



## Decade Answers: Perry Gault

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Perry Gault is president at Perry Gault Management Co., Inc., Scarsdale, N.Y.

What are your predictions for commercial real estate in the new decade?

The trouble with prosperity is it invariably leads to a bubble that collapses. The deregulation of banks which resulted in lower borrowing standards and excessive lending, lead to the inevitable collapse in real estate prices, both residential and commercial. The over-heated economy led to this disaster reminiscent of the great depression. Currently, commercial real estate faces \$1.4 billion of debt due in 3 years and 35% of commercial properties are under water. What will turn this disaster around will be legislative regulations by congress to prevent a repeat of the current situation. New laws will prevent banks from over-lending, and will force lending institutions to rid themselves of sub-prime mortgages even at losses. When banks begin to lend again, and that time frame is uncertain, real estate prices will stabilize and eventually increase in value, though at a more modest pace than during the bubble years. The time frame for this turn around could easily be 3 to 5 years, but historically real estate has been a prime investment and that long-term trend in my opinion will return and once again will be the investment of choice by most astute investors.

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