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Commercial real estate property in the fall - by David Kirk

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The Counselors of Real Estate (CRE) did not disappoint in NYC. Out of the box at the annual meeting of the CRE, NYC is active, if not vibrant. A grand variety of sub market volcanic eruptions. The five Burroughs are caring and sharing. And transactions are occurring and activity ramping. Long and short term plays abound. Busy. Sidelined global capital starts flowing, selectively and cautiously. Risk adjusted, and capital stacking differently.

Oversimplified to reshuffle the property deck. To put core CBD office at the bottom of pile in risk. Value add opportunity emerges clearly. Industrial still a star. Multi-family as well. Retail relaunching with personal services, entertainment, and even department stores. Hospitality selectively stable and resilient. And, now, wannabee's, adaptive reuse, upgrades and demolition, all dependent on micro factors, buoyed by macro economic resilience.

Highlighting a CRE panel on investment terrain, three large public employee pension funds and one smaller private office and foundation shared perspective and outlook, all with particularity and portfolio context. The capital markets are well informed and dynamic, led by the once secret handshake. All public information, on record, skillfully and robustly shared. The institutional sector is not late to banquet, just more prudent and deliberate. They still do their homework, their due diligence. They are now more nimble and engaging.

Repricing of insurable risks is dramatically impacting the pricing of assets. Self insurance and risk splitting and layering are changing the insurance markets, permanently. Climate readiness is an investment characteristic, permanently significant. And developers, owners and investors are building and operating to address the overlaying of climate risk. Risk strategies on-site have been pro-forma for decades. Heavier lifting ahead.

Housing, particularly affordable housing, has demonstrated broad and creative plans and production, finally to scale. Like land, housing is the essential ingredient to vibrant and expanding local economies. Still a derivative, housing has become front and center with the public sector chipping in, and out of shadows of the political process. We can build better, faster and cheaper if we try harder.

A long time since real estate was just an alternative asset in the portfolio. Now an essential alternative for short- and long-term investment and management cross border. Add infrastructure. The online offerings have added substantially to activity and the depth of diligence. Most real estate professionals avoid commoditization of the product. Slicing and dicing the available data has thrived and proliferated. Down and dirty has gotten dirtier.

The easing of rates by the Fed has improved the stability and flows of capital in the commercial property market. The risks – insurability, climate, hybridization among them – will continue and the so-called hair on the deals will persist. The markets are morphing. The colors changing with the fall!

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