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Torto presents 2013 outlook "Same problems, less risk"

February 07, 2013 - Appraisal & Consulting

The New England CRE chapter held its first program for 2013 featuring a presentation by Ray Torto, PhD, CRE, global chief economist in the global research and consulting division of CBRE. Torto offered the chapter his 2013 Market Outlook on January 22nd at the CBRE Econometrics office in Boston. Approximately 20 CREs and guests attended and had the opportunity to hear Torto's overview of the Global and US economic outlook as well as his insights on commercial real estate. The theme of Torto's presentation and 2013 outlook for commercial real estate was "Same Problems, Less Risk." The discussion highlighted that even though many of the same challenges facing commercial real estate a year ago continue to persist, that there is less systematic risk - still risk but less risk.

What does this mean for commercial real estate and the outlook for 2013? Torto outlined that he expects commercial real estate, especially high quality core real estate in major US markets (such as Boston), to continue to be in strong demand. Although he predicts continued low rates of economic growth (as corporations and consumers continue to repair their balance sheets and de-lever), continued low interest rates and continued political issues (where the US will continue to "muddle through" budget and spending matters), Torto spoke to his expectation of continued demand from a wide spectrum of potential investors from around the globe.

In addition to the institutional desire for diversification and stable cash flows, high quality core real estate is attractive to investors who expect that ongoing challenges in obtaining financing will continue to constrain supply and support eventual rental increases driving future value increases. Torto pointed out how this outcome may be similar to the rental rate and value recovery experienced in 1994-95 as real estate recovered after the 1990-91 downturn.

While Torto spoke about supply constraints and the gradual, positive, expected impact to commercial real estate values, he also cautioned that recent deliveries in the multifamily sector might temper future apartment rental increases. Torto emphasized that he expects the beneficiaries of lower levels of supply to be prime real estate such as central business district office, "High Street" retail and large industrial in key distribution markets.

Another key focus in Torto's presentation and discussion centered on the appropriate investment horizon investors need to adopt given the projected economic environment. Torto emphasized that given the expectation of slow economic growth that a real estate investor cannot assume the same, traditional "10-year" timeframe for a hold. Investors today need to adopt a longer-term investment horizon. While this trend is influenced by expectations of slow growth it is also impacted by global investors that already incorporate a long-term expectation into their real estate investment portfolios, thus establishing the investment outlook with which US investors will need to compete.

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

Jill Hatton, CRE, is the 2013 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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