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## **The last half of 2008: Variously forecasted and reforecast**

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The last half of 2008 has been variously forecasted and reforecast. The upward revision to 3.3% of the gross domestic product (GDP) from 1.7% for the second quarter for 2008 was so late in the third quarter that it was barely recognized in the sensitive and volatile stock market. Oil prices have declined dramatically, easing inflationary pressures on the consumer and businesses. Credit crunch persists. Locally, Eric Rosengren, president of the Federal Reserve Bank of Boston, has recognized that lenders are still reluctant to follow the Federal Reserve and to ease credit for the weakened national economy.

The local real property markets are still sluggish. Leasing activity and sales and financing volumes continue but at reduced rates when compared with 2007. The general lack of activity has made market measurement and diligence a time consuming task requiring experience and expertise. Geographic and property submarkets are varied, considerably, with many demonstrating stable rents and occupancy and some even recording modest rent increases. Several significant CBD commercial properties are currently being discussed for market exposure. Investor interest is reportedly high. The spread between the bid and ask has delayed offerings during 2008. Market participants are waiting for more bell weather activity.

The Federal Reserve's Beige Book, survey of business activity, released on September 3rd, included mixed signals but was characterized once again by many as demonstrating weakness broadly across most sectors and regions. The mixed quality for the First District - Boston was, according to most respondents, more of the same or further slowing, with some signs of improvement expected in 2009. However, at least anecdotally some limited positivity persists in business service sector, biopharmaceutical and information technology, among others.

The counselors meet in Boston October 31st-November 3rd, and the forecast and the capital markets (after subprime) are at the top of the agenda. The last half of 2008, 2009 and beyond will be the focus of 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. Torto has earned a blue ribbon clientele from the pension and endowment fund industry and looks around the corner with more credibility than most real estate professionals. Hugh Kelly, CRE, independent economist of New York, will lead a discussion of key participants in the real estate capital markets, past and the future. Kelly will be joined by Charles Citro, CRE of Goldman Sachs, Neil Madson, CRE of Aegon USA, Tim Riddiough, CRE, Ph.D. of University of Wisconsin formerly of MIT, and Martha Payton of TIAA-CREF. Wall Street's response to subprime and the recapitalization of the related markets will certainly dominate the discussion.

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 to reflect pensively on these interesting times.

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