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CRE hold national convention in Seattle - Part 2

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But certain specific jobs will never come back. So there will be a mismatch of new jobs and old jobs lost. The length of the work week is expanding as well and temporary hiring is increasing.

Consumption

The U.S. is a consumer economy and 70% of the economy is consumption based. This time around the leader will not be the consumer, it will be the Feds and we will be paying more in taxes. Housing prices will experience 4-5% declines in the next few months and then we will experience an increase by the end of 2010. The U.S. export/import ratio will be positive and we will move forward from a purely consumption based country. The Federal Budget Deficit for 2010 is projected at \$1.3 trillion. As a share of the GDP, it is high. The Budget is an issue. The Federal Debt burden is rising and China is playing a big part of the debt. All this information implies high interest rates but there are political implications. She sees interest rates rising to 20/20 and that is not good. The CBO projections are more positive than her projections but in either case there is never a closure of the gap between revenues and expenditures.

Inflation and Interest Rates

Mansour sees a continued increase in interest payments mount for the Feds and less money for the government to spend on goods and services. The 10 year T-Bill is in a bubble and Europe is scary. People will pile their money in the U.S. T-Bills and move away from Europe. Interest rates will rise to attract global money. Inflation will see a sharp rise after 2010 to 5.5% on T-Bills and a rise in interest rates. There are 2 camps right now in the U.S.; deflationary thinkers and inflation hawks. She sees no rise in the Fed funds until 2011 and we are deleveraging and when there is deleveraging then there is deflation. The dollar velocity is low and it is not trading hands as fast. The second argument is debt and there is massive debt. She thinks 2-3 years from now, she believes there will be massive inflation. The Chinese inflation is currently double digit. Inflation will have an impact on real estate and CPI will be good escalators in rental rates.

U.S. Regions

Mansour believes that we are all recovering but not all at the same pace. Massachusetts is in a moderate recession. The U.S. has a positive 1% population growth forecast which is better than other countries and therefore this is good news for U.S. real estate and the housing market. The future of real estate is good with the anticipated inflation impact. Additionally 90% of the U.S. population with jobs are seeing lower income but it is still a recovery. The biggest headwind is not using one's house as a source of wealth and not using a house as a line of credit.

Potential Sectors to Grow

Mansour concluded with areas of growth that would be encouraging for real estate. She pinpointed hi-tech, health care, education, finance, retail, leisure and hospitality and professional services.

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