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By Bill Norton - Investors are still on the sidelines waiting and sellers are anxious for economic upswing

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Sitting to write this column on a warm summer evening - a day after the stock market dropped 500+ points, we are grateful that the world didn't come to an end with the debt limit extension voted on in Washington. Of course, now the Committee of 12 needs to come up with a miracle (not likely in dysfunctional Washington DC).

Jeff Thredgold's column was abbreviated this week. He couldn't summon enough energy to be upbeat about events of the past few weeks. He leads with the statement that "the anxiety levels are at an all-time high" - you can say that again! There simply is very little positive economic news anywhere in our tightly knit global economy.

The commercial real estate sector continues to be quiet. Investors are still on the sidelines expecting property values to fall further. Sellers are anxious as well, most hoping that the economy would be on an upswing by now. Alas, the US economy remains anemic and job formation is weak to say the least. Now, governments (which represent 43% - 44% of GDP!) are laying off in significant numbers. Moreover, many government employees are reluctantly taking retirement fearing that if they stay on the payroll, their retirement benefits, especially healthcare, will erode more each year. Needless to say, the morale in the public sector is deflated.

I'm working on a project in Orange, New Jersey to move a special education school. With all of the layoffs, furloughs, etc., it took 6 1/2 weeks to get a building permit. The fire marshal, who reviews the plans for fire and life safety, works only one day a week! His voicemail says "leave a message and I'll get back to you in four business days". The plumbing inspector now works two days per week, and you guessed it, different days than the fire sub code reviewer, the electrical inspector and the mechanical inspector - ugh.

While many communities are eager for development and redevelopment, with a resulting increase in tax base, and hopefully jobs, their current fiscal and budget constraints often preclude them from helping their own cause. This slow period in the economic cycle does offer opportunities to think long-term, improve zoning and tackle projects that have been "back-burnered" in busier times.

Back here in New England, the regional and national associations are trying to put a good story together on the current status of commercial real estate. With stagnant job growth, coupled with ongoing layoffs, this is not an easy story to tell.

For tenants ready to lease space, there certainly are deals out there. We recently placed a large engineering firm in 9,000 s/f for a 10 year term at what they feel is a savings in annual rent in much improved space.

On the sale side, there are transactions as well. The first tier properties are still trading at a sub 9% cap rates. In fact, multi-family has hardly budged. The theory is the lingering Great Recession will force people to rent, demand will increase when the overall economy improves, even slightly, which

spurs household formation. But if you see troubled waters ahead, you must be pondering where the incomes will come from to pay these rents. We also hear of numerous concessions, even up to two months free rent for a one-year lease on larger and pricier units. None the less, multi-family continues to be the strongest sector in commercial real estate.

The office sector seems to be one of the laggards. Communities like Manchester and Nashua, each with over 1 million s/f of vacant office space, are pondering where these office jobs will come from in the second decade of the 21st century. The irony is that the longer the "hockey stick" (i.e., very gradual) recovery persists, the more businesses are investing in technology and other productivity tools that further suppress the need for new employees.

One thing is for sure, the next 90 days will be telling as to where the U.S. economy is going (or not going) and whether the President has a prayer to be re-elected. Of course, the recent partisan circus in Washington cannot give any rational citizen hope that one party or the other, Democrats v. Republicans or conservatives v. liberals, has a clear vision of how to get our nation back on an even keel, paying its way annually, motivating entrepreneurs to invest and shrinking first the growth in government spending, then the actual operating budgets themselves! But don't worry, the "Gang of 12" is being formed and they will come to the rescue like the U.S. Cavalry.

Here in New Hampshire, we will see all of the presidential hopefuls upfront and personal. So far I've been totally underwhelmed. I truly believe if we shut off the air conditioning (a Green initiative!) in Washington on May 1st and do not turn it back on until October 1st, sending the politicians and their staffs back to their districts and their constituents would be the best first step to righting the ship (we will leave the lobbyists on K Street to either shrivel up and expire or go get honest jobs!).

Enjoy the remaining weeks of summer (the snow will be here before you know it).

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