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The property management industry is only getting better and stronger - by Christopher Mellen

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As I reported in my early 2018 articles the industry is better and stronger than it has ever been in recent years. The best predictor of future behavior is past behavior. Standing at roughly the 3rd quarter, it seems that what we've gotten so far this year is what the rest of the year will shape up to be.

Now, as you might remember from my 1st quarter column, I was confident that 2018 would be a robust, market year, based in large part on the growth in the Greater Boston market supporting a growing movement toward life-work-play lifestyles.

And it appears that the last quarter will be a continuation of what we have already seen. That said, I predict further good, but not great, growth throughout 2019. There's a lot of activity in the market, with rental rate increases of roughly 3% to 5% across the board.

This is especially true of the multifamily market, not only within my company, but industry wide, still enjoying its long surge in rental rates and occupancies. But we're also still getting turnover from office tenants, who still want to take advantage of lower rental rates when their leases expire.

The job postings from the Bureau of Labor Statistics in August reached an all-time high of 7.1 million. It could also be that, with record single-digit lows in unemployment, it's another indication of a robust economy and a good sign for the office sector.

I tend to take a longer view on the economy and believe that such results must be measured against the backdrop of trends. That said, I do agree with a recent analysis, provided by Marcus & Millichap, which states, corporate tax cuts might play a role in reshaping the economy and could lift the office market moving forward. A reduction in the corporate tax rate will provide a windfall to companies, and several organizations have committed to investments into wages, hiring and infrastructure. Heightened small-business optimism will reinforce hiring trends and office space demand.

Historically, small-business confidence and net absorption have moved hand in hand as firms expand to larger office footprints in anticipation of new hires.

Any way you look at it gauging future behavior is tricky. By traditional standards, it has been a long upturn, however irregular. If I had to guess, I would stick to my earlier prediction that next year will continue its upward trend.

And if that's the case, wise companies are, or have been, planning for the worst; never a bad business strategy. At the Simon Companies we treat each property as a stand-alone business, each its own profit center, and we further that strategy by boosting our reserves and contingency funds. Such safeguards prevent soft markets from decaying our cash flow. A lesson learned from the previous downturn.

But, and here is the takeaway, whatever happens next year, we're better prepared for it than ever before. We learn hard lessons from every cycle we experience, whether it's overbuilding or, as happened in 2008, the results of sloppy lending and underwriting. And as I have said before, we in the property management field stand to gain, if we are smart, no matter the market conditions.

As to what next year will actually bring, we'll just have to wait and see.

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