



# nerej

## What the New Year may bring and ways to have fun in 2012

January 12, 2012 - Appraisal & Consulting

I took a survey of my various circles of friends: the bankers, the appraisers, the brokers, the assessors, the hockey players that didn't know anything about commercial real estate and those that did. I thought it was important to make that distinction.

I asked the survey group what they thought 2012 was going to bring. I told them to be succinct. To those who did not understand that word, I told them in 10 words or less. A number were left speechless in light of that instruction and I won't tell who those were. I do this every year, but not in any consistent way. That would be too easy. I try to find a new way to measure what the New Year will bring; I try to look for some things that we haven't considered before.

What about 2011? My sources were pretty unanimous in saying that it did not live up to expectations. That is to say, it was not good. I asked, so, was it as bad as 2009? Everyone said, "No!" Was 2010 better? Nearly everyone said "Yes!" Except for the diehard Bruins fans: but they were not talking about real estate but about events that could be stretched to have an influence on real estate.

The year of 2011 started out with promise and hope to capitalize on 2010's improvements in residential and commercial markets. The year of 2010 saw cap rate "compression" and market "bifurcation" occur and an upsurge in demand for various types of investment grade real estate take place. Economic signs pointed positive, at least mildly so.

As we got into the year of 2011, the economy sputtered around. The Tea Party, Republicans, Democrats, and other factions real or imagined simply couldn't figure out ways to play nicely together. The ratings agencies got their revenge for having their hands slapped by the Feds. Europe became highly problematic: nobody over there could figure how to play nicely together either.

The most exciting thing about 2011 in commercial real estate was the resurgence of rental housing. With a housing market in continued shambles and with potential buyers scared away from putting equity into a losing proposition, others not affording to buy, and others in distressed /foreclosure/bankruptcy situations, apartment rentals and thus, apartment buildings, became the darling of investors with consequent increases in rents, declining vacancies, bid up prices, and pushed down cap rates. Not real sexy stuff but it helps make payroll until more juicy stuff turns up. More on that later.

For the Year 2012, my sources fell into the following categories. A/ Same as last year (safe, but boring); B/ Worse than last (small minority); C/ Better than last year, marginally (that was the "safe bet" group; and D/ It will be an "interesting" year (what does that mean exactly?).

These are not useful responses! Where is the creativity, where is the excitement? If there is any to be had, people are keeping it close to their chests. So, either a bunch of these folks have got perfectly exciting (and potentially profitable) things going on and are not saying or it's going to be a boring year. Or, it may be a worst case year.

I hope the former is the case and all sorts of exciting, new, and groundbreaking deals are going to be all over town. Probably, though, it's just going to be a somewhat boring year but everybody will be taking care of business and that there will be business to be had.

That's the way I'm going to look at next year. It won't be a lot of fun, but it won't be awful, and I wish everybody to do some business, get some deals done, and enjoy what is real, reachable, and not to lust after the unattainable.

William Pastuszek, MAI, SRA, MRA heads Shepherd Associates, Newton, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540