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Marcus & Millichap's Green Voices Lack of Concern [Printable Version](#)
 December 07, 2004
 By Suzann D. Silverman, Editor-in-Chief

"Should we be concerned about the economy? The answer is a qualified 'no,'" declared Harvey Green, president & CEO of Marcus & Millichap, during his opening keynote presentation at CPN's Executive Summit yesterday morning.

Noting that the drop in the consumer price index was really due to a fall in energy prices, he pointed out that both inflation and interest rates remain well within historical averages.

Interest rates are not the only driver, he declared. While one school of thought has cap rates moving up when interest rates do, he subscribes to another school, which envisions lower cap rates than in the past. "I don't generally believe in paradigm shifts, but we do have to recognize (the possibility of change)," he noted.

Behind that shift is a change in how all the various investment groups are playing their hands. While new investors have moved into the market, private investors and fund managers are now buying the property institutions traditionally did. Meanwhile, institutions are becoming more entrepreneurial, teaming up with private players. REITs are aggressively buying and developing. Insurance companies have also returned, both in debt and equity. Commercial banks are tightening their underwriting, but allocating more to real estate, and users are returning to the market.

Despite the activity, there are caveats, Green said. B-piece buyers, firmly in control of the growing CMBS market, will be foreclosing on assets, he predicted. Tenant-in-common buyers, meanwhile, may not have an effective exit strategy--if, indeed, they have an exit strategy at all. And many office spaces lack the technological assets and flexibility to adapt to today's needs.

That said, "we think it's going to be another great year across the product types," Green ended enthusiastically.

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