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## **President-elect Obama and the recessionary episode**

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President-elect Barack Obama brings hope to what is clearly unfolding as a recessionary episode. The Commonwealth connection with Obama has been clear throughout the campaign in the form of advisors, consultants, white papers and programs. Certainly more of the Mass. imprint will be apparent with upcoming appointments. Healthcare, infrastructure, and alternative energy initiatives by governor Deval Patrick and the strong relationship between the governor and President-elect bode well for the Commonwealth. The recessionary episode is harder to predict. Volatility in the stock market persists, and credit is easing ever so slightly. Further, job losses and declining retail sales are piling up. Forecasts of the contraction are getting longer and deeper.

The credit crunch has reduced business lending dramatically for any purpose and sources which traditionally served the commercial real estate markets have substantially tightened underwriting criteria and reduced allocations for real estate. The lull is near complete and affords the real estate user the luxury of time for planning and opportunities for optimization. For the owner and developer, engaging the user market is the best strategy. The real estate consultant is an essential component in any proactive strategy in a contraction. The general lack of activity makes market measurement and diligence a time consuming task requiring experience and expertise. The spread between the bid and ask delayed offerings during 2008 and will probably continue to do so during 2009. Distressed sales and foreclosures will be occurring during 2009, and lawyers and brokers are needed for the planning and implementation of planned changes in occupancy by the user. For the owner and developer, good data and trend analysis can put properties in the forefront of any user activity and propel engagement.

Independent appraisers and real estate counselors should be ready for the masses. The regulators will need the valuations for regulation. The bankers will need the valuations for the regulators. The newly formed Federal Troubled Asset Relief Program (TARP) entity to be named will need the valuations for auction and purchase of the so-called illiquid and toxic assets if the TARP plan is implemented. The discrediting and investigations of the investment rating agencies has created additional opportunities for the appraisers in liquefying existing CMBS and RMBS inventory. The expanding not-securitized, secondary debt market requires additional independent diligence expertise as well.

At The Counselors of Real Estate annual meeting in Boston October 31st-November 3rd, the weakened economy and its impact on the property markets were measured and analyzed. Generally, property markets are expected to decline further into 2009, with income eroding because of economic erosion and capitalization and yield rates increasing because of capital shortages and risk adjustments. Panelists' remarks and sidebar conversations were sprinkled liberally with talk of opportunities, sidelined capital and preparedness, and how we will be emerging from this contraction as we have in the past cycles. The New England Economic Partnership (NEEP) will release the fall

forecast November 20th, and NEEP will again be caught in between revisions in its base forecast from Moody's economy.com. So we will be listening aggressively once again to the panelists, Moody's Mark Zandi, congressman Barney Frank and the sidebars, where creative and proactive strategies are being developed!

Happy Thanksgiving!

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