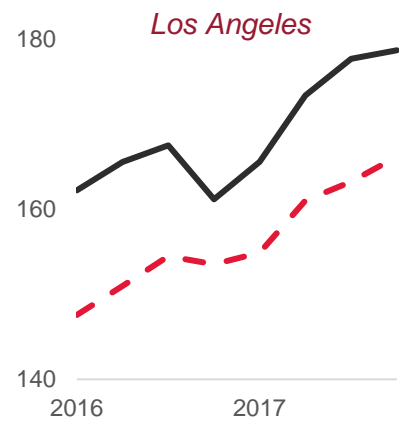
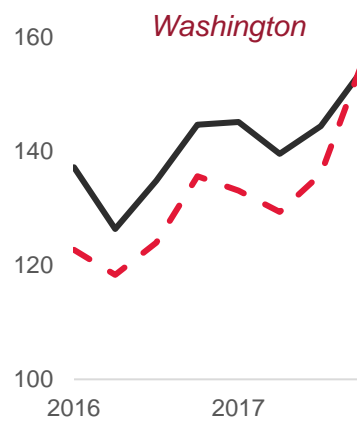
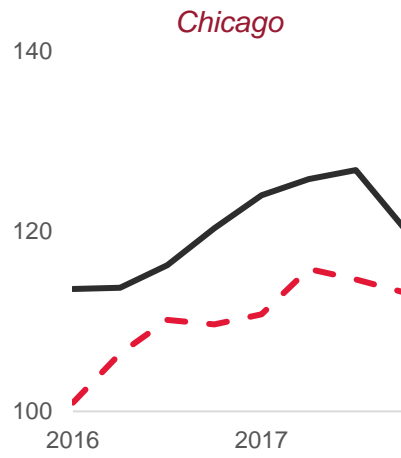
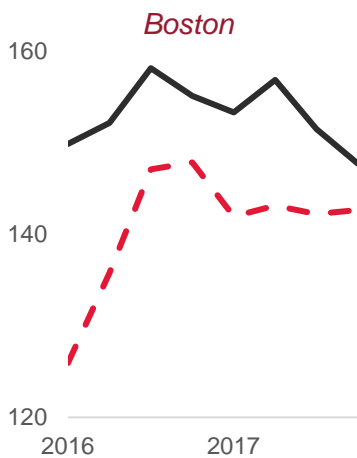


# INVESTORS SUPPLY / DEMAND



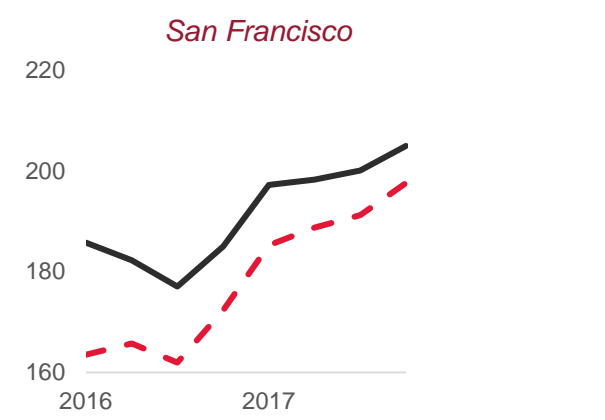
**Supply and demand for commercial real estate evens out in previous two years.**

The gap between buyers' and sellers' reservation prices – an indicator for market liquidity, went down in 6 of our 7 researched markets. The only exception is Los Angeles.

We observe the largest drop in liquidity in the Seattle, DC and New York metropolitan areas. The difference between demand and supply became 10 index points smaller in the three markets.

In Seattle, demand went up and supply went down for real estate. In New York, Boston and Chicago, the reason for the decrease is that demand reservation prices went down quicker than supply reservation prices. In San Francisco and Washington DC, both demand and supply went up, but the latter at a quicker pace. In all these cases, it became more difficult for a seller to find an appropriate buyer. This results in less liquidity.

