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## David Kirk - Job gains, unemployment and market jitters

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The national May jobs report of +54,000 was significantly below the +220,000 average for the three previous months and the range of hopeful expectations. The real estate market moves in chunks and bumps and more slowly than the stock market with sudden jittering which declined over 2% on the cumulative bad economic news. Watching the hiring and the inventory, investors are on the hunt and making offers and doing deals. Fixed-income markets continue to make real estate look attractive, at least with differentiated risks marked by medium term and medium to increasing leverage in the commercial mortgage market. Key economic trends are holding positive, barely in some geographic submarkets. Recent data and forecasts continue to be revised marginally upward and downward, and economists are characterizing short term economic recovery as weak, in the 2% to 3% range for economic growth.

The Commonwealth of Massachusetts continued through April to outpace the national recovery in job gains and unemployment. Workforce Development for the Commonwealth reported May 19th, job gains of 19,500 for April and a drop in unemployment rate to 7.8% versus 9.0% for the nation. For 2011 year-to-April, jobs were up 40,800 (+1.3%), and private sector jobs were up 47,200 (1.7%). In April, gains were recorded in all sectors except government and services other than professional, scientific and business services. All job gains are marginally good news for the local property markets.

The local property submarkets continue to record irregular gains, marginal velocity in leasing activity and property transactions. Most expect 2011 to get better. Colliers International reported in its first quarter overview that year-over-year rents had improved almost across the market. The negative absorption of 250,000 s/f for the quarter in the financial district was a negative, and the Back Bay and Cambridge markets were positive highlights. Continuing upward pressure on fundamentals for the Boston markets is reportedly swelling the investor ranks. Volume and velocity on sales are only marginally up. Capitalization rates are holding in spite of expectations of rising interest rates.

The mixed messages in economic data enable the two-handed economist to continue to be in the media even if not in the vision of the investment strategists. The uncertainty in residential markets, the ripple impact of natural disasters, the political uncertainties in the Middle East, the U.S. deficit and the May jobs reports are plenty on the plate to justify the wonder about the rest of 2011. On the other hand, for the Boston markets, there continues to be enough to be optimistic on the other hand about the prospects for 2011. What are the jitters on your plate?

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