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Confidence and concern factors both bear watching

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We are getting pretty good at waking up in the morning (as we did on 1/1/00, 12/22/12 and today 1/2/13) to find the world is still here, the "to do" list is still long and real estate is still standing. Although politicians in Washington and commentators on CNBC sometimes lead us to believe we cannot even safely move our portfolios to cash, we are still standing and - even better - have the opportunity once again to seek value and return in the real estate markets.

Many real estate investors are concerned about 2013 deal flow and property returns given general economic uncertainty. In all hard assets, and especially real estate, investors need a long term, less "calendar-oriented", perspective on property investing. Even so, the beginning of a New Year prompts a thoughtful review of factors providing confidence but also caution as we proceed with real estate activities in 2013.

Confidence:

Start of a Fiscal Roadmap:

Although last night's "11th Hour Deal" did not address the breadth of necessary issues, it is better than having "gone over the cliff". The deal at least provides certainty of near term tax rates and lays the foundation for additional negotiations on entitlement, tax reform and the debt ceiling.

Economic Growth Areas:

Growth and strength in the US Energy Sector, along with continued improvement in the Housing Market, are areas of strength as the economy gradually improves.

Jobs: Job growth in selected markets - including San Francisco, Houston and Boston - are positive and above US averages.

Supply: Commercial real estate supply remains at low levels - well below deliveries of the early and late 2000s.

Concerns:

Fiscal Cliff (again, sorry):

The limited nature of the deal will likely result in increased volatility in the financial markets as negotiations continue over the coming months. Higher payroll taxes are also likely to depress consumer spending in the short term. Once we approach the second half of the year, economic growth is expected to improve, although likely below the 2% annual rate of previous years.

Deleveraging:

Ongoing deleveraging throughout the financial sectors, including real estate, will continue to suppress performance and recovery, and will take longer to work through the system. In the end, this can be positive for real estate resulting in reasonable debt availability and appropriate debt pricing for levels of risk.

Accommodative Monetary Policies:

Current Fed Policy is expected to maintain "Financial Repression", resulting in continued low interest rates over the medium term but continuing to favor hard assets, including real estate. Associated risks of eventual inflation are beginning to be reflected in economic expectations, which can also be a long term positive for real estate.

In conclusion, Confidence and Concern Factors both bear watching as we enter the 2013 calendar year. Last night's "11th hour deal" was perhaps the opening bell in what could be a very interesting year for real estate investors.

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

The New England Counselors wrapped up their year of activities with the Annual Holiday Reception at the Algonquin Club in Boston on December 13, 2012. The first meeting of the 2013 will feature Ray Torto, CRE, Ph.D. and Global Chief Economist in Global Research and Consulting at CBRE. Ray will provide his Commercial Real Estate Economic Outlook to the New England Counselors at a Luncheon on January 22, 2013 at his offices. Invitations have been sent to CRE members.

Following are CRE New England Chapter Officers for 2013.

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