

Perfect portfolio for these turbulent times

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The consensus is clearly that we have a distance to go before investment markets absorb the steady stream of bad news and returned to some semblance of 'normal' (whatever that has come to mean). The Korpacz Real Estate Investor Survey 4Q, presents the turbulent times ahead as seen through investors eyes. Many in the commercial real estate industry are waiting for the next shoe to drop. The 'lag effect' potential is troubling to many, especially in light of the fourth quarter job losses, which are even now being revised upwards.

The crisis of confidence continues to overshadow most other factors. Until investors conclude that the administrators and government regulators have a handle on the scope of the problem and develop effective solutions, confidence issues will remain a drag on recovery. Max Kummerow, Ph.D. writes in the Greenfield Advisor, '...in the current environment the optimum portfolio would be half cash and half canned goods.' Although written somewhat in jest, such a quote from an anonymous source, typifies the thinking during a prolonged time of low confidence in established institutions to manage the meltdown.

To some (buyers), this environment will prove to be a time to acquire assets at historic price levels. To others (sellers), this is a time to expend every effort to limit loss in value and weather the storm for the inevitable recovery. Real estate assets have proven to be of lasting value thru many financial 'meltdowns' throughout modern times. Although price levels may decline, seldom does real estate evaporate in the manner of financial instruments. With real estate assets the issue is usually staying power and expert management to optimize value and minimize damage.

It seems in vogue to reference the 1930s today when discussing current problems. We read many comparisons to levels of unemployment, the level of the Dow Jones Average and daily swings in stock prices. It might be informative to also reference the price of a home in the '30s, the rent for an apartment and the cost of office space. I am betting that we will all look back over the next few years and wish that we had taken Warren Buffet's advice to "Buy when others are afraid to."

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