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## The upcoming presidential election and real estate

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The domestic fiscal cliff and the ongoing Euro crisis continue to loom to traumatize a fragile global economy, domestic recovery and fragile regional economy. Of course commercial real estate will be collateral damage under any financial trauma scenario. Fortunately, both of these looming events have political solutions and we have a presidential election in November and other political transitions are scheduled elsewhere. However, the hopeful resolution of at least these matters does not facilitate the forecasting beyond more of the same - very slow growth, fragile economic conditions.

Fundamental strength is increasing in the commercial real estate markets fed by ongoing weak employment gains, pent up demand, and three years of low or no additions to supply. Third quarter Boston inventory reports are just being released by the commercial brokerage firms and the reports continue to record varying levels space absorption, modest gains in rental rates and stable if not declining vacancy rates. A low interest rate environment, now extended through mid 2015 by the FOMC, has supported liquidity in most property categories and many property submarkets with increasing volumes in financing, investment sales and now development activity. The upgrades to the inventory and new construction will dampen rents and valuations. However, already some talk about the asset bubble has started.

The first presidential debate was civil yet aggressive and described some areas of common ground and areas for greater specificity and accountability from both candidates. Domestic policy, including the economy, healthcare and governance, was the theme of the first debate, and some resonance indicated our prospective leadership gets it. The electorate is indeed listening. Tax and entitlement reform are necessary evils and both received some attention in the first debate. Commercial real estate investment has traditionally been sensitive to any change in federal taxes. However, the structure of current real estate capital markets and expected graduated implementation of any reform have mitigated alarm in the marketplace.

The election is November 6th. Early voting has started. We have two more presidential debates and one vice presidential debate. The fiscal cliff and the Euro crisis will loom after election day, and job growth in the range 1-2% will continue to be painful to a large number of employable Americans and the domestic economy. The electorate will contemplate how we can best improve that prospect of employment gains. Commercial real estate will continue to embody the opportunities that come with the risk of slow growth.

Remember to vote!

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