



# nerelj

## **What are your predictions for commercial real estate in 2015? - David Kirk of Kirk & Co.**

December 24, 2014 - Spotlights

The outlook for commercial real estate in 2015 is brighter than 2014 which by most measures was a very good year for commercial real estate. Data supports a sustained recovery and expansion for 2015 with job gains and economic growth tracking or exceeding 2014.

The recent release of economic data supports buoyancy that has been frequently missing during this recovery.

The stock market has bounced upwards with disarming volatility and occasionally without the reconciling of trends and forecasts. Election results have provided some surprises and some hope for an end to gridlock, and the likely passage of budget and spending without shutdown and including some compromise legislation is a favorable indication. All of this activity is very macro for analyzing local commercial real estate activity; however, the local micro impact is easy to conclude and provides basis for positive short term forecasts.

The presence of cranes in Boston and elsewhere in the U.S. means additions to supply in commercial real estate.

The current widespread construction activity in the Boston markets and elsewhere is more characteristic of expansion than recovery. Primary research on supply and demand and pricing is essential to understanding local commercial real estate markets.

Absorption of new additions and vacated inventory vacated by moving tenants will create highly competitive submarkets affected by this activity. Construction completions over the next 24 to 36 months will cause disequilibrium in the local submarkets and an easing of rental advances and spiking in many markets. However, the economic growth and employment gains should continue to provide stabilizing pressure in the local commercial real estate markets.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540