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U.S. economy has history of rising to the challenges

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Using the healthcare analogy, it has often been said that if the U.S. economy gets the sniffles, then the rest of the globe risks pneumonia. I am not certain that this observation remains true today, but it is clear that our recent economic troubles have spread throughout the world. At the very least, we all share a really bad cold!

The Royal Institution of Chartered Surveyors recently released a global real estate perspective. In this October 24, publication, they note three areas, in addition to the United States, where economic indicators have fallen off sharply, particularly in the real estate and construction industry.

They note that Asia is far from immune to problems in the property sectors. Approximately one-fifth of the Korean economy is based in the construction industry. Concerns regarding this have resulted in the Korean government announcing a \$3.8 billion package of measures to buy land and unsold homes from builders who are struggling to meet debt payments.

In the European Economic Community, a key indicator of slowdown is the tightening of mortgage lending. There are many factors that may have caused this, including higher bank lending rates since late 2005, tighter lending standards and a chill in the housing market dynamics. Several examples of the impact of housing include the first decline in house prices in France since the first quarter of 1998. In Spain, house prices fell by .3% in the second quarter, which was the third quarter of consecutive declines. In Italy, house prices fell by .2% in the third quarter indicating an annual growth rate down to -.3%.

In the Southern Pacific Rim, Australia's economy has been holding up slightly better. However, the early signs of concern are noted. Although mortgage rates are declining, demand for housing debt is projected to fall even further. The Australian government has announced an immediate fiscal stimulus package equal to about 10.4 billion A\$. This represents approximately 1% of the Australian GDP. Concerns abound in Australia of rising inflation pressures.

These highlights affirm that the global movement of capital, which has accelerated over the last few years, is having an increasing impact across borders and markets. It is clear that the U.S. economy continuing to decline will exert negative pressure on world markets.

It is also clear that the US economy has a history of rising to the challenges. Our ability to innovate and adapt to changing conditions has lead the world economy out of troubles before - and will again. Although much restructuring lies ahead, we are up to the task. Even today global investors are clear in their preference to invest in US government securities. With a little reassurance of our commitment to the future, as demonstrated by our actions, these funds will again flow into the US economy. US property markets continue to be a solid long term investment.

It is truly interesting times which we are in. The shrinking nature of the world economy becomes more and more apparent.

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