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## The world as we currently know it is NOT ending!

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As I write this article the congress just passed a \$700 billion rescue/bailout plan of the nations' credit markets. Meanwhile the stock market has set a new record for one day losses and is down nearly 30% for the year. More and more I am hearing the phrase "depression" on financial shows. There is no longer any doubt we are in an economic recession, and most economists project that 2009 will be no better and potentially a lot worse. How did we get here? A few months ago I was under the impression that in Greater Boston we certainly had a sluggish residential housing market and a slowing commercial real estate market, but there were signs pointing towards recovery. Inventory of homes on the market had diminished and builders and lenders for the most part had done a good job of not overbuilding. Even the Case-Shiller Home Price Index for Greater Boston increased between June and July of 2008 (albeit just .16%).

But now it seems all bets are off. When fear becomes the overriding factor in the economy, fundamentals take a back seat. This brings me to the point of this article. The world as we know it is not ending. We are not going to be hunting squirrels and growing vegetables in our own backyards for food. In fact, if you can avoid watching the all news cable t.v. channels I highly recommended it. The way the media throws around phrases like global economic meltdown and the next Great Depression is irresponsible and overly inflammatory.

If you get a chance to attend one of the breakfast or luncheon meetings in Boston offered by the many real estate and banking organizations you will be able to hear what is really going in the economy and the markets from experts with hands on experience. I had this chance on October 8th when the Appraisal Institute (AI) and the Commercial Brokers Association (CBA) held a breakfast meeting at the offices of Wilmer Cutler Pickering Hale & Dorr. Here are what the experts had to say on current economic and market conditions:

\*Sara Johnson of Global Insight, fresh from a meeting with Federal Reserve chairman Ben Bernanke indicated that we are in a recession and economic weakness will last into 2010. Recovery hinges on the stabilization of the housing market. Comparisons to the Great Depression are drastically overblown.

\*Peter Korpacz, MAI, CRE indicated that the commercial real estate markets, which had escaped the downturn that has been ongoing in the residential markets since 2005, are now experiencing declines in values along with drastic slowdown in sales volumes. The retail and apartment markets have been hardest hit. Portfolio sales are non existent.

\*According to Janet Krolman of Holliday Fenoglio Fowler, L.P. there is still lending going on in the commercial markets. Yes, underwriting is much tighter, but simply returning to more conventional standards. Rates are in the 7-7.5% range and maximum loans are \$50 million.

\*Per Marci Griffith Loeber of Cushman & Wakefield, while sales volume is down significantly from a few years back there are still deals getting done. Cap rates are drifting higher. Portfolio sales

involving 5-10 properties, which were the norm back in better times, are non-existent because of the lack of available financing. A few years back there were actually premiums being paid for properties that were part of a portfolio sale. Now, "bulk" sales that do occur involve a discount. The good news from the investment sales market according to Griffith Loeber and Krolman is that there is significant capital just "sitting" on the sidelines waiting to buy when conditions stabilize. This is in stark contrast to the downturn of the early 1990s when virtually no buyers could be found other than vulture funds.

Now make no mistake about it. The economy and real estate markets are in recession. The rescue and bailout plans being passed and discussed will take time to make a difference. But if fundamentals, and not fear take over we will find a bottom in the stock and real estate markets and a recovery will begin offering opportunities to those who are not hiding under their beds in fear from listening to cable news.

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