



CELEBRATING
55 YEARS

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Mixed signals

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As the year comes to a close, it is human nature to reflect on the year past and contemplate the year ahead. As our economy works out of the Great Recession, we search for lessons to be learned and signs of what lies ahead.

The clearest lesson is that "if it sounds too good to be true..." it probably isn't true:

- *No verification, no documentation mortgages for nearly 100% of value turned out to be much more curse than blessing.

- *AAA-rated mortgage backed securities are clearly not what they appeared to be.

- *Investments based on 4% cap rates, using forecast income, don't always pan out.

These are but a few examples of the "too good to be true" mentality. The clearest lesson to be learned in the real estate investment world is best described in the famous quote from Ronald Reagan, "Trust but verify."

Looking ahead, there are clearly mixed signals in the year end data. On the bright side, the 2010 holiday season produced record level retail spending. Many feel this shows the American consumer is back in the game. Since much of our economic strength has historically been built on consumer spending, this is surely a positive indicator.

On the other hand, the news on the housing front is not so encouraging. Based on data through October 2010, the S&P/Case-Shiller Home Price Index shows signs of a slowdown in the housing recovery in 18 of the 20 MSA's included in their tracking data. Boston shows a decline of 1.2% from September to October which followed a 1.3% decline from August to September. David Blitzer, chair of the Index Committee, said, "The double-dip is almost here, as six cities set new lows for the period since the 2006 peaks. There is no good news in the October Report. Home prices across the country continue to fall."

This price trend, combined with growing inventories of unsold homes, is less than encouraging. Since housing has led the economy out of a number of recessions, these are troubling indicators.

All is not negative economic news for sure. There are bright spots, which provide for some optimism. The bottoming out of class A office rents in Boston, the strength of the East Cambridge market and the booming market in investment sales of multi-family properties all provide a basis for optimism in the New Year.

Looking ahead, we can expect more bumping along the bottom in housing, repositioning of class B and C commercial properties and sustained strength in consumer spending. Happy New Year and good luck in 2011!

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