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55 YEARS

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**Get ready for a 2019 reset for commercial real estate - by
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Capital sources for commercial real estate are generally flush if cautiously prepared to invest during 2019. How flush will be apparent in the forthcoming weeks as term sheets are exchanged on debt and equity commitments, and offers on properties and portfolios. Competitive is a safe characterization. The December jobs report released January 4, 2019 was extraordinary including a monthly gain of 312,000 jobs for December, and an upward revision of 58,000 jobs to November of 155,000 jobs reported earlier. FED persisted at December 2018 meeting with a rate increase and turbulence in the capital markets was extraordinary. FED action is finally and broadly the target. After the FED rate increase and before the December jobs report, WSJ headlined January 3, 2019, "Investors Bet the FED Will Stay Put (in 2019)." The dashboard will tell!

Recapping 2018 will dominate news if not headlines. Forecasts will be next. Tentatively by some. Assertively by others. Declaratively with targets by many. Early deals will be competitive for market participants. The commercial real estate markets have remained stable during 4Q 2018 when extraordinary volatility and precipitous record setting declines prevailed in domestic equities. Fixed income markets during 4Q 2018 are more difficult to briefly characterize. Certainly, commercial real estate and related derivatives compare well with less volatility, spiking, diving, and sloshing about. Volume of new activity has been declining, contacting, stabilizing.

So, year-end does matter. New business plans, newly replenished capital sources, 4Q and 2018 data and inventory lookbacks and recaps. Newly smashing, refreshed and updated dashboards. Recalibrated caution lights. Metaphorically speaking. The terrain is uncertain, as the global economy bubbles with traditional alliances being rewritten and rearranged, and technology challenges traditional economic patterns. FED rates, inflection, downturn and 2019 vs. 2020. Fundamentals are persistent, moderately strong. Alternative assets, fixed income, equities and others are uncertain with turbulent markets.

Now that we have had a peek at the peak, let's get ready for more. Commercial real estate markets have stabilized with some persistent expansion and some marginal declines. Thorough diligence and careful, courageous underwriting has sustained capital flows to commercial real estate. The sector dashboard is as active and complex as any domestic sector. The FED's pause on rates will be constructive amidst the complexity of the global economy and volatility in the capital markets. Underwriting commercial real estate has always been mostly primary research for thorough diligence. More so now.

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