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Moderate fundamentals: FED cuts rate - by David Kirk

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David Kirk

The Open Markets Committee (OMC) of the Federal Reserve Bank reduced rates to 2.00% - 2.25% at the meeting on July 31. Baked into mid-term rates are assumption of further FED upward action. Now some slack. On the hype of the rate cut, the Dow Jones (DJIA) dropped over 300 points, and another 200, in response to rate cut by FED, global economy and trade turbulence. Trade reverberations and trade uncertainties are impacting expectations. Billions and trillions and zillions. Or Quadrillion! The Beige Book reported that the outlook in July was generally positive with significant and global concern about uncertainty over ongoing trade disputes. July job gains of 164,000 with July year-over-year wage gains of 2% reported by US Labor indicate a cooling economic situation, while employers continue to add jobs to the economy. The unemployed rate has remained unchanged in most recent reports, indicating previously sidelined workers are reentering the labor force.

FED Beige Book data for the First District (Boston) aggregates broad modest economic growth with modest wage pressure and tight labor markets. With ever larger quantities, risk and reward measurement does fog and fuzz. However, modest fundamentals do persist domestically, especially in stable property markets nationally and regionally. Providing a broad spectrum of risk and reward at each tranche. Commercial real estate investment has maintained competitive pricing and sustained position in the spectrum supported by economic trends. Ballgame ON. Everything is relative; bond yields around the world have fallen so much that global investors are shifting their attention to the strongest U.S. property markets and Chinese junk bonds (some yielding mid-teens) and realigning capital demand domestically, especially for real estate.

Real estate risks are adjusting, and commercial real estate is capital ready; stacks are stacking. And infrastructure is the new deep, broad smart. Understanding relationships is essential to making things work and making them work for you. Sharing the consequences and the upside. Incumbents will want constituents voting. Soon it will be time for voting and time for bipartisanship. Deliver and win. A horse race in the gate!

Jurisdictions are getting shovel ready, even moving some earth, getting bids, preparing capital

stacks. Being first in line is no longer a guarantee. Relationships must be cultivated and nimble to take advantage of unique opportunities. Find your own receptive capital resources and underwrite your deal to appeal to those with an appetite and a desire. Capital is ready, willing and able. Just selective sometimes and in need of a nudge. Get off the beach. Swim with the land sharks! Take and make those calls.

Enjoy the rest of the summer!

David Kirk, CRE, MAI, FRICS, is principal and founder of Kirk & Company, Real Estate Counselors, Boston.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540