



CELEBRATING
55 YEARS

nerej

2015 is off and running, but this economic competition is a marathon, not a sprint

January 29, 2015 - Spotlights

I have been asked to write this forecast column 2 years in a row. Patty sent me a copy of what I wrote last year (so I wouldn't embarrass myself if anyone checked). 2015 is off and running. Back in the 80s when I was in banking, I looked forward to year-end to spend time with family (my kids were little then). We eased into the New Year. Today, technologies disrupt that. We are all "on" much more than before, even I have a Galaxy V. I won't pretend I know all the functions, or even half, but last night I found myself answering e-mails at 8:45 p.m. My logic (excuse) was that if I knock them out then, I could get off to a faster start in the a.m.! With an average of 90 - 100 e-mails a day, it can often take me an hour or more to get through them, even with one-third to one-half being instantly deleted.

David Kirk, CRE, MAI, wrote recently in the Journal, "The outlook for commercial real estate in 2015 is brighter than 2014, which by most measures was a very good year...."

Here in New Hampshire, we certainly held our own in terms of commercial transactions - leases and sales. But the trajectory is modest. New hirings are few. We read about a handful of small manufacturing technology firms starting up or even expanding. Then we read that Osram Sylvania is closing its Manchester plant, laying off more than 200. At a recent Chamber economic forecast breakfast, the presenter said that we now have the number of jobs we had in 2007, but the quality is less. About 60% of these newer jobs pay less than those before the Great Recession. I had a strong sense this was the case, but having someone put numbers to it was eye-opening.

Another demographic pattern is the aging of the New England population. New Hampshire is an older, "graying" state. This is not all bad now, because many of the retirees have wealth and discretionary spending. But over time, they will focus almost exclusively on their health and not be buying cars, furniture, meals and entertainment, etc. It is a population shift that we can do little about.

One national trend, is some areas are actively keeping these older employees working, at least part-time, because there is no pool of replacements. This is partly an education and training issue and even more so a failure of career planning and development. Young people for 40+ years have heard that they would make considerably more money if they had a college degree (so far, there has been no question about it). Alas, the cost to secure that bachelor's degree has skyrocketed and to cover the increased cost many students took on student debt. Then the Great Recession came and now good jobs are hard to find. Many now are "under-employed" and struggling to get by, especially with their school debt burden. They quickly become discouraged.

My son is a graphic designer. He is working in his field as a web designer at a web design firm. He

works hard and is learning a great deal (and he has no debt). But many of his friends and former classmates are not working in their field. Because technologies accelerate at a never ending pace (think Moore's law), if you are not working as a graphic or web designer, the hardware and software will soon pass by you and you may never get work in the field of your choice that you trained for. Not only is this challenging for individuals, but also for groups. One recent article in The Leader, a corporate real estate magazine, stated "Everything you thought you knew about work and the workplace is about to change." One example is that work will be broken down into small, autonomous projects. Middle-managers will be mostly irrelevant and supplemented by a smaller group of "middle mentors". In another section, they speculate that "in 2025, 50% of today's occupations will not exist, anything repetitive will be automated... we will be on a lifelong journey of creating new occupations."

This new year, 2015, will likely equal or exceed 2014. But for commercial property owners, the time is now to wake up and look out over the horizon. Last week, I was in a former corporate headquarters building, now a regional production center (more than 40 years old). This corporation is doing a detailed study to see if it can be salvaged! The alternative is to build new down south (lower wages, lower taxes, lower utility costs, a bigger pool of younger, educated labor...). It is not for me to say how this will turn out, but I spend enough time in the southeast to appreciate how attractive and competitive that region can be.

So while the past few years have been "good," we cannot rest on our laurels. This economic competition is a marathon, not a sprint. Now is the time to be identifying all those new occupations and establishing the built-environment to capture our fair share of them.

Bill Norton, CRE, FRM, is president of Norton Asset Management, Manchester, N.H.

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