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Micro events and short term trends are worth the trouble

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The year end reports will soon be released and quarterly and annual trends will be available for all to reconcile with forecasts. Much is already known about macro trends in the global, national and regional economy. GDP 2012 forecasts are clustered at 2.5% up from 2.0 % in 2011. Employment expectations are positive, varied and weak, marginally up from 2011 with greater consistency than 2011. For our local real estate community, most professionals will be sifting through micro data and selected anecdotal information to bring these trends to the property level for underwriting, investment, lending and appraisal. Developers will be looking at these trends for planning and marketing decisions.

Micro events include sales, leases, rent-up, ground breakings, and permits. The analyst must collect the public data and meet with market makers. The local markets are recording increasing changes in submarket property inventory. The single family market is recording increasing sales volume with irregular median pricing. Most commercial submarkets are stabilizing if not clearly improving. The additions to inventory are dramatic in several commercial and multifamily regional submarkets. The changing competitive environment in these markets and the rippling impact on the surrounding submarkets can be difficult to predict. However, consideration of alternative scenarios is certainly warranted and offensive and defensive strategies are justified.

The inventory dynamics are the market's reconciliation of supply and demand at the submarket and property level. Sympathetic trends are likely to reflect macro economic activity. Accordingly, when local activity appears to be better than the macro economy, there should be discernible reasons. Weak growth in employment, households and population prevails generally at all market levels domestically. However, recovering trends are driven by pent up demand as well as marginal growth or expansion. Anecdotal evidence of both will be present in micro trends; and understanding the difference if not the measurable differential demand is important in meeting and beating the market on a sustainable basis. The Commonwealth has outperformed the nation in employment and job gains in 2011, and 2012 will be better than 2011. The differential construction activity is of course the mixed blessing of the economic activity.

The economic markets are still in recovery. The additions to inventory do represent expansionary activity and are marginal and measurable. Smart growth can result from thorough diligence and planning in the submarkets at the property level. Micro events and short term trends are worth the trouble to reconcile with what are clearly improving if not booming macro activity.

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

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