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## End of summer recap: Sharing some questions and observations about the market

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The summer is winding up. After some two months of low traffic in and around Boston (sometimes) due to the absence of students on the roadway and others on vacation or in hiding, the traffic returns. So does the frenetic schedule of fall. It seems fitting to wrap up the summer by sharing some questions and observations. Some of these will provide future subject matter.

\* Is residential real estate really back? In many markets (but not all), increased buyer activity is shrinking inventories. My contacts out there in the residential world tell me that the market is pretty segmented overall. There are some markets where buyers can't seem to make offers fast enough, and, there are others, where even slightly overpriced houses will sit.

\* What happens if everybody who has been holding back puts their house on the market at the same time? Won't that flood the market and drive down prices? That's certainly a possibility but have faith in the ability of markets to self-regulate, especially after so many home owners have waited so long to sell. Most can afford to wait a little longer. This seems to me a function of activity at the sub market level, where buyer and their brokers gauge the market to get maximum exposure for their properties.

\* What if all the REOs come onto the market at the same time? What if all that "shadow inventory" hits simultaneously? Again, possible, and this kind of event may "delay" the recovery. But, a similar answer as the preceding question is in order. There is no compelling reason for everyone to rush to market just now. The fed has indicated that rates are to remain low, no hiccups appear to be economically imminent, and the Euro business has mostly been discounted by markets.

\* Does the cost of financing affect residential and commercial real estate? You bet it does. Fundamentally. Remember the real estate crash. How did all that "toxic" product get created and packaged?

\* Is the residential development market back? There is every sign that this market will (or is) coming back. In certain areas, developers have been busy doing knockdowns and this does not just hold true at the high end (though that is certainly happening) but at the mid-market level as well.

\* Developers have been hot on rental apartments. Does the improved condo market mean a lot of these developers will go back to condos? Pretty likely. Consider returns on rental apartments and the possible returns on condo conversions. Look to a lot of these developers to flip their projects to the next investors. Not a bad model. Buy a building, clean it up, install central air conditioning, granite counters and stainless steel, put in tenants paying premium rents, sell it at the peak of the market. Let the next investors figure out a way to make condos work.

\* Is land development coming back? It will. The stocks of the major home builders have risen of late and local builders are beginning to exploit opportunities and consider possibilities.

\* Will it be as frenzied as before? Don't ask me. No, okay, I will answer. I hope not.

\* When can we expect the next bubble and bust? No, don't start that again. I don't want to think about it so soon. But isn't that how markets work? They start slowly, deliberately out of a downturn, everybody agrees to play nicely, things get out of control, peak, then crash. Answer: If you know, let me know, we can do something with that information.

I'm looking forward to the fall: real estate is endlessly fascinating. There are always more questions, even if you answered the initial ones in a reasonable manner. Hope you enjoyed your summer.

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