

Hello Everyone,

"Migration is a process to escape from the unsatisfactory situation."

Uruj Shahid, Author

I do not know much about Mr. Shahid, but I liked his quote.

- Attila the Hun forced a great migration across central Asia into Europe.
- The Irish Potato Famine forced a great migration across the Atlantic to America.
- And the allure of California (plus the Dust Bowl) brought a great migration along Route 66.

The story of real estate is really the story of migration. And Covid19---coupled with overarching trends that were already in place--- is spurring yet another great move.

Today's missive looks at what most of you already know. You grew up watching the shift from rural to urban. You are now seeing the reverse.

Signed, Your Virtual-Political-Conventions-Aren't-Much-Fun-To-watch Financial Advisor,

Greg

KKOB 08.21.2020 Covid & Real Estate

Bob: So, Greg, today we are going to tackle a pretty big --and diverse --subject..Covid and real estate.

I mean, there is residential plus commercial, industrial, and even agricultural real estate. Plus, there are sub-categories in each sector.

Greg: You forgot mixed use. And you are right. This subject is really too big and too diverse to tackle.

But I say, why let something like that stop us?!

Let's start with residential. Bob, I am going to give you two lists. You tell me which list is seeing rising home prices and the other falling.

List one:

- *Seattle*
- *San Francisco*
- *Chicago*
- *New York &*
- *LA*

List 2

- *Bozeman*
- *Lake Tahoe*
- *Boise*
- *The Hamptons*
- *Ruidoso*

OK, Bob, where is the housing market weak... and where is it strong? And give me some reasons why.

Bob: List one is the dud list... because of taxes, riots, and urban blight. List two is strong because of lower taxes, safety, and a higher quality of life.

Greg: Right. People are walking away from homes on list one and buying sight unseen (!) on list two. Really...sight unseen. Oh, and higher Internet speeds used to keep people close to the cities. Not now. You can work from anywhere.

Next, industrial, retail & commercial real estate.

List 1:

- *Texas*
- *Tennessee*
- *Arizona*
- *Indiana*

List 2

- *New York*
- *California*
- *Illinois*
- *New Mexico*

Bob: Come on. This is too easy. Even though List 1 is dealing with Covid, they are working through it. List 2 is bleeding out ---and the reasons are the same. Taxes, safety, and leadership.

Greg: Right. List one isn't immune from the shake-out in retail. Malls and strip centers are closing everywhere. Plus, lawyers, accountants, and other white-collar workers won't be filling beautiful office towers the way they used to. But the damage in business-hostile states will be far worse than in business-friendly states.

Oh, and even entry level office work (think call centers) is in flux.

Bob, I clear my trades through Charles Schwab. They have football field sized service centers (filled with cubicles) in Phoenix, El Paso and Denver. There, nice people helped guys like me with paperwork or admin problems. Those phones are now

silent. Everyone is working from home---and it's going well.

Bob, I don't think it will be hard for Schwab to say, "*We don't need football field sized offices anymore.*"

The point is, I can't imagine what is going to be like for a commercial real estate broker trying to fill acres of office and commercial space post-Covid.

Bob: Me neither. But isn't all this just accelerating a trend that was already underway? I mean, people were already working from home and management was fine with it...so long as they kept their productivity up.

Plus, in the big cities, people didn't have to sit on freeways for hours each day. So, to me, technology was already putting this trend in motion. Covid just pushed it along faster.

Greg: Exactly. And, this is the theme we saw in our first two "Covid And..." segments about oil and banking. Things we thought would take five or ten years to play out are playing out in months. It's pretty disruptive.

Bob: That's an understatement. But before we close today. What about Albuquerque real estate? Overall. Where do you see it going?

Greg: I remember a segment from Jim Cramer's *Mad Money* in 2009. Real estate was cratering all across America, but a reporter said, "But Jim, look at Albuquerque. It's

doing fine.” Cramer screamed, “Albuquerque!? They’re always late!” And he was right. And the reason is, we are so dependent on government, we are slow to most trends.

I’ll say this. I believe the next few months will determine Albuquerque’s fate. If we allow the riots and the civil unrest to grip the way they have in Minneapolis, Portland, and Seattle, we will not be a magnet for those fleeing big-city dysfunction.

If we, however, can maintain the historical friendships most of us grew up with...even with our lousy tax code...we should be OK. We’ll know by year-end.

Bob: I think you’re right. How we respond between now and the election will tell a lot. How do people reach you?

Greg: My number is 250-3754. Or, go to my website at zanettifinancial.com.

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