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55 YEARS

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Counselors of Real Estate spring meeting in Austin

June 12, 2014 - Appraisal & Consulting

Members of the New England chapter of the Counselors of Real Estate (CRE) joined counterparts from across the United States and Europe for the Spring Meeting last month in Austin, Tex. The annual gathering provided numerous thought provoking sessions on topics ranging from Global Real Estate Capital Flows to Impacts of New Accounting Standards to Real Estate.

Thanks to fellow CREs - John Baczewski, Don Bouchard and Ray Torto - for their comments excerpted below:

The Good, The Bad, and

The Ugly: CRE-nomics

This panel had a lively discussion on the economy, globalization, government policy, capital markets, urban trends and their implications for CRE. Key takeaways included:

The Economy

- * Good - The US has never been wealthier, has never had a lower debt burden and consensus was 2014-2015 would be better than last year.

- * Bad - The "tepid" recovery. While private sector jobs are above the peak level last seen before the economic downturn, the weakness in jobs is due to a weak government sector.

- * Ugly - Panel members expressed concern that earnings were not growing and that inequality of income was an ugly aspect of this economy.

Globalization

- * Good - The U.S. is becoming more competitive with the rest of the world, due to political stability, lower energy costs and a large market place.

- * Bad - The U.S. does not have the money or will to policy the world anymore and so it will not enforce political stability overseas.

- * Ugly - While the U.S. has more political stability, several panelists expressed concern over government gridlock, subsidies and inability to compromise.

Capital markets

- * Good - "Could not be better." And of course it was pointed out how the U.S. is a destination of capital right now.

- * Bad - Too much capital

- * Ugly - Too much capital....which could get ugly!!

The Economic Impact of

Oil and Gas on the Economy

Texas is a key player in the energy area. The state is the #1 oil and gas (as well as wind) producer in the US with over 150,000 producing wells and generating 10,000 megawatts of wind energy. As a result, energy is a significant source of state revenues at over \$13 billion in 2013.

Investors, Executives

Can't Agree on Lease

Accounting Changes

The Financial Accounting Standards Board (FASB) is planning significant changes to lease accounting. It is argued this is necessary since Leases are essentially off balance sheet financing, which Enron proved could be misused. Proposed changes would bring the U.S. accounting treatment in line with the rest of the world.

Since the mid-1970s, leasing transactions have been characterized as either capital or operating. The rental obligation is disclosed in a footnote.

The proposed change would treat all leases as capital, requiring that both assets and liabilities appear on the balance sheet. The potential impact to real estate is not clearly known.

2014 Calendar of Events

- * Summer Social Event - Date and Location TBD
- * "Hot Topics" Luncheon, September 2014, TBD
- * 2014 Annual Convention, October 26 - 29 - Fairmont Copley Plaza - Boston, MA
- * November/ December Event TBA

2014 New England CRE

Chapter Officers

- * Jill Hatton, TurtleRock Investment Mgt., chapter chair and secretary;
- * Peter Nichols, NorthStar Ally LLC, vice-chair;
- * John Baczewski, Real Estate Fiduciary Services, LLC, treasurer;
- * Donald Bouchard, Lincoln Property Company, membership vice chair;
- * Julie McIntosh, Capital Crossing Servicing Co., LLC, board member;
- * Martha O'Mara, Corporate Portfolio Analytics, board member; and
- * Harris Collins, CB Richard Ellis - NE Partners, board member.

Jill Hatton, CRE, is the 2014 New England/Upstate N.Y. CRE chapter chair, Boston, Mass.

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