



nerej

Deals and data for 2009 and the forecast for 2010

January 06, 2010 - Appraisal & Consulting

The local professional real estate community will soon be reporting fourth quarter activity for the commercial property submarkets and forecasting activity for 2010. The mortgage bankers and brokers will be doing wrap-ups on the annual meeting of the Mortgage Bankers Association (MBA) in Las Vegas in February, 2010, at which capital sources for commercial real estate report on 2009 volumes and discuss allocations for 2010 and the determinant forces. The patterns of 2009 are history and the expectations for 2010 will soon be released.

Forecasts of economic growth have been revised upward and downward as points of inflection have moved out in time. Now that recovery trends prevail, most have settled on a range around 2% economic growth for 2010, nationally and locally, gradually, painfully gradually. Capital markets are stabilizing and broadening and easing with persistent limited availability for commercial real estate. Rates and terms are available on a selective and limited basis. Actual deals will guide the New Year as employers receive, count and forecast orders and plan with bankers how payrolls and space needs will be satisfied for the coming months. The economic pressure is upward now, not downward, nationally and locally.

Mopping up the mess is a widely used characterization of the Fed's strategy for reducing liquidity and easing inflationary pressures as 2010 and 2011 unfold. The Fed has described term deposits, analogous to commercial bank certificates of deposit, to be offered to member banks as a potential strategy for reducing surplus reserves in the banking system and reducing lending by member banks. All of this dialogue with the markets has included forecast timing for the low interest rates determined by the Federal Open Market Committee which is now expected to continue through mid-2011, subject of course to change. Term deposits are not as important as the dialogue and related transparency which communicates a gradual adjustment in monetary policy.

Real estate pricing is dependent largely on the economy and the capital markets. With the economy and capital markets in cruise-control, it is alright now to focus on supply and demand conditions in the local submarkets. Jobs are expected to increase locally, gradually, and the submarkets will improve gradually during 2010 and 2011.

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

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