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ECONOMY 'TURNING TOWARD RECOVERY,' DOTZOUR SAYS

COLLEGE STATION (Real Estate Center) – The “real economy” — economic activity that is not stimulated by tax credits — appears to be “turning the corner toward recovery,” Dr. Mark Dotzour said yesterday while speaking at the Texas Society of CPAs Financial Institutions conference in Dallas.

Dotzour, the Real Estate Center's chief economist, said corporate profits and new orders for manufacturing have clearly rebounded.

He also said commercial real estate markets will not clear until two issues involving the U.S. banking system are resolved. First, when will the banks recognize the losses on the real estate loans in their portfolios and begin to sell the troubled assets to new buyers? And, will the Office of the Comptroller of the Currency tone down its strict limits on commercial real estate lending for commercial banks?

“As of today, there doesn’t appear to be an encouraging answer to either question,” Dotzour said.

When asked about this week's headlines proclaiming that the recession ended in 2009, he said he thinks such headlines are premature.

"The health of the residential and commercial real estate industries depends not on gross domestic product (GDP), but on job growth," he said. "When the economy (i.e. GDP) grows by, say, 3 percent, but productivity also grows by 3 percent, it just means that currently employed workers produced 3 percent more things. **Job growth is the essential engine of growth in this country. Until we start producing jobs, it's premature to say we are out of the recession.**"

Dotzour will speak later this week at the IMN Distressed Commercial Real Estate Forum in New York City. The audience will include 300 investors from all over the world who have raised funds to purchase real estate in the United States.

Courtesy of JB Goodwin