



nerej

**All economic forecasts should be treated skeptically,
because these are not normal times - by Mike Alves**

January 28, 2022 - Spotlights



Mike Alves

Despite the rapid spread of the Omicron variant, the U.S. economy ended 2021 in strong shape. Holiday spending rose by 8.5% compared with last year, according to a recent survey. In the four-week period that ended on December 25th, initial unemployment insurance averaged less than two hundred thousand a week, and reached the lowest level in more than a half century. Based on impressive numbers like these, the Federal Reserve Bank of Atlanta estimates G.D.P. growth of 7.6% in the final quarter of the year, up from 2.3% in the third quarter, when the Delta variant held back spending. The Conference Board, a business research group, reckons that over the whole of 2021 G.D.P. rose by 5.6%, which would be the highest rate since 1984. What about rising inflation? These G.D.P. figures and projections are all adjusted for inflation: they account for rising prices. If such indicators prove correct, 2021 was the year of the fastest economic growth since Ronald Reagan declared that it was “morning again in America.”

Most professional economic prognosticators think that 2022 will be another strong year of recovery from the virus-induced slump of 2020. The Conference Board is predicting growth of 3.5%; Goldman Sachs is predicting 3.8%; Bank of America says 4%. If the economy does expand by somewhere between 3.5 and 4%, that would represent a slowdown from 2021, but it would also be a very strong economy. In the decade before the pandemic, the annual rate of growth never reached 3%.

Of course, all economic forecasts should be treated skeptically. The optimistic predictions for G.D.P. growth are based on extrapolations from recent experience—in this case, high levels of spending, strong hiring, and lots of pent-up demand—and then making adjustments. In normal times, this is an eminently reasonable way to go about things. The potential problem here should be obvious: these aren't normal times. To borrow a phrase from the late Donald Rumsfeld, there are “known unknowns” that could radically impact this year's economic outcome and November's midterm elections. (Sourced by New York Times)

As for the real estate home front for 2022. The inventory is still low and the market is steady. The interest rates have increased in the first quarter. Which can be a impact on the market going forward. The low interest rates were one of the driving forces for the market in 2021.

Multi-unit developments are strong in the city. There was a large number of new construction in 2021 and is projected to be strong in 2022. Office space has been impacted by the virus and will have to be monitored in 2022. With the mandates of the vaccine there has been lash back with employees not wanting to get the vaccine. This has caused employment issues in many businesses. Which has impacting small business, office space, retail, hospitality, and medical facilities negatively.

It does seem there is becoming herd immunity with the virus. It is yet to be seen if this will level off in 2022.

In conclusion all indicators point towards the first two quarters of 2022 to be strong, but with inflation and rates going up economic and real estate forecasts should be treated skeptically. We just have

to wait and see.

Mike Alves is the president/broker owner of KW Commercial/Elite Commercial Realty, Warren, R.I.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540