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## **Commercial real estate continues to be challenging reconciliation of the dynamics of our markets - by David Kirk**

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Solid domestic economic data and broadly stable commercial real estate markets persist. At least commentators and pundits observe the quality improving of the current data dump. Rates may hold steady all year during 2019. The FED has demystified 2019. The FED intends to continue to gradually normalize its balance sheet at new higher investment asset levels than the lower levels established before the 2008-9 crash. Smartly this action provides a suitable period to recapitalize the assets. And to complete repositioning property to compete sustainably in fast evolving new normal in the built environment. Spring forward. A selection of sound bites might well include: Climate, security, mobility, lifestyle, accessibility, service.

Recheck the property and the market for currency and sustainability. The built environment is responding to its constituencies. Traditionally, additions to supply have primarily relied on inventory to design and build. Commoditization has prevailed, and too much novel newness unrewardingly risky. Now, rapid evolution and innovation have emerged as the hallmark in newly constructed and repositioned assets. Not just green buildings, fresh air, daylight, lifestyle features and amenities inside and outside the property. And embrace climate change initiatives.

Reset the strategy and the space and services. Costly initiatives are included. Ground floor public spaces have become pavilions, bazaars, entertainment venues and leisurely work and rest spaces. Services onsite have expanded to meet lifestyle behaviors. Food and personal service trucks are welcome and accommodated. Shuttles for commutation, shopping and meetings are expanding ridership and mobility and accessibility.

Recap the real estate, enterprise and the efforts for improved safety, security and resiliency. And for competitive advantage and sustainability. Tenant and user constituencies are increasingly picky in this landlords' marketplace. New inventory, retrofits and upgrades are broadly competitive even with tightening markets. With these market dynamics commercial property investment can be deceptive, particularly regarding capital expenditures.

The data dump during the first quarter 2019 from local professional groups in real estate have provided support for positive outlook for 2019. Colliers International held its perennial Trends symposium and both local chapters of The Counselors and the Appraisal Institute hosted well attended wrap-ups with extended Q and A's. Takeaways varied from national and global trends in occupancy to economic watch lists for macro and micro submarkets. Notably, recession was not a major topic except to mention very limited symptomatic activity for occurrence in 2019. More likely 2020 if at all.

The various aggregations and comparative analyses of commercial property markets imply that reasonable caution and care are 2019. During this pause, investors are well advised to: Recheck, reset, recap, commercial real estate continues to be a challenging reconciliation of the dynamics of our markets!

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