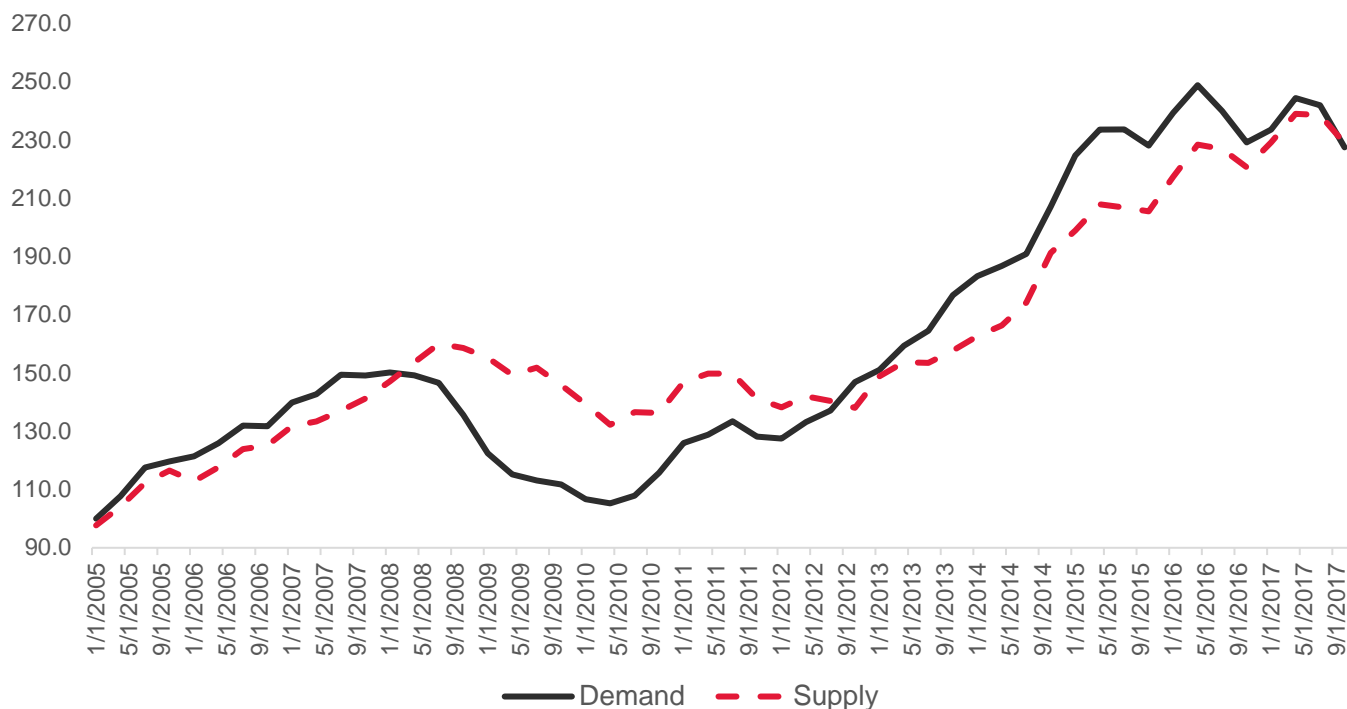
In Los Angeles, both demand and supply reservation prices went up. The result is an increase in liquidity.



Comparing supply (red) and demand (dark grey) reservation price indexes of selected markets in the last 2 years, demand 2005Q1=100.



*Comparing supply and demand reservation price indexes in New York, 2005Q1-2017Q4, demand 2005Q1=100.*



### Methodology

The indexes are constructed with the repeat-sales reservation price index method of Van Dijk, Geltner & Van de Minne (2018). The demand (buyer) and supply (seller) reservation price indexes are estimated with individual transaction data (apartment and commercial) from Real Capital Analytics (RCA) on a quarterly basis from 2005 onward.

### About the Real Estate Price Dynamics Platform

The MIT Center for Real Estate’s Price Dynamics Platform (PDP, or “Platform” for short) serves at the intersection between Academia and the Real Estate Industry. Seeded by a generous gift by Real Capital Analytics in 2017, we utilize the newest data combined with cutting-edge and interdisciplinary econometric techniques from many fields not just real estate, such as (space) navigation, weather forecasts, and healthcare. We develop innovative tools that potentially have a global impact for real estate stakeholders, resulting in a more transparent real estate market.

We presently publish three products; (1) the Total Return Index, (2) CPPI Forecasts and (3) Investors Supply/Demand Indexes. We aspire to update our products on a regular basis. For more information on the methodology, to get access to the data or other reports, or to subscribe to our products, visit us at: <http://pricedynamicsplatform.mit.edu/>.