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55 YEARS

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We all know some truths about the market we are in. We are all aware that arguably we are in the toughest economic time since the great depression. A recession or "dip" in the market is not new to many. Most of you reading this felt the late 1980s and early 1990s and vowed to never forget those times. I started my real estate career in 1997. I wasn't intimately familiar with the market crash of the late 1980s but started my career during the recovery from that crash. I had many conversations with my father-in-law about that market. The stories were many and the lessons were there. I can remember listening, as a "glass half full" kind of person I am, thinking of the vast opportunities there must have been created during that market. And certainly there were. While working through the upswing of that market and seeing real estate values continue to rise, we all experienced times like 2003-2007 when everything was selling. If you placed a commercial property on the market priced right, it sold. During this time, many investors forgot some core values of real estate investing 101.

I wanted to write this article about reality and not predications. Reality is- the market is down. This is true in Maine and throughout New England. Vacancy is up, rents are down, and expenses continue to rise. All of this has helped create "the perfect storm" for commercial real estate values to decline over the last 2 years. I have read that economists are predicting the bottom of the commercial real estate market to hit in late 2010. I am cautiously optimistic but we have some additional hurdles that we will be faced with in the foreseeable future. Unemployment will continue to impact our industry. The inevitable rise of interest rates and inflation over the next 2-3 years will impact our industry. And lastly, let us not forget that the capital gains tax break is due to expire at the end of 2010. This will open the door for the current administration to move that tax rate, should they so choose. If this rate moves upward over the next year or two, this may also have an adverse affect on the commercial real estate market.

So, is there an upside to this market we are in? Inevitably the market always corrects itself. My message to my clients for 2010 is to really look hard at your personal goals. Are you a buyer, seller, tenant or company looking to purchase? How can you use this market and the opportunities available to benefit your bottom line? There are vast opportunities currently available and will become available throughout 2010.

I believe if you own investment real estate and you think you may wish to cash out your investment within the next 3-5 years, this may be a strong year to look at a potential sale. There are still unknown's in the future of commercial real estate. How will interest rates affect values over the next few years? And what will happen to the capital gains tax rate? However, for now interest rates are still down and projected to stay there for the short term and the capital gains rate is still at 15%.

If you are contemplating buying, let's refer to one of history's greatest investors, Warren Buffett, who has said, "be fearful when others are greedy, and be greedy when others are fearful." If you are a

long term investor following real estate investing 101 and the property works, buy it! This is a great time to buy. Over the next 3-5 years, the commercial real estate market will rebound. Right now money is available and affordable.

If you are a tenant or a company looking to purchase, now is a great time to negotiate your cost of leasing or to purchase a vacant property to move your business into. High vacancies have driven down the cost of lease space. Landlords are all looking for tenants and have very sharp pencils to get deals done.

2010 is a year of great potential. 5-10 years from now we will look back, just like I did when listening to stories about the late 1980s and think of all the opportunities that were available. Remember, America will persevere! Now is the time to invest in your future.

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