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The commercial real estate cruise ship continues its mostly smooth trip through 2017 - by William Pastuszek

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Comparing commercial real estate (CRE) markets to a huge cruise liner is a reasonable big picture metaphor. If you are in commercial real estate, think of it (right now) as a mostly smooth trip on a really big ship.

Real estate markets aren't very nimble, and almost every downturn has been made worse by a period of "overhang," where it was clear something had changed, but activity continued as if nothing had.

Despite all the data we collect and sift, early warning systems are still not very good. The best ones let us know, sometime later, that something bad happened a little bit in the past and it's now time to do something about it after the damage is done. Kind of like feeling the thud of an accident and saying, "yea, that's what those red lights were telling me…"

Should we be looking for warning signs right now? And, if we find warning signs, do they give us guidance as to what we should or shouldn't be doing?

Are investors investing simply for the sake of investing, i.e., is it better to be invested in something other than cash or stocks? Is there discipline in the markets?

Here are some points to consider:

• The national economy is performing reasonably well. In New England, the Boston Metro is doing very well. The rest of New England is going nicely as well.

• General price levels are reasonably stable. Despite tight inventory, housing price appreciation is not through the rough, except in certain urban pockets.

• Construction costs are being bumped by labor and material tightness in some areas.

• The 1-4 family housing markets continues to thrive. Keep an eye on inventories and list price/sales price relationships. A lot of outlying markets still experience aftereffects of the housing bust, even this late in the cycle.

• Cap rates are not likely to go lower and will probably creep up. There's a balance struck between higher interest rates and demand.

• Interest rates, at least at the present time, don't appear to be having an effect on financing. The 30 year rate in August is lower, marginally, than in February.

• Commercial lenders are a bit more picky as they feel regulatory pressure and the worry of this long expansion. Keep an eye out on the small banks that pick up the risky deals that the bigger banks pass on.

• Retail spending is up, and, particularly restaurant spending. What does this do for bricks and mortar retail, though? Malls continue to struggle, while other retail is doing fine.

• Why is Amazon wanting to get into the brick-and-mortar business. Food? Really?

• Staples wants to be out of the brick-and-mortar business. What is that telling us?

• Office demand in general can be termed stable, if not anemic. Probably employment needs to increase to bump office demand. On the other hand, massive amounts of space is not being created and a lot of the space out there is pretty obsolete. But it suffices, for now.

• Industrial continues to be an interesting segment. It's one sector where e-commerce affects supply/demand. (Even online needs physical places in the supply chain).

• As an asset class, high end urban multifamily has reached a peak. But, there is probably upside in suburban/rural areas.

• Total CRE returns, otherwise stated as NOI growth, are expected to slow in primary markets. There are still opportunities for discerning investors in secondary and tertiary markets.

One major investment banking firm stated, "We expect 2017 to mark the end of the bull cycle for U.S. CRE." While this was back a little earlier in the year, it's an interesting statement.

Whether you are in the Boston, Western Massachusetts, Southern New Hampshire, or Northern New England market, continue to enjoy the trip on that big CRE ship. Hope that the gentle bump you might feel is a soft landing at the dock and not the start of running aground.

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