



nerej

Weather and market changes and will continue to do so

February 13, 2014 - Appraisal & Consulting

Being nimble takes preparedness and energy (diligence and liquidity), in addition to speed and agility. Our commercial real estate markets have been variously described as broadly opportunistic, and the investors and developers have been advised to be nimble. The polar vortex and other weather phenomena have challenged the turbulence in the stock market for headlines. Of course both have economic ramifications, hopefully short lived and certain to reoccur. Volatility or rapid circumstantial changes should remind all of the merit of nimbleness. Nimbleness includes rapid assessment and adaptation.

The dramatic weather patterns and securities market volatility are complex derivatives of forces that are evolving beyond historic patterns. The polar vortex was familiar enough to the meteorologists and has had a name without much of a history. Certainly the currency markets have demonstrated volatility based on the local economies of the respective sovereign currency sources. Because of the evolution of the global economy, these patterns in the currency markets are changing more rapidly. The stock markets are often overly sensitive measures of these changes. Responding with nimbleness has rewards.

For commercial real estate markets, weather has always been a factor. Shutdowns due to weather and extended power outages are increasing in frequency, duration and scale. For snow and ice and water from cold weather and flooding, architects and engineers are being called to modify design for new development and adapt existing improvements. Generators are a necessity. Flexibility for working hours and storm drills are paying off. Locations with accessibility to mass transit are making even more sense and cents! Preparedness in these categories and others contribute to a nimbleness and sustainability in operations.

Most economists and investors have expected some volatility in the capital markets to result from the FED taper in bond buying and quantitative easing of credit. Negative adjustments in global regional economies and sovereign currencies have added to the recent volatility in the capital markets. This volatility is a challenge to the most nimble of investors. Because commercial real is a derivative of economic forces and capital markets, the real estate investor must be nimble as well. Observers have for the last year or so suggested agility, a trait not normally related to real estate, would be particularly advantageous in commercial real estate investment during this sluggish and persistent recovery.

The weather and the market always changes and will continue to do so. What is new and different? The so-called nimbleness trait should have been heralded historically in commercial real estate investors. Commercial real estate investors should be increasingly nimble as the weather and the markets are increasingly volatile.

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

