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WEEK 1  
Saturday  
Oct 16, 2021  
9:00AM–1:00 PM

6<sup>TH</sup> CREATING  
SUSTAINABLE  
NEIGHBORHOOD  
DEVELOPERS'  
PROGRAM: *Virtual*

- 9:00 am: **Welcome!**  
Dr. Donald Andrews- Dean, College of Business,  
Southern University and A&M College
- 9:05 am: **SU EDA University Center for Economic and Entrepreneurial  
Development**  
Dr. Ghirmay Ghebreyesus, Director, SU EDA University Center
- 9:10 am: **Course Objectives**  
Eric L. Porter/ComNet LLC
- 9:15 am: **Curriculum Direction**  
Dr. Sung No, Co-Director, SU EDA University Center
- 9:20 am: **“Where are they Now (Program Graduate)?”**  
April Hawthorne, Executive Director, BRNEDD
- 9:30 am: **“Business Cycle“**  
Dr. Donald Andrews
- 10:30 am: **Break**
- 10:40 am: **“Acquisition of Properties from Municipalities: How do you  
communicate it to Government”**  
Cedric Grant, Grant Management Group, LLC
- 11:45 am: **“Real Estate Acquisitions & Development”**  
Lacy Baaheth, Broker/Owner/Realtor, Lacy Baaheth & Associates
- 12:45 pm: **Course Direction**  
Eric L. Porter & Sung No
- 1:00 pm: Closing

**Creating Sustainable Neighborhood Developers  
Entrepreneurship and Business Cycles in the  
Real Estate Market”**

Donald R. Andrews

October 15, 2021

Dean, College of Business

Southern University and A&M College

Baton Rouge, Louisiana

# *Vision To Create the Future*

Up From Slavery: Booker T. Washington  
National Negro Business League



# Planning for the Future

**The single most important thing to remember about any enterprise is that there are no results inside its walls. The result of a business is a satisfied customer. The result of a hospital is a healed patient. The result of a school is a student who learns something and puts it to work.**

**The talk you hear today about adapting to change is not only stupid, it's terribly dangerous. The only way you can manage change is to create it. By the time you catch up with change, the competition is already ahead of you.**

**... Peter Drucker**

# *The New Economy*

## Change

- “When the rate of change outside the organization is faster than the rate of change inside the organization, then the end is near.” *Jack Welch, Late Former CEO, GE*

