

**North Bay Branch Chapter of the Appraisal Institute
North Bay Real Estate & Economy: "Riddles, Bubbles & Recovery"
July 12, 2011**

This seminar is meant to be a mix of macroeconomics, political economy, and group therapy session about the current environment in the real estate market. We will begin with a discussion of global and domestic macroeconomic issues and concerns, and connect them to the local markets by using the lens of market analysis. One of the riddles of this protracted real estate recession is how the downturn can last so long. An answer may come from simple economics and recognizing that there needs to be a match between supply and demand which is very complex and was made very easy in the decade from 1998-2007. When the bubble burst, some of the economic innocence around our real estate markets was taken away, and price, availability of credit and economic rebound otherwise are not solving the problems.

The North Bay is driven economically by global, state and local issues, as well as local and state political issues around taxation, estate planning, land use, and real estate development. Another riddle that needs to be answered about the future of both commercial and residential markets is how will job creation, business creation and resident creation all mix together to minimize vacancy rates in commercial and single-family homes. The answer to this riddle lies in the nexus of the multiple economic development efforts happening throughout the North Bay, specifically in Sonoma County. Job attraction and retention may or may not come with more businesses, and vice versa. Will new workers live locally or just commute? Do gas prices have an effect on this choice? What about home prices and availability of credit? Are the markets regional?

A group exercise will provide some time to discuss these issues, and you should consider this session to have the following takeaways

- As local areas age, income more a mix
 - Derived from wealth and labor
 - Jobs may be less important for real estate...maybe
- International economics and politics affecting local RE markets
 - Preferences, commuting, other costs of living
- Local political economy remains a mystery
 - Job growth needs a focus on commercial real estate
 - More workers means either more residents or more commuters
- Rates going to rise: watch the financial markets closely
 - ECB rate hikes, and Chinese rate hikes, likely to trigger FED action by end of 2011
 - Bond markets the big issue: can we continue to sell national debt