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## Value in commercial real estate and elsewhere - by Brett Pelletier

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Everyone wants to know what is going on. Myself included. The commercial real estate markets, the stock market, the housing market, life sciences in Boston, short sellers on Wall Street, and everything in between. Clients are hungry for information and anecdotal CRE data that might give an edge, students are hungry for context and knowledge, and most people are starting to notice some things are not normal out there and are shaking their heads. Inequality is part of every conversation about larger policy issues and what's going on. The unequal burdens and unequal benefits of the past year have given rise to a conversation about value, who it accrues to and when. Before the pandemic struck, many incomes were not keeping up with increases in housing costs and while wage growth was beginning to post gains, the impact of COVID-19 eviscerated much of that gain for many people. Extreme volatility in the commercial real estate market and the stock market rings the opposite tune of sustainability for community real estate on Main Street.

Most people are not benefitting from the second home market boom or the meteoric rise (or fall) in GameStop stock prices. Debt is pretty much as cheap as it's ever been, but there's only so much we can all consume, and debt isn't a replacement for long-term wealth or wages. We are still adjusting to the newest 'new normal' and we're not quite sure when that will be permanent, or if it ever will. There is a larger conversation about what all this means for the 'little guy' on Main Street. The Federal Reserve Bank of Boston recently published a working paper that examines the question of whether minority consumers pay higher interest rates than white consumers of similar characteristics. The authors, David Hao Zhang and Paul Willen investigate why this is happening and how it can be addressed, at least in part, with simple changes. These are a complicated set of problems that make us ask questions with deeper and more nuanced answers. What's behind the curtain? The question that keeps coming to mind is, "What do we do about it?" A friend of mine, who happens to be an attorney, is fond of saying... "it depends." That sounds about right.

Enter the growing conversation about equity, bias, and fairness, in real estate appraisals, lending, and investment. More and more research is being done relative to the impacts of bias and how we

might address it going forward. There's evidence that there's unintended bias in real estate lending, appraisal, and brokerage activities. There is some evidence that there's still a serious problem of race-based decision making in all sorts of industries, not just real estate. There's even evidence from Cornell that shows judges are really bad judges of how biased they are or aren't. They are human, after all. These are serious issues that need to be addressed and for the first time, I'm starting to hear the big organizations begin to discuss what this means. That is a good conversation to start having openly, especially in the real estate business. Only good things can come of a better understanding of others and a better understanding of ourselves. Shocks are good. I just finished a research review of what the Appraisal Institute and others have published on this topic and the conversation is starting to spill into everyday life and regular business meetings. Good.

The MBREA and Appraisal Institute, among many others, have prepared and presented some rather good virtual sessions on bias, over the past few months. The National Association of Realtors are talking about barriers to fair housing, overcoming bias, and informing policy to reflect same. ULI has recently announced a restated and reaffirmed mission statement speaking to passion, diversity, sustainability, and equity in land use. There's no shortage of industry professionals and organizations that understand that active engagement in land use and community problem solving is what's needed around the globe. There is value in the real estate we hold, and we analyze, but there's also value in time, health, and kindness. The shared value of community, social interaction, and the care we show each other. That should be obvious to anyone who has been cooped up in their home for the better part of a year.

I'll posit the question: how tenuous is the grip on your own housing and economic security and your own health within your home and community? Was the answer to that question different a year ago? Food for thought. As stewards of the built environment we constantly communicate and engage with our constituents, and we have many opportunities to balance the scales of equity, inclusion, dignity, respect, and kindness. We must try harder. Take care of yourself and others.

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