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## Here in N.H., watch the construction sector-both residential and commercial

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Spring is here and we are seeing some positive movement on Main Street. If the national and global economy does not slip us a mickey, the proverbial "double dip", we should see slowly rising employment. At the same time we need to make a dent in under-employment -- those working fewer hours, no overtime, or simply underutilized in jobs that do not match their skills and education. The latter is a big factor for recent college grads. Under-employment ranges between 15 and 20% of the workforce, depending upon whose numbers you use. This is on top of the 7% (NH) and 9 to 10% (national) unemployment. Add them together and the diminished income becomes a real drag on the consumer sector.

But with daylight savings time, longer sunny days and pent-up "demand" following a dismal 18 months of diminished economic activity, folks are adjusting and figuring out how to put bread on the table. We have taken on advisory projects "out of market". A year or two ago I would not of been interested in consulting in New York City or New Jersey. I find myself traveling down every 2 to 3 weeks to provide professional real estate services to clients that need to "rent" a real estate department for 2 to 4 quarters. We are formulating overall real estate strategies for one client, advising on a challenging lease negotiation for another, and overseeing the due diligence regarding the real estate and environmental elements for a proposed merger for a third.

We are able to do this because our staff has these competencies and can jump right in. We solve problems and then move on. Our job is to work ourselves out of the job. But frequently we get called back after a period of time because it can be more cost-effective to use us on a Time and Materials basis than hiring staff who will have some, but not all, of the skills we collectively offer. This is a business line that is working for us right now.

Another component of the slow rise from the great recession is the decision by some folks to retire. A handful of longtime commercial real estate practitioners have elected to wind down operations. They feel a slower recovery means many quarters before transactional values become robust, so unless you are prepared for a multi-year (four? five? more?) run to ride the next cycle, maybe now is a good time to ease off and begin enjoying life. Others are sugaring off (to use an appropriate seasonal metaphor). There simply are not enough transactions to keep every practitioner in the game. Some reluctantly are facing economic facts and calling it a day. A rising tide floats all boats, but this tide has been out for quite a while and is not rushing back in. So we have set course for a 3 to 5 year period of recovery. The worst is behind us and better days are ahead. This is not to say there are no challenges, nor that everything is improving. As Rich Kargaard from Forbes said in his column several months ago, this will likely be a "VW" recovery. Some sectors and areas will bounce back quicker than others, while some will bounce up off the bottom, drift back down and bounce up again. That is what we are seeing. The Commercial Real Estate Alliance says these are the 2010

trends to watch:

- \* credit will remain tight
- \* bank foreclosures will increase as more commercial loans come due
- \* consumer spending will remain sluggish
- \* vacancies will continue to increase throughout most of 2010
- \* capitalization rates will move slightly
- \* commercial property sale prices and rents will remain mostly flat or decline further
- \* commercial real estate construction will remain slow
- \* sales volume of transactions will begin to increase
- \* more entrepreneurs and opportunistic funds will be closely examining real estate

Here in New Hampshire, watch the construction sector - both residential and commercial. This is an important jobs sector in New Hampshire. If it remains soft/flat that means a significant number of households will continue to be stressed. And we are smack in the middle of town meeting season. Voters are penny-pinching. Few new initiatives here. Schools - ditto. The state of New Hampshire - ugh! So if we can nudge unemployment below 7% by year-end that will be a good result. In the commercial real estate world, the prominent mantra is "To get to heaven, survive till 11!".

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