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## Looking ahead ... and back

By Jennifer Whitelaw

On Wednesday, Jan. 20, Commercial Real Estate Women (CREW) San Diego will welcome Joseph Quinlan, managing director and chief marketing strategist of Bank of America, Global Wealth and Investment Management, at the group's annual real estate trends forecast.

The event will offer attendees a valuable opportunity to hear from one of the country's most influential economists, who regularly debriefs policymakers and legislators on Capitol Hill on global trade and economic issues. He has also authored, co-authored or contributed to 11 books on economics, trade and finance and appears regularly on CNBC, Bloomberg Television, PBS and various other television news programs.

CREW San Diego is fortunate to book Mr. Quinlan for the second year in a row. At last year's forecast, Quinlan spoke at length about the "creative destruction" making its way through the national and global economy and about the economic structure and dynamics required to cure the malaise. Attendees at this week's presentation will be interested to hear how Quinlan's assessment of the economy has changed in the past year.

In 2009, Quinlan predicted that financial markets could improve in three to six months and that the recession would likely last until the end of the year. The recovery, he said, would be led by real estate, as it has been in the past. These predictions proved to be very close to the mark.

"Listening to experts such as Mr. Quinlan gives real estate professionals an invaluable opportunity to track well-informed predictions and craft their strategies for the coming year accordingly," said Anne Benge, president of CREW San Diego. "Access to this kind of knowledge can be the difference between thriving or just surviving, especially in a challenging economic environment."

While no expert can provide forecasts as to the future of the real estate industry with complete accuracy, it is interesting to look back at what the experts predicted for 2009, particularly given it was one of the most trying years for the industry.

One of Quinlan's strongest cautions in early 2009 was against relying on loans from nations with developing economies that are likely to direct their available funds instead to their own domestic projects and economic fixes in the near future. Specifically, he named China, Brazil and Mexico. Even countries with historically strong economies are directing investment funds to their own backyards rather than outside their borders.

Later in the year, in an article published by *The Globalist*, Quinlan noted that "of the \$1.1 trillion U.S. firms have invested overseas this decade, nearly 70 percent has been directed to the developed markets. U.S. investment in Ireland since the start of this decade is

nearly 50 percent greater than combined U.S. investment in Brazil, Russia, India and China."

He pointed out that U.S. companies would be wise to step up investment in developing nations where growth potential is higher. He added that although some are starting to do so, "it is ironic that at precisely the moment when Corporate America needs to build out its presence in the developing nations, the latter have become pickier and somewhat less welcoming to foreign investment."

At last year's economic forecast, Quinlan pointed to another challenge -- that corporations around the world are hoarding their cash, depriving their host countries of needed liquidity. Additionally, "toxic debt" at banks has kept them from lending, which is necessary to encourage businesses to grow and expand their real estate holdings.

With indicators showing a recovery is under way for the U.S. economy, experts aren't as optimistic about the chances for recovery for commercial real estate as they are for some other industries.

Early this year, CoStar Group compiled commercial real estate predictions from forecast reports around the nation. Commonalities included trepidation about "weak fundamentals and constrained liquidity," which may prevent any real recovery this year. Many are troubled by the massive amount of commercial real estate debt still scheduled to mature in the next few years.

The guarded optimism expressed in the reports was for the homebuilding and hotel sectors. PKF Hospitality Research is predicting lodging demand to show a quarterly year-over-year increase at the end of first quarter 2010, ending eight consecutive quarters of decline.

The Fitch Ratings report stated that government intervention in homebuyer tax credits and efforts to moderate foreclosures have helped stabilize the residential real estate market and that homebuilders who can scale their operations appropriately will have opportunities.

Those interested in attending the CREW economic forecast event can visit [crewsandiego.org](http://crewsandiego.org) for details. The deadline for advanced registration is Jan. 18. Onsite registration is also available on a space-available, first-come, first-served basis.

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