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As spring arrives we are hopeful for continued smooth sailing for commercial real estate - by Bill Norton

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Where to begin? The Dow over 21,000... Interest rates still hovering at historic lows. Donald Trump has been president for two months (and counting). Energy prices continue to decline. China and Europe are holding their own, but pose no threat to the U.S.'s position as the global safe harbor, hence international capital continues to flow to the U.S., especially the commercial real estate sector. That is not to say that things are as robust as they have been in the recent past, but overall not bad.

The Counselors of Real Estate (CRE's) published their top 10 issues for commercial real estate.

#1: The U.S. should remain highly attractive for global capital inflows - even if economies weaken further.

#3: Boomers are retiring at a rate of approximately 10,000 per day... which creates a huge housing and lifestyle demand.

#4: Densification/Urbanization including transportation options favor close in "urbanized" areas. Densification attracts job growth and dynamic urban centers attract new residents and businesses.

#8: Current global energy prices squeeze green energy initiatives and thus fracking is on the back burner. But the dramatic shift to natural gas will eventually force gas pricing up and the greens will be back in business.

#9: The shared/virtual economy including Airbnb, Uber, bicycle sharing, to name a few, have become alternatives to traditional lodging and transportation as well as offering alternatives for employment.

#10: Experiential retail is forcing adaptation. Stores are closing (to wit Sears, Macy's...) and downsizing footprints while offering more online options. On Black Friday, online sales were up 23% over 2015.

What this all means is change is upon us. If you are still operating with a 20th century mindset you are going to miss opportunities or worse, start losing money through increased vacancy and properties that become functionally and economically obsolescent.

Fiscal and monetary policy goals are to ramp up GDP growth from the 1% - 2% range to 3+% period, while this is a noble goal, no one is quite sure how to do this. The shift from physical stimulus to monetary leaves the FED with less ammunition. Hopefully, somehow The Donald succeeds in making America great again. A rising tide floats all boats... But big annual deficits are a drag on long-term growth. The uncertainty regarding health care policy is a drag (markets do not like uncertainty). Whether the new president can actually govern (as in running and managing the Executive Branch of our national government) is very much a work in process (alas, with much uncertainty).

As an aside, the Concord and Merrimack County (NH) GOP's brought governor Matt Bevin (R-KY) to town on President's Day. He spoke for 90 minutes. He was very passionate and well-reasoned. Clearly, the GOP needs to surface someone to run for 2020. Governor Bevin grew up in Coos County and has a strong affinity for New Hampshire. Keep an eye on him and if you get a chance to hear him speak - go!

So as spring is about to arrive, we are hopeful for continued smooth sailing for commercial real estate. A new governor in Concord wants to make changes too. So many ideas, so little time, or resources (\$)... Clearly, in addition to public sector debt, getting health care costs under control is essential to long-term growth and stability. Big tasks, tall orders, but options are fewer every year. Good ideas that are actionable are welcome.

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