CREFC January Conference Recap: Riding the Wave

January 18, 2012 by Stewart McQueen

The image of the cresting wave looming behind the dais in the Loews' Americana Salon during Douglas Holtz-Eakin's keynote address posed a central, if unintended, question that was addressed by more than one speaker during the three-day conference. Are we riding a wave to recovery or facing a deluge of maturing debt? For most of the 1,200 industry participants that occupied Miami's South Beach for CREFC's annual January conference last week, there seems to be no certain answer (other than almost unanimous agreement that South Beach is a better Winter destination than our Nation's Capitol).

Notwithstanding, the overall tenor of the conference seemed to be a determined optimism projected against the overarching blanket of volatility. European instability, a jobless recovery, a newly normalized, lumbering pace of economic growth and a constantly evolving regulatory framework continue to make uncertainty the only sure bet. As one might expect, a number of clients we spoke with last week are adopting a cautiously optimistic demeanor for 2012 and plan to tread the market's murky waters slowly.

Will CMBS rebound (or continue to rebound)? Will the life co's and other non CMBS lenders be able to fill the void? How will regulatory reform be implemented? These questions are *so 2010*, and yet they stay with us. Depending on who you believe, CMBS output in 2012 is estimated to be anywhere from $25 billion to $45 billion (compared to approximately $28 billion in 2011). And even if the portfolio lenders have a gangbuster 2012 (which is, in fact, likely), they won't be able to bridge the void left by $360 billion of maturing debt this year. As for Washington, we can't even determine a cogent agenda for regulatory reform at this point, much less predict what the rules of the game will look like.

Perhaps we'll have answers (or at least a lessened degree of uncertainty) by the mid-year in June.

By: Matthew Clark and Stewart McQueen