

# BUBBLE BURSTING

## WEB BUZZ 2009.04.13

One of the last bubbles to burst was commodities (see chart below). The first to go was housing, followed by the stock market. All three of these bubbles are down sharply and all three are showing signs of leveling out. This is to be expected after such waterfall declines. There still is, however, another burst to come, which may well be the mother of them all. That, of course, would be commercial real estate. There are some truly frightening numbers coming out of retail shopping centers, office parks, and restaurant sites, just to name a few.

There is a reported \$814 billion in commercial debt coming due over the balance of this year and many are wondering where the new loans are going to come from. The distressed real estate segment has doubled in size to account for an approximately \$50 billion share of the real estate market since the end of last year. Many experts in the field believe that declines on the order of 40% in value are in the offing.

Nothing goes up or down in a straight line and not all bubbles burst at the same time—watch out for what is next—maybe commercial real estate.



Adapted from Paul J. Lamont's "The Suitcase Farmer," April 8, 2009