GlobeSt.com
Real Estate is our domain SM

Is It Really Goodbye for QE3?

By **Erika Morphy** | National

The Federal Reserve Bank

WASHINGTON, DC—The **Federal Reserve Bank** ended its **quantitative easing program** last week on a satisfied note. The program accomplished what it was supposed to, the Fed said: it stabilized the economy during a time of upheaval and significant unemployment.
In truth, though, the impact of the program will be with us for some time. The Fed has only stopped buying these securities; it still holds a massive amount on its books. The bottom line for commercial real estate: it will be business as usual in terms of rates and policies for at least the next six months.

"There has always been a concern in the real estate industry about the impact on interest rates when the QE program ends," **Ann Hambly** of **1st Service Solutions**, tells GlobeSt.com. "We now know that the end of the QE program does not equal a rise in the Fed Funds rate immediately, according to the announcement by the Federal Reserve."

There are other reasons why few expect the US economy to go through QE3 withdrawal in the near term.

The European Central Bank and, as of late last week, the Bank of Japan, have launched their own quantitative easing programs, the effects of which will eventually be felt in the US economy.

In addition, principal pay down of bonds on the Fed's balance sheet will still be used to buy agency GSE paper, **Jacques Gordon**, global head of research and strategy at **LaSalle Investment Management** points out. "Also the quantitative easing program was part of worldwide demand for US Treasuries," he tells GlobeSt.com. "That global demand still exists and reduced deficits means that Treasury will not have to issue as much debt." So demand for US T-bonds could remain high relative to supply, which will keep downward pressure on interest rates for the long end of the curve, even after the QE program stops, Gordon concludes.

It is also important to remember that the Fed has been extremely methodical in its tapering of QE3 and the market has had ample time to get ready, says **Andrew Smith**, managing director at **Kayne Anderson Real Estate Advisors**.

Prior to the end of QE3, the Fed had already cut monthly bond purchases from $85 billion to $15 billion and both the economy and CRE have continued to improve, he says. "Cutting the final $15 billion is not going to cause any major change. It seems to us that the bigger focus should be on interest rates, easy credit and the potential for global macroeconomic unrest."

Washington, DC reporter Erika Morphy goes deep inside the DC power scene to explore the link between Capitol Hill and your assets. Erika Morphy has been a financial journalist for 20 years. She’s been covering the capital markets for ALM since 2004. Contact Erika Morphy.