# Accelerating Pace of Change

## Agricultural Age



## Industrial Age



## Knowledge Age



1100

1300

1500

1700

1880

1900

1920

1940

1960

1970

1980

1990

2000

# From Knowledge Economy to Creative Economy

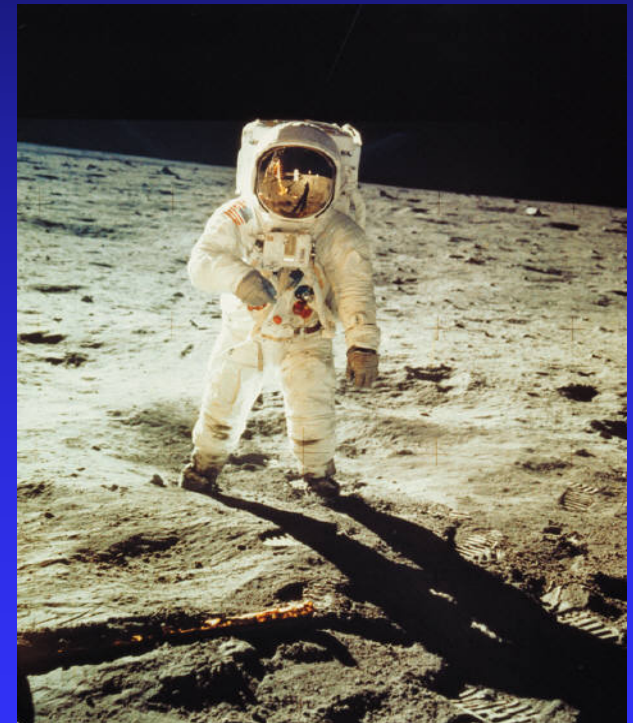
DESIGN



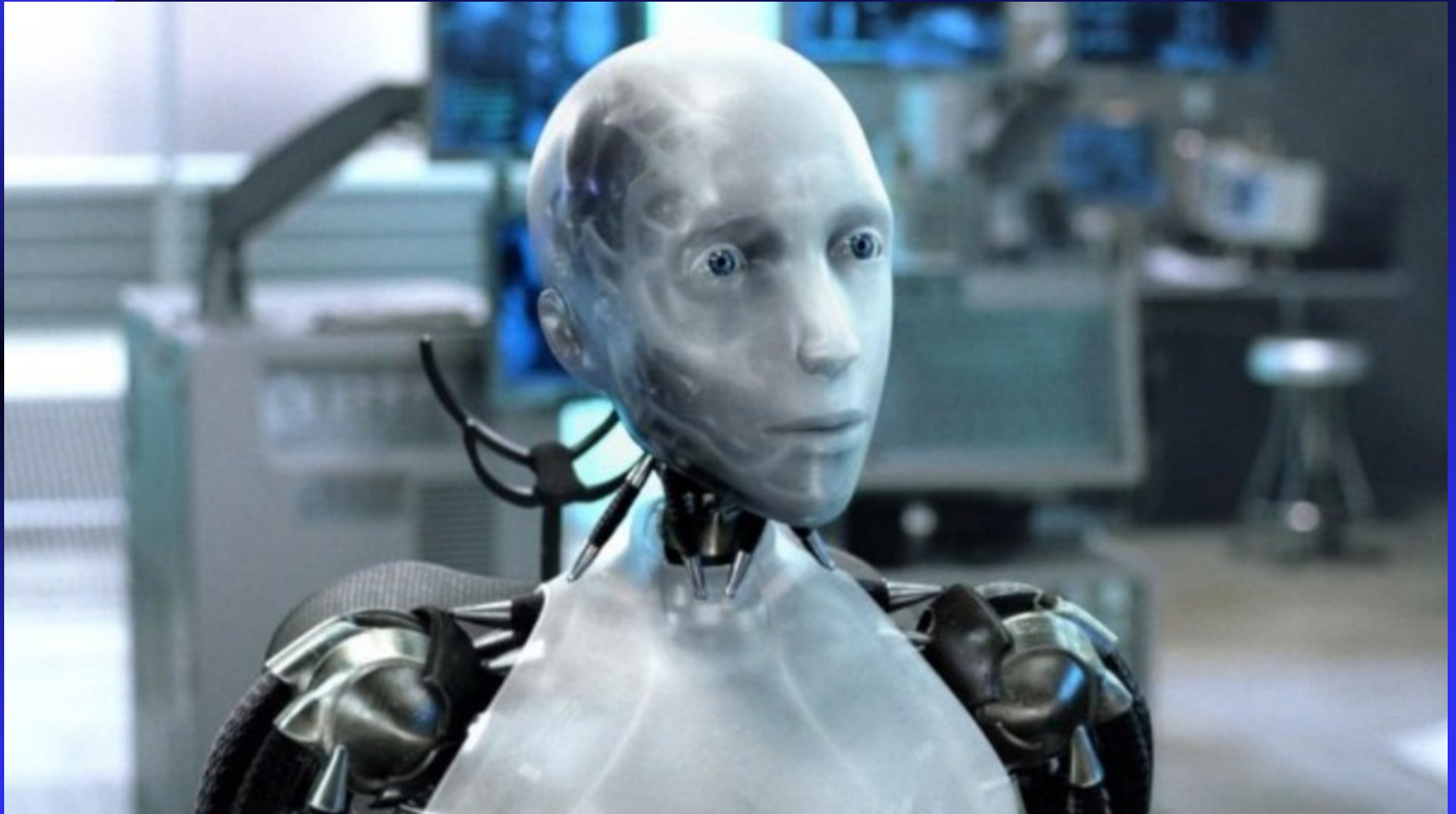
CREATE



IMPLEMENT



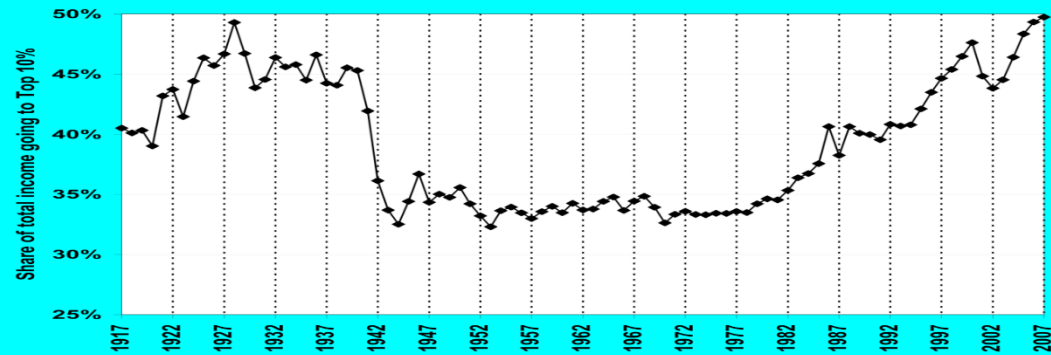
# Brilliant Machines (Deep Blue and Mr. Watson) Can I Help You Think?



