



News from the Desk of David H. Farmer, PE, AICP,CGC

RECESSION: WHAT IT IS AND WHAT IT IS NOT



David H. Farmer, PE, AICP

Dear Friends,

Much has happened over the last quarter and I am pleased to be able to share it with you through this newsletter. Thank you for taking the time to read through it. If you have any topics that you would like to see me write about, or any questions that perhaps I can answer for you within one of my upcoming issues, please feel free to email me at dave@keystonellc.net. I also do a good bit of writing on my blog. If you'd like to check it out <http://keystonellc.blogspot.com>. Feel free to comment as you see fit. I hope that you find something of interest in this issue and when you are done reading, pass it along.

-Dave

Recently a reader of this newsletter asked me what causes a recession. The definition is when our economic growth is negative for six consecutive months. The actual cause of a recession is, in my opinion, fear.

Many people and companies are fearful right now. They are afraid of losing their jobs, they are afraid of losing customers and they are afraid things will not get better.

Deep inside, we know things are constantly changing. Why it was just yesterday things were booming and many thought that too would never end. Something I want to point out is the word "recession" is associated with "bad" economic times; yet, the definition is simply our growth has slowed down or declined slightly. That does not sound so bad does it?

Here is where I think I may be able to shed some light on why the reader asked the original question. On a personal level things do not look good right now. Many have lost jobs or have more than one friend that has lost a job. Every day we hear about a friend or friend of a friend that has lost their house to foreclosure. Gas costs more. Food costs more. Heck almost everything costs more but we are not making more money. Budgets are squeezed and folks are learning to get by with far less than we are accustomed to having. When 25% of our

population are experiencing what I just described they stop spending on anything but the necessities (the money they used to spend is called discretionary money). When they stop spending on crazy indulgences like eating out (at McDonalds), buying clothes (at Target) and entertainment (going to the movies twice a year) our economy feels it in terms of reduced earnings on Wall Street.

When that happens we start to hear on the nightly news about how our economy is slipping into a decline. The news of a decline reinforces the notion that we are in economic trouble and even more of the population cuts back on spending. This reduced spending trickles down to wait staff at restaurants, car dealerships, movie theaters and even Wal-Mart. When will it end?

It is going to take some time for people to feel better about their lives and begin spending again. As I have mentioned previously, listen to your friends and neighbors. When they are eating out again, going to the movies and buying new cars you will see light at the end of the tunnel.

One important fact I left out is in order to spend more you not only have to feel better but you need more money to spend. So we do need jobs to be more plentiful and such for incomes to rise to provide the additional cash needed to spend in our economy.

The infusion of outside spending may be just the shot in the arm we need.

Need. On the other hand, that will not be the only thing needed to push our economic growth into positive territory.

If that explanation helps you understand and feel better I am very happy to be of service. If you are happy right now, you may want to stop reading. For those of you still with me, I have a confession to make; I don't think we are in a recession, but not because I think like the US government idiots who claim inflation is nil and everything is fine.

I think where I live in SW Florida, we are in a depression. And that folks, is a whole lot worse than a recession. When I was a kid (late 70's) there was talk of the country in a recession and I asked my parents what a recession was. I cannot remember the answer but I do remember my follow-up question which was: *What is the difference between a recession and depression?*

My parents told me about two people; one guy did not get a raise and was concerned about losing his job the other guy had lost his job and was about to run out of savings. The first guy was in a recession and the second was in a depression. The funny thing is the two guys were neighbors.

My point is this, forget about labels on the economy as they are meaningless. The important thing is how are YOU doing? Are you in a depression? Do whatever you have to get by. Things will get better in time.

HEY DAVE! WHERE HAVE YOU BEEN??

The summer months brought me few travels but many positive networking and informational opportunities.

I was pleased to be in attendance at the ULI Market Trends program on July 28 featuring Mike Timmerman, of Fishkind & Associates at The Quarry, this

program offered a sneak peek into the predictions of this well known local economics expert who has a very good track record of being "on the money". August took me to Orlando in search of new investment opportunities. I will be sure to keep my interested

readers abreast of my findings. In September I made a presentation entitled "Deal or No Deal? *Decide after Due Diligence*" to the Collier County Bar Association. And I attended a very interesting ULI talk with Al Reynolds of WilsonMiller.

See you next quarter!





We're on the web
www.keystonellc.net

Contact Us:

Keystone Development
Advisors, LLC
12355 Collier Blvd
Suite B
Naples, Florida 34116
Office (239) 263-1100
Fax (239) 263-1103
www.keystonellc.net

Sample of Keystone Services:

- ◇ Land Development Feasibility Assessment for Investors and Financial Institutions
- ◇ Florida Real Estate Broker
- ◇ Investment Potential Analysis
- ◇ Pro Forma Review
- ◇ Due Diligence
- ◇ Land Development Consultation
- ◇ Property Entitlement/Permits
- ◇ Project Risk/Feasibility Assessment



Dave's TOP 10 List

Top 10 reasons when you'll know it's time to buy

10. Loan officers are going door to door with applications like girl scouts selling cookies
9. Your 10 year old is thinking about buying her own place and moving out
8. Houses are listed as buy one get one free
7. Poor Iraqi's are buying vacation homes in the U.S.
6. Your stimulus check exceeds your 20% down payment
5. Owning a home is cheaper than living in your car
4. Your loan papers say "pay us when you have the money"
3. There are more "for sale" signs on the street than there are houses
2. You can buy a McMansion for a Happy Meal price
1. Even Ed McMahon can afford to buy



DEAL OR NO DEAL? DECIDE AFTER DUE DILIGENCE

I was recently asked to speak at a program for the Collier County Bar Association. The title of my presentation was called "Deal or No Deal? *Decide after Due Diligence*" The purpose of the program was to inform Attorneys about the importance of Due Diligence in land development potential and educating clients on how to



identify troubled properties before spending money on them.

During the all-day program I cited some legal cases

that gave weight to concepts such as compatibility, concurrency and environmental law. I offered specific suggestions on reasonable due diligence periods and what can be done to facilitate a responsible person to carry out the due diligence process. Then we discussed concurrency and I used many of my own projects as examples. Sometimes personal experiences are the best teachers. I covered environmental issues related to development such as endangered species mitigation, wetland mitigation and water quality requirements for SW Florida. I thoroughly enjoyed talking about a topic that I know well and feel comfortable doing. It was also nice to see so

many Professionals that I have worked with over the years in the audience.

I would like to extend a special thank you to William Dempsey, Chris Thornton and Francesca Passeri of Cheffy, Passidomo, Wilson & Johnson for asking me to participate in this conference.

I would also like to thank:

- Ron Stetler-Garlick, Stetler & Peoples
- Mike Myers-Passarella & Associates
- Lynn Zenczak - Earthmark Companies
- Matt Grabinski - Goodlette, Coleman & Johnson.