



CELEBRATING
55 YEARS

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Good news/bad news

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Mixed news seems to be the order of the day. Spring has officially arrived but the ice and snow just won't go away in many areas. Oh well, hope springs eternal - it just requires a bit more patience this year.

There is also a mix of news in the real estate markets. There is good news and bad news in a number of sectors - in particular for investors, the retail sector and in the capital markets.

During 2013, many investors who had been waiting on the sidelines moved into the market. This was good news for owners of Class A properties in the multifamily, office and warehouse markets. Investors and their advisors were drawn to these properties resulting in historic deal volume and compressed cap rates/higher values. The bad news looking forward is that increasingly this investment trend is running into a lack of quality offerings. Historically, this would encourage new development. Time will tell whether lenders and developers will respond as they have in the past. In today's world of increasing construction costs and more difficulty in getting entitlements, not every 'dream' makes the feasibility hurdle.

The retail sector continues to evolve and respond to the changing trends of consumer buying habits. The companies which succeed will likely blend the in-store experience with the increasing number of online purchases. Major retailers like Nordstrom, Wal-Mart and Macy's continue to expand. Nordstrom plans to open 28 Nordstrom Rack locations vs. 3 full line stores and Wal-Mart plans to double its projected growth in the small store format. On the flip side, Radio Shack and Staples have announced major store closings - each trying to find its place in the changed marketplace.

In the capital markets, the CMBS Market shows an interesting dichotomy. 2013 was the best year in recent memory with nearly \$90 billion new issues - the best in 5 years and double that of 2012. The wild card in this apparent recovery is the coming wave of required re-financings (\$360 billion) starting in the second half of 2014 through 2017. Will the market be able to absorb these new issues or will we see gridlock similar to the 2009-2011 period? It will be interesting to see if the Federal Reserve enters the fray as they did then or stands back to see the market can self-heal.

As always, predicting and participating in the real estate investment markets is not for the faint of heart.

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