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Is it time to start shopping for comm'l. R.E. in N.E?

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I was sitting in my office in Danvers, Mass. when my business partner walked in and handed me a listing for a multifamily property in Worcester that was priced at \$5,000. I had to stop and check it twice, as I thought I must clearly be missing something, but the price was unmistakable. I remembered a conversation I had years ago, I will never forget sitting at lunch with a group of bankers reminiscing over the early 1990s when the financing dried up. One of the bankers recalls "We had properties and we couldn't give them away. I remember foreclosing on a bunch of condos in Lawrence, Massachusetts and we were begging people to buy them for \$6,000. Today you still can't get into those units for anywhere near \$175,000." That comment was made just five years ago, but this market place is showing similar opportunities for savvy buyers.

Despite the fact that economic indicators published by the Federal Reserve Bank of Boston in April indicate a reduction in growth on the consumer side of real estate (housing permits, existing home sales, median sales price index, bankruptcies,) however, this data is a report on where we have been rather than where we are going. Contrary evidence from the local experts in the field came from the Real Share Conference this year in Boston in late May. The positive signs have been offered from real estate experts who shared their opinion of why the utilization of office space, particularly in the Boston market is still a good bet. "Most of the requests that I am getting from companies are for expansion rather than contraction," said a leasing agent. According to a panel of experts at the real share conference, some experts stated that fortunately it appears that of the college and graduate students, about fifty percent, chose to remain in Mass. which is a great sign for business. The panelists continued to share that one of the primary reasons for the continued need for office space has been the very make up of the New England Market, high tech, medical devices, bio tech, and financial services. These areas are not being impacted by the current state of the economy but rather seeing a continuous need for their products and services.

Indicators from the MIT research institute show improvement in commercial real estate transactions over last quarter to this quarter furthermore proclaiming that prices may be increasing despite the recent declines in demand. Property types including apartment, office retail, light industrial and even hotels in the east continue to show positive returns, albeit modest to the previous years, not nearly as severe as similar economic circumstances we recall from the early 1990s. The National Council of Real Estate Investment Fiduciaries also demonstrates that even during the last three quarters, the NPI returns continue to show similar modest positive returns for N.E.

Although the fear of a recession is still a palpable concern for many, and with the recent indicators showing reduced growth through a very challenging first and second quarter of this year, where are the bargains? We are seeing more deals from the fallout of the credit market, particularly activity for the non-institutional owners that may have their own credit circumstance that require a financing event. As foreclosures and repo's have skyrocketed, many small investors are in way over their

heads and looking for financing. The bridge finance lending business is also ballooning as the scratch and dent lenders quickly went out of business or shut down in the previous three quarters. This has opened up a world of opportunity for balance sheet lenders who coming to the market with a sense of urgency while being very choosy.

Finally as many institutions are recovering from the credit crisis, eliminating much of their liabilities is becoming increasingly important. As this happens, we expect some institutions will be back which will bring about a resurgence of liquidity to the market further spurring buying activity.

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