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## **Market movements are occurring in commercial R.E.**

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The markets are moving. Enough good news on the economy, employment, housing and corporate profits has occurred to convince tenants, lenders, investors and developers to start making some moves. Major build-to-suit activity anticipates at least some local expansion. Dramatic increases in residential sales volume move markets broadly toward stabilization and further expansion. Commercial real estate sales and financing volumes are still only moderately increasing. Favorable market movement must be reconciled with lags and drags on the commercial real estate markets. In Seattle at The Counselors Midyear meeting on May 23-26, attendees will joust with other members and invited experts during the program and sidebars to project the likely outcomes in the marketplace.

For the economy, first quarter GDP recorded a 3.2% gain, down from dramatic fourth quarter of 5.6%, in line with annual forecast of 3% or so. The Fed's Federal Open Market Committee (FOMC) reconfirmed low interest strategy, maintaining a target range for the federal funds rate at 0 to 1/4 percent for an extended period, presumably for 2010 and into 2011, due to low rates of resource utilization, subdued inflation trends, and stable inflation expectations. The FOMC also commented on the improved functioning of markets and the closing of its special liquidity facilities. Nutshell message is continuing weak recovery trends and lack of inflationary pressure. The Fed's Beige Book of anecdotal regional interviews in the private sector, released in mid-April, included a broad variety of modestly to moderately improving trends in reporting for all districts across the nation except St. Louis. The Beige Book respondents continued to include a mix of positives and negatives in current activity and outlook, and cautionary remarks, and all districts except Richmond and Dallas reported general weakness in commercial real estate.

The ongoing disparity between the bid and the ask in local commercial real estate markets is getting some pressure from the gavel. The auctioneers have been busy for a while, and the bankruptcy judges have not started the summer schedule. However, patience and prudence is running out, and the markets are boosting expectations and soon velocity will improve. The Counselors Midyear Meeting features Conquering the Divide with a panel of market makers and Credit and Workouts a panel jointly sponsored with the American Council of Real Estate Lawyers. A panel on Real Estate Investment Management will look at new metrics and new business models resulting from the changing investment dynamic and the changing role of the counselor. The Spatial Implications of Changing Economic and Demographic Trends will focus on the breadth and depth of downsizing across property markets. Macroeconomic backdrop will be provided by Zillow.com Chief Economist Stan Humphries, RREF (Deutsche Bank Group) Chief Economist Asieh Mansour, and NCREIF Senior Advisor Blake Eagle.

The summer will be a busy one for commercial real estate markets. The counselors have recognized the changing economic environment and the topics address the new dynamic. Seattle

will be a lesson in preparedness for the market movements!

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