Managing in this diverse and changing CRE world... a property manager’s perspective - by Chris Mellen

January 25, 2019 - Spotlights

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I’m going to be a bit of a contrarian when it comes to forecasting the outlook of the real estate market especially now that we’re going into our 10th year of this up cycle that we’ve been enjoying. This tendency comes out of my more than three decades in property management, however, contrary to popular belief, upturns or down, we property managers can always realize improvement and increase value. So being a contrarian makes no difference and all signs really do indicate a solid 2019 that everyone…. seems to be forecasting.

CBRE forecasts “favorable economic conditions with most major categories continuing to benefit... although specifics differ widely across sectors.”

Marcus & Millchap “continued strong market performance for multi-family in 2019... but investors may have to be more selective in choosing the properties in which to invest.”

And NAR’s chief economist sees “healthy trends...still there are risks. An international trade war could stall economic growth, short-term interest rates could rise above those for long-term debt instruments - signaling a precursor to recession – and consumer pessimism could have a dampening effect on the economy.” These positive yet qualified predictions could prompt us to look through the half empty glass to the tariffs on China, the dreaded Inverted Yield Curve and December 2018 as the worse stock performance month since the Great Depression.

My forecast, however, for 2019 is somewhat different. We’ll continue to see improvement. The market will continue in a positive way with multifamily leading it with low vacancy rates and rents remaining strong. We’ll see a continuation of the dichotomy between downtown and suburb with the shifting demographics. Millennials will continue to seek the live/work/play lifestyle and the Boomers will continue to sell their homes to be closer to their kids and adapt this lifestyle themselves.

In the office sector it will continue to strengthen, especially in the downtown and innovation sections. Major employers will continue to move in, bringing their employees to continue filling the new waterfront apartments and condominiums and enjoying the emerging trendy restaurants and retail. The suburban office market on the other hand will continue to need watching with the good news of little or no new construction to compete for vacancy. Vacancy still remains high and will continue to be so.

The retail real estate market will continue to undergo changes. Vacancies are popping up with slower turnover but there seems to be a realization by retailers that there’s a need for a brick and mortar presence. Many traditional on line merchants, such as Amazon, Wayfair, and Ballard Designs have realized the value of real estate and have opened these brick and mortar stores.

Boston seems to be somewhat insulated with its new construction, increasing population, major employers moving in and planned infrastructure projects with all pointing to a good overall year.

Here's where my contrarian thinking comes in. Regardless of the direction of the economy, we property managers are uniquely positioned to prosper in all kinds of conditions. It goes back to our basics of maximizing income and minimizing expenses and the various techniques we have to do this. In that regard it will be a positive year and my forecast for 2019 will be a diverse and changing commercial real estate climate.

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