As Outline in *The Second Machine Age* by Erik  
Brynjolfsson and Andrew McAfee 2014



# Income Share to Top 10 Percent 1917-2007



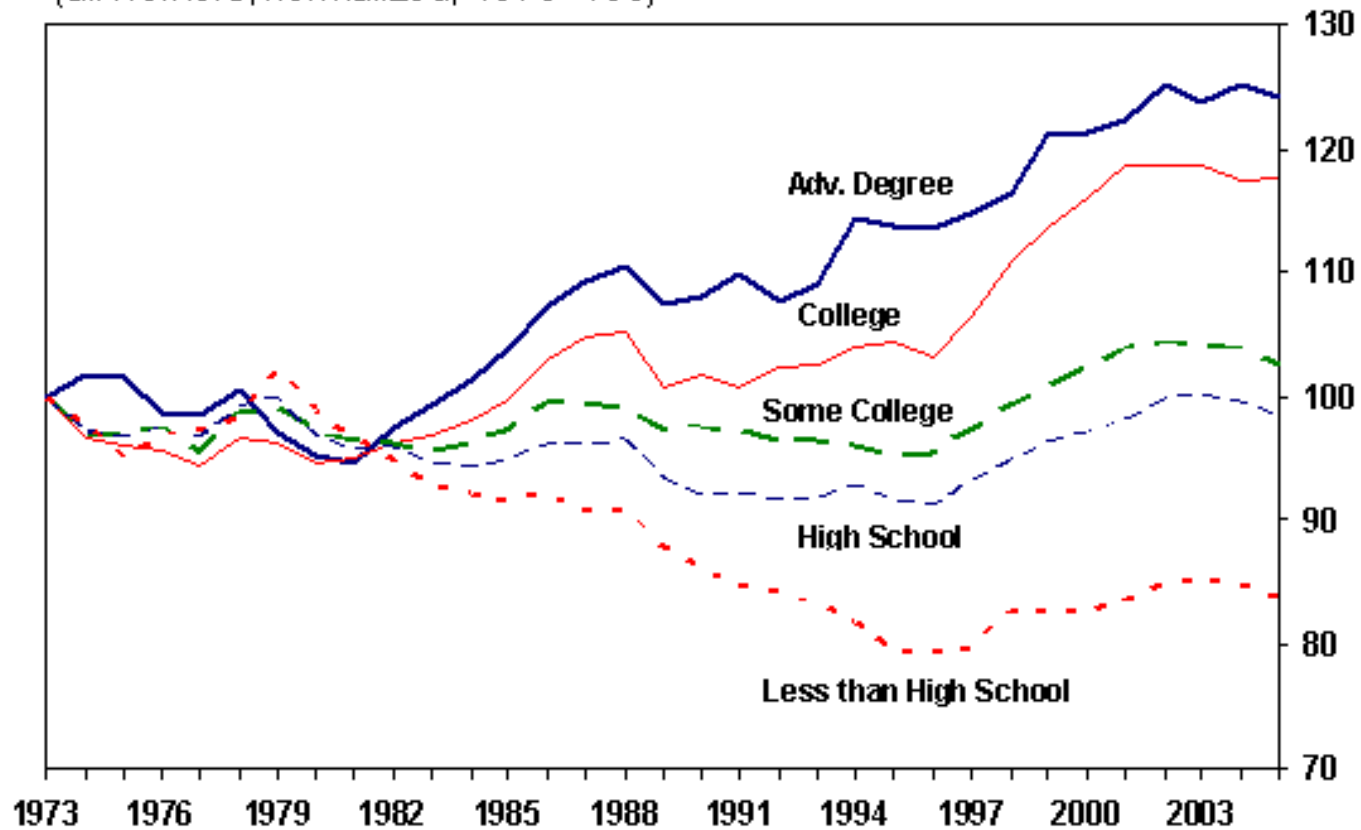
**FIGURE 1**  
The Top Decile Income Share in the United States, 1917-2007

Source: Piketty and Saez (2003), series updated to 2007.  
Income is defined as market income including capital gains.  
In 2007, top decile includes all families with annual income above \$109,630.

