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Whether it is the stimulus package or spring, the level of activity in the Pioneer Valley has increased

March 25, 2009 - Spotlights

Whether because President Obama said the economy isn't as bad as he thought or the temperature is in the fifties, the level of real estate activity has definitely increased the last few weeks in the Pioneer Valley. I hadn't seen a single office lease downtown for 5-6 months, industrial and retail leasing has been sluggish and sales non-existent. With much capital on the sidelines I expected a flight to real estate and that has happened, just not in our market. While investors search for returns they also seek safety so that leads them to primary markets and Western Mass. would appear too risky at a time like this.

NAI Global's financial advisor, Dr. Peter Linneman, who has named these times "the Great Capital strike" is now calling this the second worst recession of the past 40 years. In 2005 he was warning that "failed political leadership, Fed policy errors, and private sector hubris would cause a recession in 2009". But that recession turned ugly when oil shot up to \$147 a barrel and those prices made their way through the world economies. The apparent lack of direction from the Fed and failed TARP program shook Wall St. and Christmas 2008 will be remembered for shoppers hiding under their beds. While there is a lot of blame being thrown around for the current mess, it would be far more constructive if we all admitted we're all guilty. Took advantage of cheap debt, bought a condo I couldn't afford, invested in AAA rated bonds regardless of the underlying asset quality. Also, while blaming the Bush administration, we forget it was the Clinton administration that pressured Fannie Mae to expand mortgage loans to low and moderate-income people in the late 1990s. I found a New York Times article from September 30, 1999 that says "In moving, even tentatively into this new area of lending, Fannie Mae is taking on significantly more risk, which may not pose any difficulties during flush economic times. But the government-subsidized corporation may run into trouble in an economic downturn, prompting a government rescue similar to that of the saving and loan industry in the 1980s." Nice. Didn't Barney Frank say "Fannie's okay" just last summer? Our local banks have really tightened their lending guidelines over the past six months.

It's funny that it took an unknown analyst from Openheimer Securities to bring Wall St. to its knees, and all Meredith Whitney did was expose the fact that the investment bankers entrusted with our money had no idea what they were doing. But I digress.

Some positive things happening. WestMass Development Corp is in due diligence on the 170 acre Ludlow Mill site and within two years will begin developing an industrial park. Target has purchased land from Barnes Airport in Westfield to build a distribution center, and the Lowes seems to be proceeding in Holyoke on Whittings Farms Rd. Although Baystate Health Systems announced the \$250 million hospital expansion was on hold they have raised the old Porter section and work continues.

In my January article I said it would be May or June until we had a sense of when this market would

recover and I'll hold to that. We're also predicting a reasonable fourth quarter rebound, hedging (unpopular phrase) that we usually lag primary markets by two to four months. So we're going out on a limb and predict that our market will improve by the end of 2009 rather than 2010 as others have indicated. The good news, according to Dr. Linneman is that there was so little real estate construction financing in 2007 and 2008 we'll avoid the over supply that usually happens in a rebounding economy. And here's to hoping the 25-business resource and economic groups I counted in Western Mass. (yes 25, what are they doing?) can help create new opportunities before 2010.

William Low Jr. is senior vice president of commercial brokerage services, partner of NAI Samuel D. Plotkin & Associates, Springfield, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540