



CELEBRATING
55 YEARS

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Cyclical economic activity is easily described afterwards

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Cyclical economic activity is most easily described afterwards. The predictability of cyclical behavior continues to be high. However, timing and amplitude of waves of activity are elusive, imprecise. The uncertainty of these critical dimensions of future cycles make measurement futile; however the conceptual methodology can inform forecasts. That is why we bother.

Most economic, business, real estate and capital cycles are characterized simply by imbalance in supply and demand. Domestic cycles are typically closely related even if not consistently occurring. They depend upon different supply and demand trends. Domestic economic cycles are defined by changes in periodic economic growth, often quarterly rates. Unemployment and unemployment rates are collateral indicators of cyclical phases of economic contraction and expansion, the major phases of the economic cycle. Global economic trends and capital flows are now essential forces to be considered in domestic cycles.

Recent economic history, say the last three or four domestic cycles, have resulted from newly named market occurrences. The financial meltdown, housing bubble, and dot com collapse were complex imbalances in supply and demand that eluded most forecasters if not all pundits. All three are now on the watch list of our national and international bankers. The regulators have increased vigilance and banking reserves to prevent meltdowns? The regulators and central banks are watching asset inflation and bubbles. If so, why worry.

The risk of cycling down after this very gradual and fragile global and domestic recovery are simple and complex imbalances that compound to reverse positive economic trends, irretrievably changing the direction fundamental economic growth that currently prevails. Residential and commercial real estate have been powerful engines and unrelenting drags on domestic economic activity. The additions to supply in the real estate markets are local phenomena and anecdotally accumulated. Often additions are dependent on availability of capital, independent of demand.

I suggested 2016 for cycling down and received some pushback from a reputable source. I will use 2017!

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