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Real estate maneuvering in a shifting sands environment

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all woke up to a government shutdown. According to many, it would be a disaster, as up to 800,000 employees in the
Federal government could not go to work today. I immediately checked on the business news to see how the stock market responded and was amazed to see that both the S&P and Dow Jones were "up" in the future's market. How is it possible, with all the problems that were going on? I conjectured that we were all numb from the various crises over the last few years, or that the economy was in fact strong enough to withstand lows like this.

As it turns out, this shutdown was the 18th government shutdown since the early 1970s. In every one of those shutdowns, approximately a month or so afterwards, the stock markets were up. This one, I thought, could be different. The difference is that there are so many uncertainties pending, all of which have some relationship one to the other, any sequence of which could have a serious impact on our economy and the real estate industry -sort of a witches brew, if you will.

First, there is a huge amount of government intervention in the markets at this time, which was not necessarily present in the last 17 shutdowns. This government intervention has been both positive and potentially negative. Here are a few of issues to consider. On the positive side:

* The Federal Reserve Bank buying bonds, keeping interest rates low.
* Getting back to even in the stock market, since the great recession, partially because of low interest rates.
* Improvements in the housing market because of low interest rates available to buyers and supplier constraints over the last several years.
* Improved "wealth effect" as individuals feel the property of their real estate improving and the availability of money continuing as are the low interest rates.
* Improved consumer confidence supported by the wealth effect, with increased discretionary spending.
* Lower budget deficits, predominately due to more tax revenues from an improving economy.

However, government intervention or gridlock can of course cause negative effects. Consider the following:

* The Federal Reserve Bank now planning a tapering of bond buying, probably causing interest rates to increase.
* Last night's lack of a "continuing resolution" to fund the government programs, leading to the shutdown.
* A debt ceiling negotiation within two weeks, with the threat of government bond default, or at best, a United States government down grading.
* Stalled housing improvement, due to higher interest rates.

* Stalled employment picture, due to uncertainty in business.

* Uncertainty of impacts from Obamacare, causing both business and individual jitters.

What's a real estate person supposed to do? Be nimble, be quick. Some say our market is really just a matter of supply and demand, independent from government, and we should just ride it out. However, it's clear to me that the government is constantly influencing supply and demand through the maneuvers cited above. Individually, each of these issues may be "baked in" as the pundits say, and there may not be a big impact. But they are also connected in a causal relationship, and if half or two-thirds of them all happened at once, it could be a "black swan" event, not fully envisioned or appreciated

Call me a scaredy-cat, but the environment is all too uncertain for me. I worry about over building into it, or over investing, or over spending. Hopefully, each worry can be dealt with one at a time, without the possible link-up causing a big bang. So far, this government maneuvering has produced controlled and positive results. But there still is plenty of uncertainty, the outcome of which no one can predict.

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