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**Halfway to 2024, but we're not out of 2023 yet - by Brett Pelletier**

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Brett Pelletier

There was a time that the city was quiet for July and August...then just August...now, it's busy all summer long. The financial markets aren't taking the summer off, that's for sure. The stock market has been riding the proverbial teeter-totter with good days and bad, reactions and preemptions. Mortgage rates dipped and are back up in the high 6's, when things looked like they were starting to return to "normal," whatever that means. Let's not even get started with what's happening in the CMBS markets and defaults and delinquencies in certain property sectors. This week, Barron's described economic indicators as "quirky" and concluded that quirky economic indicators suggest a recession is coming. When? Who knows? Economic prognosticators have been hinting at a recession for too long for their predictions to be too credible.

Contrast that with jobs reports that indicate a growing economy, however, with unequal gains and pains felt by women, minorities, younger workers, and those sectors hit worst by the pandemic, namely retail services and food service. Public service jobs have seen a boost, however, still below pre-pandemic highs. Government is slow to move and even slower to react. Wages, perhaps one of the more important indicators, are still below where they should, and likely need to be. Still millions in the United States are burdened by their housing costs. With rising interest rates, low levels of single-family inventory, tight rental markets, and stagnant, or in many cases, softening wages, the squeeze many American families feel has officially risen to an existential crisis, for them, and the country as a whole.

The Fed continues to be active, if not constantly so, and the markets have responded in ways that have been sometimes predictable and sometimes not. Real estate markets are responding in interesting ways, and sometimes not at all. I recently had a really good conversation with a number of institutional investors about the future of downtown and suburban office assets. Half the group wanted to liquidate, run for the hills and find a better asset class to deploy their, now, reduced capital, and the other seemed to feel like it was much ado about nothing. Their rationale being that only the investors who have twitchy shareholders to placate would need to sell and those who trust their own strategy and capital, can simply wait it out. Many of those investors reported that they were doubling down, buying those fire-sale assets at 50 or 60 cents on the dollar and being patient. A matter of timing and responsibility, I suppose. I think that's a pretty good allegory for the current state of economic affairs in this country, most of the participants are happy to take it slow and enjoy the long-term appreciation and the ebbs and flows that come with that, while a small minority short-termists are in and out fast with great upside and catastrophic downside. One would have thought the lessons of aggregated systemic failure uncovered in 2008 would be a constant reminder to us all to look harder at the details and the big picture.

Alas, we have short memories, in all things. We are destined to repeat the mistakes of the past, but without our own flair. Fair enough. Again, I am reminded that traveling too fast gave me motion sickness, and the larger you are and the faster you travel, the harder it is to be nimble, maneuver efficiently, and without casualty. Real estate is the intersection of the natural and built environments and while people are talking about the economy more and more, real estate is all around us and touches it all. We have a hand in shaping and a responsibility to care for that environment

I will remind you, as always, that all housing is good housing and there is a renewed interest for increasing equity in 2023 and beyond. Pay attention to those conversations and engage yourself and others in them. You are stewards of the built environment and therefore you must constantly communicate and engage with the community, and you have many opportunities to balance the scales of equity, inclusion, dignity, respect, and kindness.

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