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## **2010 is a year of transition from the current market to a balanced market**

May 26, 2010 - Spotlights

This is going to be an interesting year for commercial real estate. Regardless of our status in the market: owner, tenant, buyer, seller, lender or broker, it will be a year of transition. It is a transition that will likely take some time to complete.

The transition I reference is one from the current market to a balanced market. Never in history have so many unknown, uncontrollable and far-reaching factors influenced the commercial real estate transaction process. This makes it almost impossible to plan and budget. It is very difficult to know good transactions from not-so-good transactions, and therefore very hard to quantify transactions (value real estate).

Not only is our Federal government passing sweeping measures at an alarming rate, but our friends in Europe are starting to drink the same water as our Washington officials. The condition of the financial markets, domestic and foreign, are becoming so suspect, that no transgression, real or perceived, seems to faze us. The threats originating from a man-made oil disaster are so vast that it will be years before we know how widespread the impact is.

In our industry, even though there are billions of dollars of commercial loans due or coming due, some of them being pretty nasty loans, I do believe that with the right combination of abeyance and liquidation we will move us closer to the balanced market we seek.

If we follow the oil thread and in its economic impact, we get a sense of why the transition to a balanced real estate market could be threatened. Tourism and fishing industries in the gulf and beyond could be devastated, and for how long, we don't know. Restaurants here in New England and worldwide will have to adjust their menus in some way to keep patrons coming in the door. Lending and insurance in areas threatened by contamination will be very suspect. And on it goes. But it is the multiplier effect that such events have on our industry that is the major driver. The fishing industry drives jobs in storage and transportation among others. Fewer deliveries means less demand for warehousing and motor transport facilities, less fuel is delivered and consumed, less rent is paid and jobs dry up.

But there is some evidence that our business is picking up here in New England. Many of my colleagues are reporting that things are "getting busier". When I probe about what "getting busier" means, I hear there are more inquiries, more showings, more properties going under agreement and better priced listings. Asset managers in Texas are paying more attention to their broker reps on the street here in New England. Lenders are calling brokers looking for loans. Engineers are reporting more inquiries from land owners.

The activity seems to be spread over several areas of real estate. The medical industry is driving office activity. Well-located retail properties are in play earlier in the transaction cycle than in the past. Inquiries on industrial type properties have increased and we expect more of these buildings to

be re-used or re-purposed than is the past couple of years. Multi-family continues to be a refuge for some investors. There is hope because we can influence the transition by getting better at managing and closing transactions.

What can we do to better manage and close transactions? We can focus more on what we control, while acknowledging and factoring in the things we cannot control. We can start with examining our attitude. How well do we deliver our message? Is it a positive one or negative one? We can get better with details. It takes more time to gather, analyze and understand them, but at least one party in the transaction is going to know the details, so we must be prepared.

We can do a better job at educating our landlords on how aggressive competing landlords are with rental rates and incentives. We can make more phone calls, 5 more each day is 20 more each week.

We can pay more visits to owners and tenants in our market areas. We can do a better job listening to our customers and clients. How else can we assist them in meeting their objectives?

Don't underestimate our role in this transition. For each positive response to an inquiry, we impart a positive tone on the commercial real estate industry. For each empty building we fill, a job might be retained or created. For each transaction we close, a Para-legal, an appraiser, a surveyor, and others get to keep their job. One of these parties will start going out to dinner twice a month instead of once a month. The local restaurant will order more food and hire more staff. Deliveries will pick up and the demand for warehouse space will pick up. Sounds like the multiplier effect.

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