

Real Estate Management News

Emerging real estate opportunities in times of change: A morning with Christopher Lee

By Greg Bethke, VP, Business Development

Manco Abbott is passionate about delivering knowledge to our clients, industry partners and friends. On February 16, Manco Abbott hosted a program with nationally-recognized real estate analyst, Christopher Lee. The event was presented by the Gazarian Real Estate Center at Fresno State University's Craig School of Business—to an overflow crowd of 120 business leaders. Lee's presentation focused on current and projected trends, while offering insight on how to capitalize on the opportunities presented in this real estate cycle.

Among the many nuggets of information, here are five highlights from the presentation:

- 1. Agricultural-related Job Growth.** There is reason to be optimistic about the Central Valley, as it becomes what Lee calls "the Silicon Valley for Agriculture." Over the next 10-15 years, the region can be a center for growth in areas like genetic engineering and precision agriculture. According to the California Department of Food and Agriculture, around 22% of California's agriculture production is exported, and more than 180,000 agriculture jobs will be created between 2011 and 2016.
- 2. Real Estate Cycles are Real.** "Over the past 50 years there has not been a time you could not make money in real estate," says Lee. He believes the next growth cycle in real estate is almost upon us: between 2013 and 2018, we should see great opportunity with rising occupancy levels, rising rents, growing NOI's, increasing asset values, accelerated development activity, and readily available capital.
- 3. Multi-family Opportunities.** Lee is most optimistic about the multi-family sector. The percentage of U.S. homeownership is expected to drop to the low 60s. Because of wavering consumer confidence and the end of the American habit of using one's home as an unlimited ATM machine, many segments of the population will continue to choose to rent. From peak-to-trough, the median price of an existing home will have declined approximately 35% (or \$9 trillion nationwide), and recovery will take at least 5-10 years.
- 4. CMBS Statistics.** Commercial Mortgage Backed Securities (CMBS) statistics signal rough waters ahead:
 - At least 2/3 of CMBS loans maturing between 2009 and 2018 will require significant equity infusions from borrowers.
 - Total unpaid CMBS balance is over \$726 billion.
 - Special Servicing now has over \$83 billion in workouts.
 - CA, NY, FL and TX have nearly 38% of all delinquent CMBS.

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5. Large Population of Baby Boomers Impacted. The economic downturn has hit Boomers hard:

- 25% of Boomers intend to delay retirement because of money lost in the past recession.
- 32% of Boomers turning 65 in 2011 said their finances are “worse than expected.”
- 44% of Boomers expressed “little or no faith” that they will have enough money to retire.
- 25% of Boomers have no retirement savings.
- 29% of Boomers aged 65 now expect to retire at age 70.
- Over 70% of Boomers will likely “age-in-place.”

Another highlight of the day was a presentation made by Hal Kissler, Manco Abbott’s co-founder and Chief Executive Officer, to Charles Tingey, making him the Honorary Chairman of the Board. Mr. Tingey was one of the original co-founders of Manco Abbott in 1972, and much of Manco Abbott’s success can be attributed to the influence and respect he maintains in the business community.

If you would like a complimentary electronic copy of the entire Christopher Lee presentation, please contact Greg Bethke by email at gbethke@mancoabbott.com.

