



CELEBRATING
55 YEARS

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What a frightening economy we've been in for the past 12 to 18 months. Fact is the recession probably started in 2007 but it takes awhile for all the factors that make up a recession (more than just 2 quarters of negative GDP) to effect most peoples lives. Western Mass. has a fairly even level of economic activity so we didn't have as far to fall as other markets. There are some positive signs that we're coming out of this recession: some retailers have reported better sales in March, and housing starts have improved. While the U.S. lost 2 million jobs in the last 6 months we will still see further job loss as unemployment is a lagging indicator, so don't despair when it happens, it will come around. One would expect more real estate acquisition given where interest rates are but, as I've said before, capital is going to primary markets. I tell clients; the danger now in delaying a purchase is that, while there is uncertainty in the general economy, rates are low. If the Obama administration is intent on deploying all the currency it's printed, interest rate will surely rise which in turn makes it more costly to purchase real estate.

The level of real estate activity has definitely increased the last 4-5 weeks in the Pioneer Valley. There are now tenants looking for office space downtown and we're seeing new projects planned for construction in the industrial and retail sectors. While some stimulus money is coming into our region, what I hear sounds like pork ear marks that will just be a waste of money and produce nothing lasting, typical of Springfield. Many people I talk to say they'd like the powers that be to surprise us all by doing something bold and substantial like, actually create the much talked about commuter rail. Build a parking garage downtown, get the homeless and indigent population out of the CBD. But, for some reason, what we'll see is: nothing on the riverfront (this group is so political nothing will ever get done) everyone looking at what benefits them; some money will go to Mason Square and, like in the 1970s and 1980s no one will notice because it will be spent on consultants and campaigns; no commuter rail (way too political). While I'm the first to encourage private capital for these developments, if our kids are going to have to pay for this stimulus it might as well be spent wisely. Some may remember when in the late 1980s the idea of instituting a fee to enter Forest Park was suggested. I was involved with the Forest Park Zoo at the time and the park had become overrun by high school kids running wild. Those who remember, "skip day" know it was out of control. So while the city counsel and the park department "debated" whether a fee was appropriate the zoo had all it's school outings canceled because parents and teachers we're concerned for the safety of their kids. This was not a good economy (1990-1991) and the zoo would have trouble surviving without the school outings, but we were resigned to "business as usually" nothing gets done. Along came William Putnam (a legend in our area and former owner of Channel 22 TV station) who ran for and was elected chairman of the park department. Looking at the Forest Park situation and the parking fee issue he immediately instituted the fee, amongst much hand

ringing and protests. About a week after this I was in the park and it was a wonderful, peaceful place to go once again. Families picnicking, kids playing baseball etc. What does this story tell us? Many times we need people willing to act in the best interest of the general population without regard to whether they'll be reelected. That move by Bill Putnam could have gone the other way, but it didn't and we're way better because of it.

As far as the commercial real estate market is concerned Commercial Property News predicts a 35% to 45% drop in values ahead with CMBS's defaulting 3.5% to as high as 6%. This may be why we're hearing rumbles of insurance company bailouts because they own a lot of this paper.

But for Western Mass. it feels like things are better, at least companies are back in the market. Sometimes a good market begins with the perception that the economy has improved and that spreads and people start making decisions and before you know it you have created a better market. After all what is a market but a structure that allows buyers and sellers to exchange goods and services. So a "good market" is one where many buyers and sellers are exchanging goods and services, perception becomes reality. So turn off the TV, put down the paper, and make some decisions, even if you think some people won't like them, or reelect you.

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