



SAME OLD TUG OF WAR

BY JOHN SALUSTRI

So, what would you like to hear first . . . the good news or the bad news?

Let's start with the good. Real Capital Analytics reports a 12 percent year-over-year increase in what it terms "significant" commercial real estate sales, with a jump in activity for all of the major food groups with the exception of retail. By all accounts, the commercial real estate industry has cleared the trees of the latest economic unpleasantness and is in full recovery mode.

In addition, in a recent Investment Sentiment Survey published by Real Estate Forum, a whopping 65 percent of the nearly 400 investor respondents reported that their current strategy favors acquisitions. Only 13 percent said their balance sheets show more dispositions.

Now for the bad news. We might be headed for another downturn, and the frustrating truth is that it is out of our hands. This won't be a case, as has happened in the past, where commercial real estate practitioners can take part of the blame. We aren't overbuilding or blithely signing off on ridiculous loans. The slow pace of the recovery hasn't given us opportunity to screw things up on our own.

Nope. If there is going to be another crash, it will come at the hands of our elected representatives, who seem incapable of moving forward on anything that doesn't smack of self-interest. So focused are they on spitting contests that I believe they have turned their backs totally on the public good.

The recent so-called partial shutdown of the government is expected to have little serious impact beyond slowing the already slow economic recovery and hobbling regions that rely heavily on the government for business.

But the shutdown is merely the appetizer, an exercise in how much both parties can embarrass themselves in the media. The main course is the debt ceiling. The only question seems to be whether Congress, rightfully red-faced over its shameful shutdown shenanigans, will play nicely or dig their heels in further. Guess which one I am voting for.

(And don't be fooled by the recent compromise vote that supposedly resolved both issues. All that did was promise that the arguing would pick up again come January.)

And if I am right, then you can kiss the above RCA statistics good-bye as investors retreat in droves, the stock market freezes in place, and we careen headlong into another recession.

The saddest fact is that there is nothing new here. We've seen it all before from this anti-business administration and an almost criminally out-of-touch Congress. We've certainly seen the debt-ceiling drama before, played out until the last hour in just another in the recurring games of Congressional brinksmanship.

And if history tells us anything, there's one thing the Keystone Cops . . . ahem, I mean our elected representatives . . . have mastered, and that's the art of brinksmanship, which, by the way, is defined as pushing a dangerous situation to the very verge of disaster in order to achieve an advantageous outcome.

As you can tell, and as I mentioned when I had the honor of keynoting the SIOR conference in Palm Springs earlier this year, I dislike and distrust all of our elected officials, and I paint members of both parties with the same broad, disillusioned brush. I find myself voting not so much for someone I believe in but rather the person I feel will do the least damage. It's a horrible way to vote, and it speaks to a horrible state of political affairs in the country today, because I know I am not alone. It's a sad fact that the "advantageous outcome" of all this brinksmanship goes to either one political faction or the other. Neither you nor I factor into that equation.

We can only hope that reason enters into the debt debate and nothing more dire results, that the current political unpleasantness will end up more of a speed bump than a stop sign.

If that is true, we will take the hit and trudge on. While we, as an industry fret over changes in cap rates and interest rates (which have remained in the basement for an unnaturally long time), the upward trajectory of our industry should continue, unless the economy derails of course.

If we have reason for optimism, it is coming from within an increasingly vibrant industry. It's just a shame that the folks in D.C are too self-absorbed to support it as they should.

So, what are your thoughts? I'd like to hear from you at salustri@optonline.net.

ABOUT THE AUTHOR



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