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There will be opportunities for those who can present value proposition to cost-conscious consumers

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All of us are vitally concerned about the portents for the commercial real estate market. Our livelihoods depend on a continuing-even growing-demand for space by businesses, large and small. And we have all developed new sensitivities to the way seemingly innocuous trends, like rising defaults in subprime residential mortgage loans, can devastate the economies of countries around the world (McKinsey & Co. estimates that the collapse of the housing bubble erased over $3.4 trillion in home equity globally).

That said, the tea leaves we generally rely on to divine the direction and velocity of emerging events-when the market will turn, what the shape of demand will look like in 12 or 18 or 24 months, how values will fair in various property types-are apt to be as accurate in their predictive ability now as they were in the months before the bottom dropped out.

In point of fact, the objective information that informs the industry's view of itself is mostly a reflection of the past. Today's vacancy and absorption rates were determined by decisions that were taken many months ago. The forces that will drive trends in 2010 and beyond are not being widely discussed, analyzed, and incorporated into our business plans.

In a survey of over 1,500 global business leaders reported last month, McKinsey & Co. found that their top strategic priority (selected by 45% of the respondents) was to cut operational costs. This is not a harbinger of impending growth and prosperity for the commercial real estate industry. Cutting costs is more likely to involve reducing a company's property footprint than increasing it.

Consequently, a significant surge in demand is not likely to occur until well after revenues and earnings have rebounded and the capital markets have been re-rationalized. I say "well after" because before orders for new facilities are teed up, many astute business leaders are going to try to wring every conceivable ounce of capacity out of their existing plants, warehouses, and offices. Unfortunately, there are no widely construed data sets that report things like plant capacity and throughput, or office space utilization, on which to build a reliable model for analysis.

But there is another metric that can be used - unemployment. There is a measurable correlation between unemployment and vacancy. You can reasonably anticipate a rebound in demand for commercial property in the wake of more healthy unemployment figures. Note, however, that unemployment is currently increasing-which reinforces the probability that commercial market indicators will not improve dramatically in the immediate future.

So where does that leave us? Somewhere between Scylla and Charybdis. On one hand, demand is likely to remain anemic for the foreseeable future. On another, there is a towering obstacle we are fast approaching. The Real Estate Roundtable estimates that, between now and 2012, $1.8 trillion of commercial mortgages will come due - many of them placed on properties at or near the height of the last value cycle. And Real Capital Analytics estimates that over $1.3 trillion in equity has already been lopped off the value of our commercial property inventory.

We've been to this movie before. At least, to its prequel. Any expectation that we will quickly or easily find the industry fully recovered any time soon is unfounded foolishness. Deals are going to continue to be fewer and further between, harder to make, and excruciatingly scrutinized by the fraternal order of bean counters.

At the same time, there are going to be significant opportunities-not just for vultures, bottom feeders, and grave dancers-but for those who can present a compelling value proposition to otherwise reluctant and obsessively cost-conscious corporate and institutional property consumers.

That's the bad news.

The good news is that the industry has been right sizing itself, too. Hopefully by now the order-takers, poseurs, and fakirs have run away and joined the circus. The rest of us can now get down to the hard business at hand-creating, adding, and protecting value for our clients.

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