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The ramp in rates and roads is ready - by David Kirk

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The ramp in rates and roads is ready. The timing is still uncertain; however both are certainly coming. Both again will be unprecedented, at least in scope and scale. The ramp in Fed rates and infrastructure spending are anticipated in the related and ripple markets. The current global recovery adds surge of sorts to the US moderate persistent economic patterns. The aggregation of these market dynamics will add volatility to daily markers as all are reconciled.

Disposable income, inflation and economic growth are rising with global economic trends or is it profits and jobs and tax reform lifting prospects or is it orders? And soon shovel ready infrastructure spending will reinforce the corporate tax bonus and further lift economic growth and employment and demand for commercial real estate.

The complexity of tax reform justifies a political partisanship that has resulted in loud rhetoric. Meanwhile tax reform legislation and regulatory rules and procedures are being produced and implemented. Moderate expansion continues.

The Fed still plans three rate hikes during 2018 and further deleveraging of the balance sheet. Both actions will put upward pressure on rates. Domestic capital markets have anticipated upward movement. Global capital inflows are more difficult to forecast with the broad improvements in the global economy. And currency and trade and hostile conflicts.

Buoyancy is prevailing. Whether another cycle of building could occur is highly speculative. However, short term plays including adaptive reuse, repositioning, value add all have some running room and activity. And build-to-suits, multifamily housing of all kinds, industrial, healthcare, well researched experience/entertainment retail and substantially preleased and presold. Sometimes, somewhere.

With a good plan and good sponsorship, many projects can be underwritten with rebalancing of debt ratios and capital stack. Commercial real estate continues to benefit from moderate economic fundamentals and well -priced risk. Unlike frequent daily records set in the domestic securities market and rising indexes in global markets, commercial real estate pricing is generally stable.

Nevertheless, the favorable conditions and outlook are unevenly spread over related capital and property markets. Because of political stability and prosperity and stable fundamentals and broad, liquid property markets, the US commercial property market is a competitive investment alternative. Optimism favors commercial real estate.

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