

Wednesday, November 18, 2009 14:24 MST

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Idaho Business News

No bottom yet, ULI panel says

POSTED: 14:10 MST Monday, November 16, 2009

by Dani Grigg



There was a quiz at the end of a real estate forum in Boise this morning.

It had only one question: Have we seen the bottom of the market?

Correct answer: No.

The outlook for 2010 is "mostly doom and gloom," said the Urban Land Institute's Senior Vice President Dean Schwanke. Local panelists acknowledged the difficult road ahead as well.

Because equity is low in commercial building loans, refinancing has become **difficult**, and demand for space is still low. Available debt capital is limited, and will remain that way until someone figures out how to fix the **commercial mortgage-backed securities** market.

Schwanke said he expects a surge in foreclosures, give-backs and workouts, with delinquencies rising to up to 7 percent of total inventory in 2010.

So for real estate developers, his advice was to write off the year and dream about the future.

"Don't develop anything," he said. "You'll be better off than if you do."

Schwanke's remarks at the conference discussing the ULI and PricewaterhouseCoopers 2010 publication, Emerging Trends in Real Estate, were followed by a local panel. The local experts included Robert Phillips of Boise-based Hawkins Co., Jim Hunter of Boise Hunter Homes, Jerry Dunn of A10 Capital and Don Dietrich of the Idaho Department of Commerce.

The panel was moderated by Rob Perez, president and CEO of Western Capital Bank, Boise.


Dunn said he'd thought 2009 would be the year the dam broke and commercial real estate loans started defaulting left and right, but he was wrong.

"We're seeing dribbles start to come over the dam," he said, "but next year we could see more capitulation."

The event was held at the Grove Hotel in Boise.

8 Comments

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Tags - commercial property management, development, Hawkins Companies, Idaho Department of Commerce, Urban Land Institute



2009
OUTLOOK
conference



1. commercial or residential or both?

Comment By Marie
Monday, November 16, 2009 @ 4:49 PM

2. Marie: That's an important point. The discussion's emphasis was on the commercial market.

The Emerging Trends publication puts most housing markets at or near bottom.

<http://bit.ly/2u6qvd>

Comment By Dani Grigg/IBR
Monday, November 16, 2009 @ 5:33 PM

3. Based on the speaker list, I'm guessing this forecast is for Treasure Valley only or is their forecast for all of Idaho?

Is their forecast based on a national model, i.e., is the outlook the same for the nation?

Comment By byron
Monday, November 16, 2009 @ 6:04 PM

4. According to COMPASS, there are more than 40,000 building lots that have received approval in the Treasure Valley. That is on top of the roughly 12,000 lots that have improvements in place, but not a house. With new home sales running at about 150 per month, there more than 300 months of inventory, 25 years! Retail development has a better chance of succeeding on the moon than it does in this valley for a very long time.

Comment By Jason
Monday, November 16, 2009 @ 8:46 PM

5. Jason,

That 25 years of supply is misleading. Those 40,000 paper lots may never be developed, although a portion will when the 11,000 + finished lots are absorbed. That indeed will take 5-7 years, which is typical of a real estate recovery.

Comment By Jeff
Monday, November 16, 2009 @ 9:17 PM

6. Jeff,

You ARE an optimist if you can say, "NO, No, there is really only a 5 - 7 year over supply, because those other 15 to 20 years of over supply will really just go bankrupt." Keep in mind, all those numbers assume that none of the cities and counties approve anything else in the interim. Yeah, right.

If that is the upside, and it probably is, we're totally hosed.

Comment By Jason
Tuesday, November 17, 2009 @ 8:11 AM

7. As a purely coincidental indicator, Idaho is listed 5th in the US foreclosure rate by RealtyTrac for the most recent month. If political "leadership" cannot gin-up growth by radically restructuring the state's antiquated approach to governance, education, taxes, healthcare, etc....it's gonna be a long, long winter. Ditto for keeping those corporate citizens (i.e. HP, Micron, et al) who haven't joined the parade of those who've left.

Comment By Bill in Idaho Falls
Tuesday, November 17, 2009 @ 8:55 AM

8. Jason,

The cities can approve all they want, but the cities don't built the

finished lots. Just because there are 40,000 papered lots doesn't mean the developer will spend money to build a finished lot. I am not an optimist as much as a realist. My point and prediction if you read my post was that the 40,000 papered lots would not be developed until the 11,000 finished lots are sold, which will likely take 5-7 years.



Comment By Jeff
Tuesday, November 17, 2009 @ 10:40 AM

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