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## **Economic trends of weakness in all markets**

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National trends in employment, spending and production have weakened during 2008. Marginal gains in productivity support marginal economic growth. Local commercial real estate activity continues to be sluggish, although fundamental conditions appear stable. The White House budget office has reduced its forecast for Gross Domestic Product (GDP) for 2008 to 1.6% versus 2.7%, previously made in February, and for 2009 to 2.2% versus 3.0% previously. The New England Economic Partnership (NEEP), caught in between downward revisions in GDP at its May forecast, estimated gross regional growth for the last two quarters of 2008 to be 2.6% and 3.2% for New England and emphasized downside risk to the short term forecast. NEEP would certainly now be reducing short term forecasts for 2008, consistent with the White House budget office, because of the region's dependence on the national economy.

NEEP's May forecast was termed bleak but it did include a recovering trend for the last half of 2008. There are certainly mixed signals in the last four months of economic data, but weakness appears to dominate the data trends. The stock market became officially a bear market (20% or more declines in the stock indexes) and recession talk of "If it looks like a duck..." persists. In the mix, fewer economists apparently believe we are in a recession, only 51% today versus 67% in April according to a new USA Today survey. The Federal Reserve's Beige Book, survey of business activity, released in July, included mixed signals but was characterized by many as demonstrating weakness broadly across most sectors and regions. The mixed quality for the First District - Boston was tilting towards increasing weakness in data and outlook. However, at least anecdotally some positivity persists in business service sector, biopharmaceutical and information technology, among others. Commercial real estate sector reports very slow leasing activity, expected stagnation in property values and leasing demand. However, contacts do not expect a bust in the market.

Commercial real estate deals can be done locally and are being done locally. The credit crunch in the real estate capital markets and the economic uncertainty has certainly slowed activity in leasing and refinancing. Investment and development activity is impacted by low volumes in leasing and sales as well as market and economic conditions. The Counselors of Real Estate will hold its annual meeting in Boston this year from October 31st through November 3rd. Headliners include Boston's own Raymond Torto, CRE, global chief economist of CB Richard Ellis, who will lead a panel on the property markets and the global economy. Hugh Kelly, CRE, independent economist of N.Y., will lead a discussion of the subprime markets of the past and the future. When the counselors meet in Boston, preliminary third quarter data will be reported and the program will follow the topical theme of The Revolution in Real Estate - Tea Party or Massacre?; and we will all have an opportunity reflect pensively on these interesting times.

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