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Pent up demand will support growth in economic recovery

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As the grass grows, so grows our resident labor force both in absolute numbers with new entrants and in age as cohorts advance. Jobs drive household formations, add to consumption and demand for housing and other durables. This demand is pent up. This demand will support growth in the economic recovery cycle. Although pent up demand is building pressure, few will venture how and when that demand will manifest itself. The current contraction is one of the longer recessionary episodes, and each day brings us closer to the recovery phase. The inevitability of the economic cycle is once again apparent, and the pent up demand will drive the property cycles.

In its fourth quarter 2008 just released in February 2009, the Cycle Monitor, published by Dr. Glenn Mueller and Dividend Capital Research, acknowledges: negative GDP for the first half of 2009; job losses for the full 2009; stimulus impact delayed until 2010; and declining trends in occupancies and rents in all property groups for 2009. However, Cycle Monitor observes that the lack of available capital has dropped new supply to the lowest levels in more than 30 years and concludes that this down-cycle should not be as deep as the last cycles.

The counselors will have its 2009 mid-year meeting in New York City on March 29th - April 1st, and the schedule and roster are loaded with some of our industry's best and brightest. Dr. Mark Zandi will be updating his most recent congressional testimony, his latest book Financial Shock to be revised and reissued this month and his forecast from Moody's Economy.com.

Most prominently, Robert White, CRE, founder and CEO of Real Capital Analytics, will join the panel of experts on Capital Markets and Valuation. Exploring the disparity between the bid and the ask, White is broadly recognized for compiling the most complete institutional transaction data base for the domestic real estate markets.

Marty Cohen, co-CEO of Cohen and Steers, Inc. with $15 billion under management, will lead a lunchtime session on REITs.

Separate expert panels will examine conditions and outlook for the hospitality, retail and housing property markets, and will provide input for testing Cycle Monitor conclusions and prognostications.

As reported by David Segal in The New York Times March 1st, Warren Buffett in his acclaimed investor report for 2009 demonstrated his traditional insight, candor and humor as he ran through Berkshire Hathaway's very tough 2008. Regarding the single-family housing and mortgage markets, he decried the perils of the models without worst-case scenarios and the "nerdy-sounding priesthood, using esoteric terms such as beta, gamma, sigma and the like." He bemoaned the contagion from derivatives (weapons of mass destruction) in banking and the capital markets. Let us hope that the banking regulators are more seasoned and circumspect as they apply their stress tests in the banks. Let us also hope that the efforts to stabilize commercial real estate capital markets are as constructive as the efforts to stabilize the single-family residential markets. Buffett also forecasted recovery, comparing the current crisis to even more severe historic downturns, saying, "Without fail, we've overcome them."

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