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Many Questions Remain For 2010

Looking at the horizon of the New Year many questions remain in the world of real estate. These uncertainties continue to influence decision makers in all sectors from home buyers to investment advisors.

Many question whether the misery is really over in the residential markets since some troubling indicators remain:

- Steady increases in the default rate on “Prime” single family home loans
- The reports of a substantial “shadow inventory” of REO properties not currently on the market
- Concerns that the home buyers tax credit program is really stealing future home sales to a degree that when it expires the market will swoon once again

Has reality really hit the commercial property market? Several concerns, which may come to pass in 2010, are:

- Will the current ‘pretend and extend’ philosophy in some banking circles finally come to an end? If so, how big an impact will it have?
- Will the cash on the sidelines, which we have heard so much about, finally come into the market? How much longer can this capital pool accept 1%-2% returns in money market instruments?
- Will the perfect storm of declining values and strict lender underwriting standards combine to cause an ‘equity crisis’? This is a particularly interesting situation in light of the numerous non-recourse loans made over the past 5-7 years.

Although there remains a good deal of uncertainty, this really continues a circumstance, which has existed for nearly two years. Although the recovering stock market has helped to settle some investors, the search for returns, which have traditionally been the attraction of real estate investment, will continue.

It is clear to me that this recovery has to be driven by jobs. Recent data is encouraging with job losses declining. New job formation will firm up the residential market and fill up the empty space. Watch the job news and many of the questions will be answered.

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