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## **Persistent volatility and positive fundamentals**

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Commercial real estate markets continue to benefit from moderately positive fundamentals and the securities markets continue to record volatility, most recently attributed to Greek financial difficulty. Commercial real estate is built on workouts. The commercial real estate brokers' regional second quarter 2015 reports will be released over the next two weeks. Most expect positive anecdotal data will be supported in the aggregations, with absorption, occupancy and rents showing firming gains or adjustments within reasonable ranges.

Hostility, terrorism and strife continue in worldwide waves of battles and bombs. Homeland warnings and sporadic incidents of violence have changed indefinitely the level of security and methods of policing in most types of commercial and institutional real estate. However, persistent fundamental gains have increased demand for property and entertainment.

Data aggregations enable trending to support credible forecasts. Favorable fundamental economic conditions are stabilizing for commercial real estate markets. Macro-economic outlook for the nation and generally most regions is for gradual and continuing economic growth. Local micro economic growth particularly related to local job and income growth as drivers for demand for commercial real estate varies widely in the geographic and property submarkets. Second quarter 2015 and first half 2015 economic data roundups will be followed by revisions to 2015 outlook and 2015 forecasts. Stock and bond markets will provide further information related to short term outlook for commercial real estate.

Market supply and demand in commercial real estate fluctuate as the local economy and additions to supply roll forward. Adjustments in rent for absorption and occupancy can look like volatility or inflection. Aggregations of inventory and changing market characteristics are timely and widely available improving transparency and can improve judgement, forecasts and decision-making. Primary research on market conditions and gathering of anecdotal data are essential to underwriting.

Market commentary embraces volatility as a measure of liquidity in the marketplace and a check against more dramatic and sudden adjustments in market pricing. So far, so good! Nevertheless, market watching and reading are part of the walk and can be supportive in decisions and judgements during markets with persistent volatility when fundamentals are moderate to stable.

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