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# Pause in the portfolio - period of adjustment is important - by David Kirk

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David Kirk
Kirk & Company

The importance of periods of adjustment cannot be overstated. Everybody has a portfolio, choices to be made. The pause can be as aggressive and critical as the buy or the sell to maintain balance and the frontier. The pause is not just a placeholder. In the strategy, the tactical agenda should include a pause, rest, balance, rebalance, proceed. Because of temporal connotation of pause, portfolio considerations do not seem appropriate for the pause. Right now, however, there is a pause in the portfolio and the timing could not be better. And the Fed is one consideration.

Often a pause in the portfolio results from a meager to repulsive selection of choices. The commercial real estate markets have retained a level of buoyancy that permits an array of choices. Pauses allow risk assessments and allocation adjustments and re-balancing. Reinvestment and repositioning assets can be particularly compelling during stable and liquid market conditions.

The most recent Fed rate cut, the third during 2019, has been characterized as a pause. Trade uncertainties persist and global uncertainties and anticipated inflection in economic trends have all informed the Fed rate action. Fed minutes from this meeting will help Fed watchers prepare for year-end action which is forecast to be wait and see. No clearly trending downturn has been recorded. Accordingly, the momentary pause in the portfolio appears appropriate. Know when to hold em. On the other hand, the liquidity in this market does offer opportunities to buy and sell. After the pause. An opportunity to be nimble.

The prevailing balance in the markets includes some overheating. Excess demand from persistent job gains, lagging labor gains, personal income gains. Household formations. In select markets, shrinking for-sale inventory and rapid absorption and vacancy compression, rising rents. Complexion favorable for well located new additions. Persistent permit activity at reduced levels. Capital stacks, rates and terms reflect rising risk levels. Cranes still fly. Costs are still high. Portfolio risk spectrum includes value add and select new construction.

Tune the terms. Laddering technique for bonds for term and risk diversity can be used to diversify leases, debt and related market exposures of both portfolios. Lease expiration dates and debt balloon dates can be further spread during a stable market. Now that the recession is moved beyond 2019, the portfolio arrangements should be reviewed for balance and risk. Judgement and diligence make portfolio management more than math.

Take the pause that can refresh the portfolio quality and risk. Commercial real estate investment performance depends upon select demand and economic factors that persist beyond Fed rates GDP measures.

David Kirk, CRE, MAI, FRICS, is principal and founder of Kirk & Company, Real Estate Counselors, Boston.