



CELEBRATING
55 YEARS

nerej

Anecdotal evidence will provide the commentary

August 13, 2009 - Appraisal & Consulting

Patterns of activity are important and scrubbed data and rigorous analysis for trends are the foundation of sound conclusions about the marketplace. However, trends are after all just an accumulation of a lot of anecdotal evidence. An integral ingredient of any diligence program is the scavenging for anecdotal evidence. To inform the data selection process and final conclusions, one should undertake some primary research. Even the Federal Reserve Board recognizes the merit of anecdotes through its Beige Book enterprise. The Associated Industries of Mass. (AIM) recognizes the merit of anecdotal evidence through its attitudinal business surveys conducted monthly among its members in the state.

Here we are in a market that is looking up after looking down, and most sources have detected a bottom and a bounce. San Francisco Fed president Janet Yellen spoke July 30th and acknowledged "the first solid signs since the recession started more than a year and a half ago that economic growth may be poised to resume." Describing the expected recovery as "painfully slow," she attributed the change in economic activity to the fiscal and monetary stimulus along with the normal dynamics of the business cycle. Karl Case, in a Bloomberg interview after the Case-Shiller index reported an increase of .5% in the May over April 20 metro area home price index, said, "Prices are not falling now, in the aggregate. They are actually rising...Every single housing variable is up, and up significantly...but again, from a very low bottom."

The Beige Book, a monthly summary of anecdotal economic developments in the Fed's twelve districts, reported declining rates of decline, tighter credit conditions, soft labor markets and minimal wage and price upward pressure. Boston's First District report is lackluster. Few contacts expect business to pick up before 2010. The majority of retailers expect headcount to remain stable, and many are cautiously optimistic about being "past the bottom." The consensus in manufacturing is business is merely "bouncing along the bottom...and while bank credit remains expensive, financial markets have improved." Healthcare reform has impacted related demand for business services and represents a risk for improvement in 2010.

AIM reported its June State Business Confidence index edged off marginally, but Ray Torto of CBRE and chair of Board of Economic Advisors (BEA) reported an overall positive trend. Sara Johnson of HIS Global Insight and BEA member added if the recovery is led as predicted by business spending versus consumer spending, the commonwealth should be more favorably positioned than its traditional lagging role in recoveries.

Although some surveys are performed using scientific methods, the conclusions are often more anecdotal than scientific. Nevertheless the technique of inquiry that shortcuts systematic gathering

of data, scrubbing, quantifying and reporting it in an inscrutable format that defies understanding, is often the most effective method of discerning points of inflection and emerging trends. Networking with the market participants qualifies for gathering anecdotal evidence. The Boston marketplace networks. As we move to close the gap between the bid and the ask in our local property markets, anecdotal evidence will provide the commentary.

David Kirk, CRE, MAI., FRICS, is principal and founder of Kirk & Company, Real Estate Counselors of Boston, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540