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"The next 12 to 18 months will redefine (real estate) industry practices for the coming decade"

March 04, 2009 - Northern New England

President Obama signed the stimulus bill in Denver. So everything is going to be terrific in a few weeks! Unfortunately, not! This recession is deep and complex. It is not clear whether \$750 billion of TARP and \$878 billion of stimulus (with more to come) is going to turn things around. There is talk of another trillion dollars next year. Poor Senator Barry Goldwater is rolling over in his grave (" . . . a billion here, a billion there, pretty soon you are talking real money . . ." circa 1963).

Well, the option of doing nothing is not an option. So Congress will keep throwing the US tax payer's money at the wall and see what sticks. The premise is that immediate action will stimulate more results than slower contemplative measures. It is easy for me to criticize, as I do not reside at 1600 Pennsylvania Ave. But it seems to me that three key elements need to be stabilized before we can start climbing out of this hole.

1. Home prices and residential mortgages need to be shored up. Maybe it is \$100 billion, maybe more. But new construction is currently only forecast at about 350,000 units for the entire country (v. 1.3 or 1.4 million in 2006/07). Some mortgages need to be negotiated to longer terms and lower interest rates for those who were suckered into buying homes that they could not afford. They are different from those who over reached or lied on low doc/no doc mortgages, or refinanced to cover over-extended home equity lines and/or credit card debt (car leases, etc.). Not everyone can or should be made whole in this process.

2. The commercial real estate sector needs liquidity to cover the CMBS and conduit loans that are rolling over in the next 12-18 months. Best guess is \$120-\$150 billion. Without this gap financing, owners will be tossing the keys and values will spiral downward. Again, not all properties or borrowers are going to be saved/made whole. There are some bad (even toxic) loans out there and they have to be flushed out of the system.

3. The equities market needs to find the bottom. Providing equity to banks and other financial institutions is part of it. Maybe ordering a dozed nuclear reactors from GE and downsizing/right sizing the domestic auto companies will shore up the Dow sufficiently, so that people begin to invest again.

If these three sectors continue to free fall then \$1, \$2 or even \$3 trillion isn't going to provide the job creation/restoration needed. The shovel ready infrastructure projects are good, but let's face it, that is not a large number of jobs.

In New Hampshire, \$878+ billion of federal stimulus trickles down to \$760 million (i.e., less than \$1 billion) most of which shores up the state's \$500 million biennium short fall. The state down shifts to the counties, cities and towns. That is where the buck stops and our already high property taxes will go even higher. Some of the stimulus bill will increase social programs, the increased costs of which will fall to the states in the future

This can all work if we do, in fact, create 16,000-17,000 new jobs in New Hampshire. So it is easy to wring one's hands and gnash one's teeth in self pity, but what is needed is a summit to earnestly and honestly look at all the challenges, define the worst case, middle road and best case scenarios and then plan/budget for them. Putting all our chips on President Obama's stimulus is a risky proposition. For every federal stimulus dollar there will be a cost, starting with increased rules and regulations, larger entitlements as well as future debt burdens for us and especially our children and grandchildren. Remember, for every benefit there is a cost.

At a recent conference in Boston, New Hampshire was described New England's gazelle, out performing the other New England states. Rhode Island was described alternately as a dinosaur and a basket case. New Hampshire needs to find the leadership to convene a summit that will define our options not just for 2009 or 2010 but for the next 20 years. Globalization is here like it or not. Determining the best path to compete and prosper in the 21st Century is the key, not just surviving the current recession.

Investment real estate which is not over leveraged and which has only dropped 10%, 12% or 15% in value currently looks pretty good compared to equities and other investments. There are and will continue to be buying opportunities which will require cash equity, but 'Bricks and Mortar' can pay stable, reliable returns. Remember, in adversity there is opportunity. Peter Linneman, NAI Global's chief economist put it well. "The next 12 to 18 months will redefine (real estate) industry practices for the coming decade."

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