

Florida Focus

Statewide news, trends, analysis and commentary

Real Estate Executives Express Confidence in Boost from Stimulus

Positive news is on its way, so start looking out for brighter headlines, according to commercial real estate experts. The \$787-billion American Recovery and Reinvestment Act, signed by President Obama on Feb. 17, is expected to lift the industry by adding jobs and mitigating overall market perceptions. Florida is set to receive \$12 billion through the economic recovery bill, enough to create 207,000 new positions throughout the state.

“Commercial real estate activity is very connected to general economic conditions and the most important impact this could have is creating jobs,” says Larry Richey, senior managing director at Cushman & Wakefield’s Tampa office. “If we’re adding jobs on a net basis, as opposed to losing them, it has an immediate impact

on the office market, as well as on industrial, retail and other property types.” More bodies working require more physical space, which could put a stop to rising vacancies and sinking rents.

Delivering on promised tax cuts could have the most immediate effect on the industry, putting more money into the hands of taxpayers to stimulate consumer spending—a factor that largely drives our economy these days, Richey says.

Those tax cuts could also stimulate investment, potentially resulting in a much-needed jumpstart to the industry. “The plan will also give lenders a little more comfort in this environment, allowing

them to give developers, owners and investors the opportunity to continue contributing to our economy,” says David Sobelman, executive vice president of Calkain Cos. in Tampa.



President Obama

Elements of the bill aimed at improving infrastructure are expected to help the commercial real estate market in the long run, says Jose Juncadella, principal of Coral Gables-based Fairchild Partners. “As you create more roads and a more efficient flow of traffic, it results in a better flow for business,” he says, pointing to major transportation issues that need attention, especially in

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South Florida.

No matter what the long-term impacts may be, there is still a lot of uncertainty, experts agree. Perceptions, from a psychological standpoint, have a significant effect on what will happen over the upcoming months and years, and executives are confident that the new legislation will help pull the commercial industry out of its slump. "When the perception is that things are improving, people start making decisions for their real estate needs," says Juncadella.

In addition to the stimulus, initiatives under the TARP program aimed at improving liquidity in the capital markets will also help put an end to the persistent 'wait-and-see' mode, says Bill Moss, senior managing director of the Florida region of CB Richard Ellis. "Whether this is the perfect solution is probably up for debate, but something needs to be done."

Many experts believe that with a set plan already in the works, improvement in the market is on the horizon and project upward movement by the third and fourth quarter of this year. Most agree, however, that it's going to take years to get

back to "normal."

"No one really knows for sure what the effect is going to be," concludes Juncadella. "We're all just hoping for the best."

—*Crystal Proenza*