nerej
19 63 CELEBRATING 55 YEARS

Why 2013 matters: A survey of my various circles of friends

January 11, 2013 - Appraisal & Consulting

For an unprecedented second year, here are the results of my survey of my various circles of friends: bankers, appraisers, brokers, developers, musicians, and hockey players (including those that don't know anything about commercial real estate and those that think they do.)

I asked the survey group what they thought of 2012 and what 2013 was going to bring. I provided a rating system, -5 for completely negative, +5 for insanely positive.

A: Bankers (2.5). Most thought 2012 showed promise but the good deals required some serious chasing after. Lots of money to lend: yes! Low rates: great! Low rates make properties' cash flow look good, for now. Tough regulatory climate: absolutely. Lenders working hard to keep portfolios buffed up; these costs cut into profits. Competition leads to loosening lending standards: no one would admit it as much, but absolutely. Good deals out there: not that many. Time to start development lending: yes, but there are a lot of shaky deals to be made. Bad loans: getting cleared up.

B: Appraisers (3). Mostly happy, especially on the commercial side. Low rates stirred drove down cap rates and made it easy to make properties look better. Activity for refinances was strong and sales activity picked up. The gifting window provided an immense amount of valuation work at year end. Residential appraisers spent a lot of time barking about AMCs but a shortage of appraisers turned the tables on what has been a highly inequitable situation for the profession. Appraisal quality: new lows achieved or just same old same old; nothing new under the sun here.

C: Brokers (2.1). Mild optimism. If leasing and sales activity improved, really improved, there would be happiness enough to go around. The consensus was that things were better than 2011 but that's a poor measure since 2011 was not good. What year should be the benchmark? For now, let the market perform and most will be happy with relative improvement.

D. Developers (3.25). Growing positive. There is life in the market, there's money to be borrowed, costs to be controlled, demand will improve. Everybody is on the multi-family bandwagon. Hope this doesn't end badly. Condominium development is looking better, so is retail, signs of life in the single family market abound. The reality of most markets is realism, pragmatism, affordability, managing changed expectations. Low rates sure help, too...

E: Musicians (-3). Trending negative but surviving, as always. Support live music. The Digital Age has hurt the music business from top to bottom.

F: Hockey Players (-4). That deserves a separate column. They sure wish the NHL would resume.

What do I think? With housing coming back, low rates, and a greater sense of certainty among the populace, 2013 could be a great year, the year where things began to be more normal again. If things like the fiscal cliff, sovereign debt, and the NHL labor dispute got settled, there would be other things to create uncertainty like the next great asset bubble, worldwide currency collapse and trade wars. I put in for a cautiously optimistic forecast. What people think is what matters. Game on...

William Pastuszek, MAI, SRA, MRA heads Shepherd Associates, Newton, Mass.