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Their is good news out in the marketplace, but sometimes you have to look hard to find it

March 26, 2008 - Spotlights

Sitting down to write this column can be challenging some months. I heard on the radio this morning that we are likely in recession, and I do not disagree. If it is a short correction, it is not a bad thing as our economy had been over heated. However, if it is prolonged (6 months or more) it will be too much of a good thing.

There is no question we have many challenges ahead of us. Rising energy prices, rising property taxes, tightening of the job market . . . the list goes on. But periodically we get to work with new businessesâ€”start ups. This can be challenging and these most often are micro businesses with 1-3 people. But having started Norton Asset Management solo, 19 years ago, we do have a soft spot for these endeavors. The point is when the economy softens, we see an increase in these start ups. Often this comes more from necessity then choice but necessity is the mother of invention and while the success rate for these start ups is not stellar (30%-50% are the most often cited statistics), they are often our future.

We need jobs to fill empty buildings and the prospects are much better that we will see 20 new companies of 5 people than 5 companies of 20 people or one company of 100 people. That is not to say that there are not small and medium sized companies doing well or very well currently. Yesterday we met with a strong growing electronics firm, and we are now starting a search for a larger building for them for mid 2009. Among the media stories, there are some bright spots.

Lenders have money and are eager to put it to work. Nationally US corporation are sitting on a pile of cash (over \$600 billion!) so there are resources to ride out this recession/correction. We will however have to adjust to rising energy costs. The other day I spoke with a woman as we waited for an elevator. She told me she just paid \$750 to have her roof shoveledâ€”more than it cost to fill her oil tank. Ouch!

Periodically my friend Jeff Thredgold, an economist, publishes "Happy Talk" in his weekly online newsletter. Like Obama, I will borrow a few happy facts in an effort to bolster your morale as we crawl out from the winter of 2007/2008.

* US exports to the world of goods and services are at record levels. (BN: we still have a long way to go!)

* For every dollar of U.S. economic output generated today, we burn less than half as much oil as 30 years ago. (BN: again, we can do much better)

* The nation's jobless rate averaged 4.6% in both 2006 and 2007, the lowest average in six years, and lower than average rates in the 1970s, 1980s and 1990s.

* The American economy added nearly 7 million net additional jobs during 2004-2006, and added more than 1.1 million in 2007. (BN: this is slowing big time and in fact may turn negative in 2008.)

* Productivity of the average US worker rose an average of 2.6% annually during the past 10 years,

the largest gain in 40 years. Rising productivity is a long-term key to higher standards of living. (BN: we need to continue to focus on this.)

* American household net worth in 2007's third quarter reached \$58.6 trillion (!), the highest ever and three times the total of 18 years ago. (BN: this occurred despite nationally softening home prices.)

* Roughly 30% of trash was recycled or composted in the latest year vs. 15% in 1990. (BN: we need to double this amount right away!)

* Donations to charity set an all-time high in 2006, with a total of \$295 billion donated by individuals, foundations, and corporations. As a percentage of GDP, Americans gave twice as much as the most charitable nation—England.

So there is happy/good news out there, but sometimes in political funny season we have to look hard to find it.

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