



CELEBRATING
55 YEARS

nerej

Between the lines - A soft spot in the fourth quarter

February 07, 2013 - Appraisal & Consulting

A soft spot in the forth quarter! GDP Contracts .01% based on initial government (U.S. Commerce Department) data. In the private sector fourth quarter, consumer spending increased 2.2%, after-tax income increased 6.8%, business investment increased 8.4%. In the public sector fourth quarter, military spending declined 22%, state and local spending declined after a third quarter marginal increase indicating possible stabilization. Between the lines, the U.S. Commerce Department report held sufficient positive patterns in the data for the Fed, while acknowledging some weakness, to sustain an outlook for 2013 for returning to moderate growth in the months ahead. Take your time with news and data, distillation and analysis. 2013 will be newsy and the economic data will flow! Patterns are normally more important than points.

Read beyond the BOLD FACE; it is just one slant. Apparently other global economies - U.K., Germany, Belgium and Spain -reported economic contractions in fourth quarter of 2013, and more are expected to do so. Reductions in public spending to cure deficits will do that. The deficit battle in Washington continues to impact negatively spending in both the public and private sector. However, economic recovery persists locally, nationally and globally. Our regional economy and commercial real estate markets will carry some BOLD FACED stories during 2013 which will require inquiry between the lines. Remember to look for persistent patterns to underwrite your outlook.

Similarly, the BOTTOM LINE is just one number, and looking between the lines for patterns of performance and outlook will be particularly rewarding for investors in 2013. Contrarians are comfortable between the lines where conventional wisdom gets itchy. Commercial real estate markets are increasingly active and, accordingly, increasingly competitive. Boston, still on the investors' short list, will be bringing a substantial multifamily volume to market and some significant vacated commercial space back to the market. From blenders and built-ins, and free rent to free parking, bottom line bending will be pervasive as the markets absorb the offerings and investor/operators explore between the lines.

From many angles, the diligence process will be rewarded in 2013 when applied to tactic and strategy whether it's investing, renting, leasing or selling. This market is not an easy read. The bottom line is not a no-brainer! However, the patterns clearly indicate the effort will once again be rewarded!

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

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