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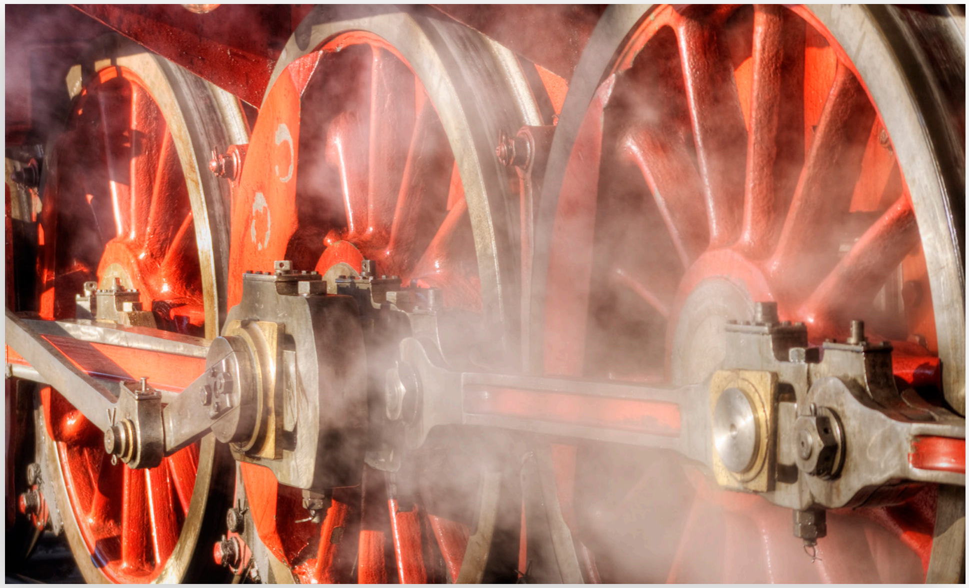

Slow Growth Outlook: No Worries for Real Estate?

Recent reports on a number of economic fronts—GDP growth, interest rates and Brexit, to name a few—have not been encouraging. Are these conditions a harbinger of the next downturn, or could they portend an extension of the "Goldilocks" economy that has been so good for commercial real estate?

Maybe the most disappointing news was second-quarter GDP growth, which came in at a weaker-than-expected annualized rate of 1.2 percent, while consensus forecasts called for 2.6 percent. Plus, first-quarter GDP was revised downward to 0.8 percent, indicating that economic growth has averaged a meager 1.0 percent thus far in 2016.

Weak GDP numbers were surprising because many components of the economy are doing well. Employment growth has been consistently strong, pushing unemployment below 5 percent, while workforce participation and wage growth are beginning to pick up steam. Meanwhile, consumer spending is rebounding, a sign that Americans are relatively confident and spending more freely this summer. As of June, consumer spending was up 3.2 percent year-over-year, the biggest increase since late 2014.

The main drag on GDP, however, was a 2.2 percent decline in business investment. Companies spent less on plant, property and equipment during the second quarter, while also cutting back on inventories. Some of this is related to the strong dollar and a resulting reduction in exports of products such as farm equipment to countries dealing with low commodity prices. It also could reflect businesses putting investment plans on