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Take all these challenges as great opportunities - by Earle Wason

March 25, 2022 - Spotlights



Earle Wason

I checked and this is the sixth year in a row I have written in the Spring Preview. I usually like to look back at previous articles as some of my thoughts might still be appropriate and I also like to have a good feel for the changes that have occurred. This article, however, cannot use any of my previous thoughts as we are watching a war in Ukraine, seeing the results and some continuation of COVID-19, facing inflation and the highest gasoline prices ever, and the first of what could be several interest rate hikes by the Fed. I am a very positive person by nature and if I were not, I would not have made it to 49 years in the real estate business and by the way a N.H. Realtor for the same period. To me it is imperative to look at all these challenges as opportunities.

I have also reached out to two of my friends for some of their thoughts, including Frank Roche, Roche Realty in Meredith, N.H. Frank and I go way back to 1975 when we cooperated on the sale of a restaurant in Gilford, N.H. which would become B. Mae Denny's, a very successful and once landmark restaurant in the lakes region. Frank has operated one of the most successful real estate companies in New Hampshire for many years and is really in tune to the market.

The other is Steven Bodi who operates Old Bayside Capital, LLC. Steve has been an active participant in real estate since 1983 where he has been directly involved in development and restructuring of real estate projects. Many of those include both independent and franchised hotels. He has overseen acquisition and development properties as the managing partner since 1997.

Steve feels "COVID-19 has taught us the power of advance pharma-logical science and the need to be investing heavily in this area to be well prepared for future pandemics."

Steve believes that "The war in Ukraine has taught us a lesson of the power in alliances and how the world order can be shaped by these alliances. He believes strongly that Europe will be much stronger and more secure post Putin, not weaker." Of course, that would bode well for the U.S. economy as the European visitors will be back in great abundance.

Further, Steve feels "that high gasoline prices will force us to transition into clean energy as much of Europe is currently undertaking." My personal belief is that the transition needs more time and that a new U.S. energy policy should implement more drilling for oil now to help keep costs down but more active effort to determine different sources of clean energy.

One of Frank's concerns "are we headed to an energy crisis and inflation as in the early 1970s" He and I remember it well with gas lines of a mile or more at gasoline filling stations and a prime interest rate of 18.75%. The SBA's rate at that time was 2.75% over the prime. There is no way we will see these kinds of rates. The hotel business in resort locations, much like today, can sometimes benefit from the high gasoline prices, less air travel, and locations such as the Maine Coast, the White Mountains, and Cape Cod benefit from large population centers not more than an hour away. That is what happened in the early 1970s and the resort markets mentioned were not as affected by lack of gasoline, so few had long lines. Frank added that "Millennials and Gen Xers are lucky they missed the harrowing economic events of the late and early 80s." I believe that these generations

not having seen the foregoing as well as the Vietnam War and for some the loss of the World Trade Center could have some problems in adjusting to the current changes but that could also be a good thing as they may expect their lives to continue as they have and maintain a more optimistic view. Frank noted "The Realtors in the lake's region have currently experienced a golden era for home buying. It's like the Fed has pumped helium into the economy for over 10 years and the stimulus incentives have been jaw breaking." He continues "the demand for housing is still there as the inventory of homes for sale is at the lowest level in state history with only 633 homes for sale in the entire state of New Hampshire and only 177 under \$300,000."

Steve's final words "This inflation bout is real and will likely require the continuation of the Fed tightening that many Americans have not seen in their lifetimes. The upside might be the pricking of the asset bubble that is badly overdue. If it goes half well, we might be better off in the long run."

As to the current level of activity in the hotel business from a sales perspective remains very good. The resort markets continue to be the most active and we have several closings over the next three months. Buyers recognize some shifts ahead, but most are still optimistic as we expect the European and Canadian traveler to return soon. Still a tough time for the full-service urban and suburban markets but some transactions showing up for limited-service hotels in those areas.

It could be an interesting ride ahead, but I am convinced the hotel industry is better prepared for the ups and downs than I have seen throughout my career.

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