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**Investors hate uncertainty: let's hope for change that is positive and beneficial to markets - by William Pastuszek Jr.**

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William Pastuszek Jr.

Eventful 2024 yielded some positive results, some negative: a lot of results were just unsatisfying. And uncertainty reigns into 2025.

COVID and The Continuance of Real Estate Angst. The 2020 shutdown took place nearly 5 years ago. While still fresh for many, dwelling on the impact of the pandemic obsessively doesn't do much for the effects that are still with us, impacts driven by low interest rates and economic stimuli, resulting in overwrought buyers.

While the ultimate effects of the COVID era were not predictable, the effects were misinterpreted by many. Many buyers and sellers dreamed there was such a thing as a free lunch and made some hasty orders but they were wrong. The effects of a bad meal quickly eaten don't go away quickly unfortunately.

Forecast: Expect that COVID will continue to be blamed for a lot of bad investments.

Commercial Real Estate. The real problems emanating from the frothiness of the low interest rate era and housing and commercial real estate frenzies have been coming to light. Maturing loans and lease renewals are creating difficulties out there for owners and lenders.

The low sales volumes in commercial real estate have made it hard to understand markets. Deals that get done tend to be relatively attractive investments or distressed ones. But, even in the troubled office sector, market participants are finding solutions. Buyers, sellers, tenants, landlords and lenders seek and find balance.

Forecast: Expect some surprises with troubled properties and property sectors.

Interest Rates. The Fed moved on lowering interest rates in 2024 to much jubilation. Short-term rates moved; longer-term rates did not move so much. The long-term rates have the most effect on financing real estate.

Forecast: Interest rates may not move as desired. Markets will continue to adapt.

Housing Affordability. Housing affordability is a huge issue. It just may be the issue of the next year as it has been in the year past as it will be the issue going forward. A multiplicity of factors pose tall hurdles: sky high land prices, low land availability, restrictive land use controls, high construction costs, advanced NIMBYism, and challenging interest rates. And, lots of government regulations. There are no clear paths to help address the housing crisis. And some suggested solutions aren't going to please everyone.

Forecast: It's unlikely there will be any brilliant solutions to the problem in 2025 even with a new administration. Affordability issues will stay with us.

Housing Availability and Pricing. Housing continues to show low volumes and positive price trends. The market seems strong and there is evidence that activity is picking up but it's too soon to announce a trend. There is concern by some that the GSE's, in their exuberance to provide continued stimulus to housing markets to feed their pipelines, are setting up for a coming housing crash. Given the changes made loan-to-value ratios, maximum loan amounts, and changes in the appraisal process, the possibility of some housing distress not too far down the road is not an impossibility.

Forecast: In Metro Boston, the current model will continue. There is not likely to be much relief in terms of rents, prices, or availability.

What does 2025 look like? With a new political environment and geo-political uncertainty and danger, there is a lot of risk and unpredictability in addition to the real estate issues. It could be better than this year but maybe not as good as we would like. It could also be a chaotic year. Investors hate uncertainty most of all: let's hope for change that is positive and beneficial to markets. There will be no free lunches; they have to be paid for!

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