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## **New resilience and traditional basics for 2019 - by David Kirk**

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Early recaps, wrap-ups and forecasts for commercial real estate are strong and measured. Fundamentals were stable to strong in 2018 and so were the first three quarters of 2018 for commercial real estate. The Fed has finally paused on rates and focused with transparency on its oversized balance sheet. The national shutdown from irreconciliation of budget and deficit and polar vortex have caused significant measurable negative economic impact on employment, growth and productivity. Except for the polar vortex, all impeding forces are just political and deliberate. The global economy is chugging with drag. Here too, politics could provide mitigation. Thankfully, many, if not most, involved parties are engaged at many levels and in many geopolitical arenas. And there are lots of meetings and noise and tweets. For commercial real estate, new norms in operating resilience and in development and capitalization are evolving rapidly without particular fanfare, noise or headlines.

The data dump from local professional groups in real estate have provided support for positive outlook for 2019. Colliers International held its perennial Trends symposium and both local chapters of The Counselors and the Appraisal Institute hosted well attended wrap-ups with extended Q & A's. Takeaways varied from national and global trends in occupancy to economic watch lists for macro and micro submarkets. Notably, recession was not a major topic except to mention very limited symptomatic activity for occurrence in 2019. More likely 2020 if at all. Co-working, specifically WeWork, was prominent in remarks from Colliers' colleagues from San Francisco, New York, London and Boston offices. They are not just a tenant, or even just a sector; co-working is a significant trend and risk as the market evolves to embrace it. The enormity of Google, Facebook, Apple and other related giant technology phenoms are more than a contest for second headquarters. They are a risk. And they really are local opportunities for supply chain and related economic synergies. The various aggregations and comparative analyses implied that reasonable caution and care are needed in 2019.

Underwriting the current commercial real estate markets has evolved appropriately based on tracking and trending in economic and market conditions. Anecdotally, the real estate profession is on notice that terms and conditions have been vigorously and rigorously tweaked. The ongoing strength of economic fundamental trends do warrant our dashboards. Natural phenomena are increasingly an impediment to sustainable commercial real estate investing. Comprehensive plans for the built environment to anticipate the collective climate change are essential. Cyber insecurity is overwhelming the built environment. Of course, these two matters are between the lines. Market data does not record the existing and evolving impact. They are on the watch list too. Commercial real estate continues to be a challenging reconciliation of the dynamics of our markets!

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