



Decade Answers: Karen Strom

February 22, 2010 - Spotlights

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

The ongoing correction of real values in real estate will continue to be painful and perplexing, as "cheap money" continues to diminish and ultimately disappear. Even with real estate "bail outs," we can expect value stagnation over the next five to ten years, after we hit the bottom of the real estate market. This may be coming sooner, rather than later, as residential foreclosures will peak in 2010. Interestingly, we will see survival of the fittest in the commercial market as properly leveraged commercial developers cherry-pick distressed-yet potentially profitable-commercial real estate. The real estate market losses will recover more slowly than the stock market and we will probably not realize peak values until the end of this decade. The recovery's pace will be contingent upon banking and housing regulations. Hopefully, these new regulations will address the root cause of the real estate bubble and burst.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540