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## Chapter chair message: 2012 commercial real estate outlook

March 08, 2012 - Appraisal & Consulting

The New England CRE chapter held its first program of the year on February 16th at the CBRE offices featuring Ray Torto, Ph.D, CRE. Torto is the global chief economist at CBRE and based in Boston in the global research and consulting division. He led an insightful presentation on his 2012 U.S. Real Estate Outlook with approximately 20 CREs and guests in attendance.

Torto commented that his 2012 outlook is somewhat optimistic - similar to his initial view of 2011 at the start of last year. He reminded us that several events soured last year's upbeat 2011 outlook including (a) increased oil prices and the Japan tsunami, (b) political challenges in the U.S. along with the downgrading of the U.S. debt rating and (c) political/economic challenges in Europe. Ray noted the recent increase in oil prices is an interesting parallel to last year so his optimistic outlook might once again be tempered by unforeseen significant events.

Torto summarized his outlook as follows:

1. Torto shared his outlook for "low" global growth for the balance of the decade as the global economy recovers from the debt overhang - "The Boomerang!" As he pointed out, working through the debt overhang would be expected to take 8-9 years. If we are four years into the gradual de-leveraging, we likely have five more years of low growth levels.
2. Low growth implies low interest rates and low global inflation for several more years. However, he expects "interest rates lower than inflation rates! - "financial repression!"
3. Torto notes that the "global electoral cycle and the pain of policy/political choices portends political paralysis on economic issues - fostering a "muddling through" at best as opposed to decisive action.
4. Torto said that "Commercial real estate yields remain attractive with wide spreads while core real estate will hold value and be positioned well for when inflation and interest rates rise eventually in the future. Overwhelming demand for core/quality assets will keep prices high and competition for quality deals very firm."
5. Torto highlighted that the capital markets drove this downturn, not overbuilding. As such, he expects that even though commercial real estate is displaying high vacancy rates and low returns, commercial real estate is well positioned as the economy gradually improves, even at "low" growth rates.
6. Torto expects commercial real estate to continue to attract investment capital given favorable returns that can be achieved in real estate compared to other asset classes.
7. Torto also shared that the leasing market has stabilized, and the low supply pipeline of new space favors owners, currently and for the future.

In conclusion, Torto is optimistic that low levels of growth will continue and gradually result in improving real estate fundamentals. Although there are unforeseen risks that could impact his outlook, the expectation for slow, steady growth should be a positive influence to real estate

investment.

The chapter would again like to thank Torto and CBRE for sharing his research and hosting this event at their office.

Tentative 2012

Calendar of Events

- \* April 22-25 - National Convention in Chicago;
- \* May 31, 2012 Luncheon - Hugh Kelly "24 Hour Cities and RE Investment Performance," Algonquin Club Boston;
- \* June 2012 (tentative - date TBD) - Evening networking event with RICS;
- \* September, 2012 (date TBD) - Joint program with Appraisal Institute;
- \* October 14-17, 2012 - CRE National Convention in Miami;
- \* November, 2012 (date TBD) - Joint program with CoreNet; and
- \* December 13, 2012 - Annual Holiday Reception, Algonquin Club, Boston.

2012 Chapter Officers

- \* Jill Hatton, consultant, chapter chair;
- \* Peter Nichols, NorthStar Ally LLC, vice-chair;
- \* Robert Costello, Capital Crossing Servicing Co., LLC, secretary/treasurer;
- \* Robert Nahigian, Auburndale Realty Co., board member;
- \* Martha O'Mara, Corporate Portfolio Analytics, board member; and
- \* Steven Kaye, CB Richard Ellis, board member.

Jill Hatton, CRE, is the 2012 New England/Upstate CRE chapter chair, Boston, Mass.

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