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## **Federal Open Markets Committee observes a slowing decline**

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The Fed in its April 27-28 release was reserved about the economy and market conditions, but confident about progress and its objectives. Inflection points are discernible over the shoulder and, while meaningful, are better points for reflection than decision-making. Better vision or visibility during this second quarter permits the decision-maker to plan and begin to execute for the recovery. Most see 2009 as a rocky road with bottom bouncing. Bottom fishing continues and frustration in commercial real estate is running high. Consumer confidence and spending are showing some limited and irregular positive trends. Housing markets propelled by low interest rates, tax credits for first-home buyers and improvements in consumer confidence are showing further signs of stabilizing. There is less talk of another false bottom to the bottomless pit.

The Federal Open Markets Committee (Fed) has observed declining rates of decline; "the economy has continued to contract, though the pace of contraction appears to be somewhat slower. The Fed observed a modest improvement in economic outlook since the March meeting attributable to stabilizing consumer spending and easing financial market conditions. Notwithstanding the likelihood of a continuing weak economy, the Fed anticipates that policy actions to stabilize financial markets and institutions, fiscal and monetary stimulus, and market forces will contribute to a gradual resumption of sustainable economic growth in a context of price stability."

The commercial real estate market continues to bump along. Current local property market reports include trends of moderate weakness in rents and occupancy. The commercial real estate capital markets are still restrained with volume apparently dominated by loan sales in a variety of formats. However, deals are getting done. There are several options for transactions in the \$10 million range, and few if any for transactions over \$50 million. The disparity between the bid and the ask is still significant and will persist with anecdotal evidence of improvement in the local and national economies. Similar to the market buzz in the residential markets, there is real traffic at the open houses and not just tire-kickers. Unlike the residential markets, capital is limited, and sellers and buyers have yet to reconcile their expectations.

Stimulus dollars are just reaching the intended recipients at state and local governments and will require more time to reach the private sector. However, expectations are buoying consumer confidence and business planning if not spending. This is not the bottom. Jobs are expected to continue to decline and commercial real estate with its job-dependency will lag as it has traditionally. However, visibility has improved and we can start to look forward to the sight in the rear view mirror!

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