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The climb out of our economic trough has begun

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It's not the worst of times. Your having an historic perspective and the acceptance of the nature of business cycles will help you appreciate your current circumstances. By now, the truly gloomy days and early months after Lehman's demise last fall are bad memories.

The improvement this summer in the corporate bond market has provided new capital to domestic REITs and at a lower cost. Numerous investment funds are now positioned to acquire commercial real estate opportunities, whether they are property or investment instruments. Several major money center banks and investment banks have begun to pay back federal loans.

Yes, more banks will close in parts of the United States, such as in the midwest or southwest, but the number of failures can't compare to the records set in the early 1990s. A total of 26 U.S. banks failed in 2008 and another 84 have failed through September 1 of this year. By way of comparison, 534 U.S. banks failed in 1989 and another 381 during 1990.

Regional banks, particularly in the northeast, are healthy and making many sensible loans for commercial real estate.

Federal programs and policies will keep interest rates unusually low and GSEs (Government Sponsored Enterprises, such as Fannie Mae) are actively underwriting billions of dollars of mortgage loans for multifamily and single family properties.

The banking industry is still shaken from the volatility of the past two years and needs to create a viable, new business model with significantly improved risk management practices. A new debt platform needs to be established to either replace or restructure the securitization of debt. This will all take more time.

However, the climb out of our economic trough has begun. That doesn't make the ascent easy. It doesn't eliminate the personal stresses related to home mortgage payments, the kids' college fund or the numerous layoffs that have hit us and our colleagues.

Whether you are involved in commercial real estate or selling widgets, you have to accept the nature of the human character and the cycles of the economy. We humans exaggerate the extremes. At the peak, there is the addictive and destructive affect of unrestrained exuberance; and at the trough, the sense of personal failure or of entrapment by circumstances beyond our control.

Certainly the next three years will be arduous as portfolios are adjusted for declining values and are re-balanced. In the near future many of us will participate within newly organized platforms designed to focus on repairing the many broken parts of our capital structures and the repositioning of the poorly conceived developments of this time.

Just as we are the beneficiaries of our bountiful free markets, we can fall victims of being unprepared for the adverse changes impacting those markets.

During these times, it is healthy to remember that our business activities follow a jagged, irregular path rather than a smooth straight (always upward) line. Hopefully, there has been a general

acceptance of the impact of what has occurred, a full recognition of what asset values have become. It's about time to begin the journey to the next level whether that is in pursuing opportunistic acquisitions or just establishing a stable asset base.

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