CELEBRATING 55 YEARS nerej

Bingo day for American markets with a Eurozone agreement

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Dramatic volatility and fluctuations in security markets are expected to continue indefinitely punctuated by more frequent financial trauma. Finding manageable solutions to mitigate this fury and tumult is optimistic. However, regulatory bodies, the EU among others, continue scrutiny of commodity markets, and the SEC, among others, is analyzing the impact of computerized trading, and the outlook must be considered hopeful. Under the mist and mess that has prevailed for much of this recovery comes a single bingo day for the American markets on October 28th with a Eurozone agreement in principal on a bailout for Greece and funding for other weak members! Of course the back to back sell off on October 31st and November 1st brought us back to the indefinite reality of the market place. However, the fundamentals continue to support a sluggishly and broadly improving real estate market.

The bingo was supported by third-quarter 2011 GDP of 2.5% released on October 27th by Bureau of Economic Analysis, U.S. Department of Commerce (BEA), following a second-quarter disappointing GDP of 1.3%. MassBenchmarks estimated real gross state product, third-quarter growth rate of 3.9% in a release also dated October 27th, following a second-quarter estimate for Massachusetts of 3.4%. MassBenchmarks is published by the University of Massachusetts Donahue Institute in collaboration with the Federal Reserve Bank of Boston. Total construction for the nation is up .2% for September - residential up .9% after a .4% gain in August and non-residential up .3% after a .8% gain in August. Low rates and declines in construction spending in the public sector offset the foregoing gains elsewhere.

Less dramatic economic news offered stabilizing influence and the security markets recovered somewhat. The Institute for Supply (ISM) Management Index fell to 50.8 in October from 51.6 in September with consensus expectations for 52. However, the underlying tone of the ISM November 1st release was considered positive with indicated momentum for the fourth quarter. And the Federal Open Markets Committee (FOMC) on November 2nd announced it would take no further action at this time after the August forward guidance on low rates through 2013 and the September twist program to reduce longer term rates through a purchase program. The FOMC acknowledged recent improvement in third quarter economic reports; however, the FOMC did reduce its forecast, which has a lackluster record, marginally from its forecast in June to 2.5% to 2.9% for 2012 and 3.0% to 3.5% in 2013. The Fed's Beige Book survey of business and professional contacts before October 7th reiterated that overall economic activity continued to expand; however outlook was more cautious because of uncertainty. Boston -First District was highlighted positively in summary comments several times, and comments on economic activity were marginally more favorable than other districts. Cautious outlook prevailed.

Local property markets continue to improve. Richards Barry Joyce & Partners (RBJ) released third quarter inventory reports on commercial and industrial property submarkets during October and

November. Broad marginal improvement continues with Back Bay, Cambridge and Rte. 128 West continuing to outpace the regional competing submarkets. Aggregations and data on vacancy, rents, transactions and industry composition describe a poised if not dynamic market place. The RBJ inventories and anecdotal data are worth the effort and the time when compared with the bingos from the gyrations in securities market reacting to news bulletins rather than economic record.

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