



CELEBRATING
55 YEARS

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Fallout, layoffs and outlook - by David Kirk

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Dipstick not covering as quickly as anticipated or hoped. Supports expiring and allowances depleted, running on fumes. Sputtering, choking, chugging. And yet markets and supply chains are full and functioning. Still, contagion and suffering must be contained. And the economic collapse is hardly over, and the impact will be everlasting.

U.S. stocks wrapped up their best month since April, continuing an extraordinary rally fueled by stimulus from Washington, signs of economic revival and progress toward a coronavirus vaccine (WSJ Sept 1, 2020). Housing is hot. Office is in a pause. Hotels for dormitories and affordable housing. Malls and big box for logistics. Performance and athletic palaces for later. Healthcare for an ongoing reboot. Every day is day one, Jeff Bezos in his Amazon leadership is pushing all options to remain predictable and expand services and products. And Amazon is not alone.

The Fed has declared higher inflation target and a long low interest rate environment. (As long as leveraging for yield does not destabilize the market or blow bubbles so big to pop.) And letting the national economy run hotter longer before the Fed takes any tightening action. Noticing the longer uncertainty in economic outlook, the Fed has broadcast the impact of the pandemic and all derivatives. Hard to find any good news on the Fed dashboard so one must look elsewhere. The Fed should revise the dashboard and recognize the sectoral changes that have been trending, many before the pandemic become broadly apparent in the now recovering economy. Fed will refine its guidance at next meeting about plans to keep rates lower for longer. Fed will also consider next steps. Current Fed balance expansion has been growing.

Commercial real estate investors and operators are puzzling (making pieces fit, not just wondering how) the next few quarters while the Fed is talking the next few years. Diligence. Primary research. Surveys. And then the forces that impacted the inflection - sector changes, cyclical changes, pandemic risk, climate and environmental changes, weather risks. Property operations are a contact sport. And so is commercial real estate investment and development.

Amazon's drones on the horizon. Zoom Video again raised its full-year 2020 outlook after quarterly sales more than quadrupled. Shares of Tesla and Apple keep rising to peaks after stock splits. Changing patterns in working, living and playing. Americans are reducing footprints and reducing footsteps. And much of the new behaviors will linger.

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