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## **Exit and storm strategies become apparent and visible**

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Early as it might seem to the snapshot professional for an exit strategy, most investors have been looking out at the end of soft money and surplus cash and capital. GDP metrics indicate first quarter 2013 will be in the range of 3%. Further, overall 2013 GDP could be 2.5% and upwards. Even with March employment gains below 200,000 jobs, if monthly job gains could average over 200,000, the annual job growth could reach 2.5 to 3 million for 2013. Permanent funding options for commercial real estate could include sub-4%, in the 3's, through 2014. We might say, with some stretching simplicity, that we are cruising in the three's. However, most are scratching out the exit or storm strategy for 2015 when the Fed tightens credit, money and rates and impact commercial real estate. Cycles in the economy, capital and property markets are inevitable. The timing and shape and patterns are often inscrutable and evade the forecasters. The Fed has repeatedly used 2015 as the earliest exit of easy money, even with target guidelines of 6.5% unemployment and 2% inflation. Timing for new construction inside 2015 is tight even if the project is out of the ground. For Boston and several top tier markets, additions to supply will probably be delivered through 2016 and probably beyond. A ten-year cycle would push into 2018 with some serious adjusting in 2017. Of course the gradual rate of recovery and increasingly globalized economy can make any historical cyclicity obsolete - or can it?

Reconciling the capital and property markets with economic cycles is a challenge. However, certain logical relationships do normally prevail. If the three's can be sustained through 2015, exit and storm strategies are upon us. For commercial real estate institutional investors that have stretched the holding period, the exit might well be a storm strategy. Preparedness and liquidity are as important as sell strategies. The capital markets will certainly be impacted by the probable bump in 2015 and commercial property markets will probably reverberate. These tumblers are designed to be fitted in the same interactive casing. As these parts turn, recording measures over time, these exit and storm strategies will become more apparent and visible. The time is upon us to start tuning up for the next cycle!

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