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## **We will all be keen to see 2020 in our rearview mirrors - by Bill Norton**

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I think we will all be keen to see 2020 in our rearview mirrors. Alas, we are far from out of the woods yet, but there is light out there on the horizon. I have been saying it is all of 2021 before we are heading back to normal. That was my sense which was confirmed yesterday as I listened to a report on NPR. In 8+ months, we have conducted 140 million +/- COVID tests. We now need to give 400 - 600 million vaccinations (2 per person x 200 million - 300 million in the U.S. - not everyone will need or want one). But the 200 million should achieve the herd effect. First, we have to manufacture the vaccine, then distribute it, then administer it in tranches, then look for side effects, and determine the immunity period(s). Lots to do, but regardless whether it takes twelve months, eighteen, or more, the economic effects will be positive.

As fellow CRE, Dan Calano of Prospectus LLC wrote in a recent column, there will be an overhang. Dan is thinking 2± years and I agree. In the commercial real estate world, there are many adjustments ahead. What will retail look like two years from now? Ditto for hotel and hospitality? Will you go to a national trade show? Fly on vacation? And offices will have a new look (or will it?).

We are going to learn that while we have survived 2020, the numbers will not be great. (There are some exceptions - some firms and sectors have thrived in The Covid Age.) But there are now clear signs of COVID Fatigue, especially in this predicted winter resurgence. The stress of two parents working from home and overseeing the kids schooling, some on-line, some hybrid and/or live is a heavy weight and will take its toll. Here at Norton Asset Management, the phone has been ringing as tenants, landlords, owners, sellers and buyers try to discern what their best options are.

The stresses in the commercial markets are a far contrast to the super hot single-family residential market. Not enough product. Multiple bids over asking price. Sight unseen offers. No inspections. No contingencies. A small, 60-year-old cape in my neighborhood just sold for over \$340 per s/f - \$23,000 more than asking price. The new owners are going to get a walloping surprise when they

see their next tax bill! Assessments do not automatically go up to the selling price. But they do adjust in a formula that compares assessed values to actual sales, which results in an “equalization ratio” for the municipality. My real estate taxes jumped 8%, with 6% from increased assessed value and 2% from tax rate increases.

In the multifamily world, investors are still bidding for apartment properties. The cost of mortgage money is still low, which drives up prices. The demand is there. Consensus is that interest rates will remain low for the next several years, but there is a great deal of concern about the economy and the need for more stimulus now. A group of bipartisan senators is pushing for a \$900 billion stimulus appropriation...to cover four months! Yes, we can print the money - but someday that will come home to roost. The fact is we really don't have a choice. The numbers are so large that if we don't keep the economy inflated (aka propped up), it could cascade to a deep, deep recession/depression, one that could take years to recover from.

The bottom line in commercial real estate is that people need roofs over their heads while Amazon needs warehouses to distribute from, and Wal-Mart, Target and grocery stores are essential services (we all need to eat). That leaves the retail and office sectors - the ones that will feel the most pain. But in adversity, there is opportunity...More on this in the new year.

Best wishes for a peaceful, healthy, and safe Christmas and New Year. 2021 cannot come soon enough!

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