# Growth in Wages by Education

**Figure 2: Real Hourly Wages by Education**

(all workers, normalized; 1973=100)

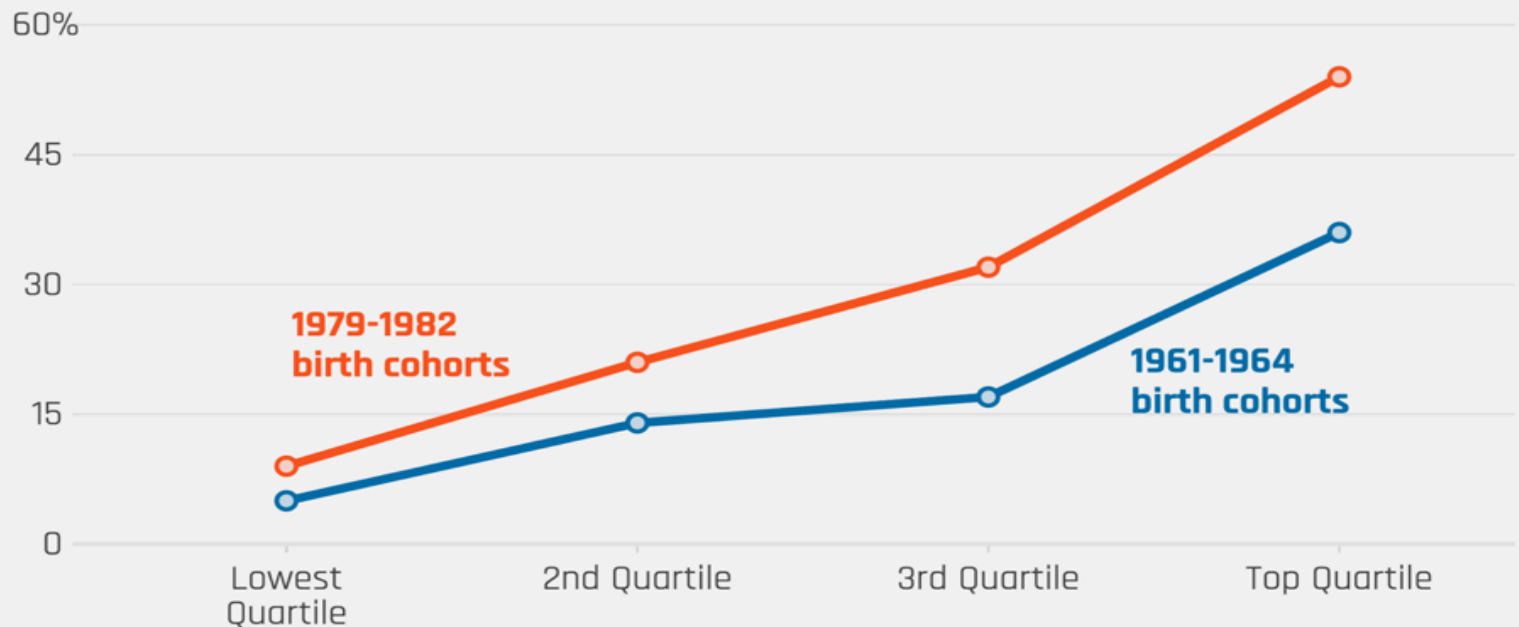


Source: Economic Policy Institute

# Income and College Education

## College completion gaps by income persist and grow

Share of students completing college in the United States by income quartile and year of birth



Source: Martha Bailey and Susan Dynarski, "Gains and Gaps: Changing Inequality in US College Entry and Completion," National Bureau of Economic Research, 2012.

# 21<sup>st</sup> Century Institutions of Higher Education Role in Economic Development

## Strategic Program Principles of Practice

- Embed Economic Engagement, Innovation, and **Entrepreneurship** Across Institutional Missions
- Value and Promote Scholarship Across A Continuum of Discovery and Application
- Be Good Community Partners
- Engage in Regional Innovation Ecosystems
- Identify and Strengthen the Institutions Strategic Competitiveness
- Serve Regional Human Capital and Workforce Needs
- Contribute to the Health and Well-Being of the Community and People Served
- Facilitate 21<sup>st</sup> Century Knowledge Creation at the Intersections, Collisions and Fusions of Academic Disciplines
- Affirm that, in Innovation and Engagement, Humanities, Arts, Social Science and STEM Disciplines are Vital
- Innovate Continuously in Teaching and Learning Practices
- **Source: Higher Education Engagement in Economic Development, Association of Public and Land Grant Universities - Commission on Innovation, Competitiveness and Economic Prosperity – University Economic Development Association**

# Demand for Entrepreneurship Education

Students have shown an increased interest in understanding business from the entrepreneurs' perspective. According to Stephen Spinelli, Babson College's President

- (1) students who are going to start their own businesses,
- (2) students who are going to seek to work for a small entrepreneurial firm with rapid growth potential,
- (3) students that want to understand entrepreneurship from a finance perspective and become involved in equity investing in new ventures,
- (4) students who are interested in corporate entrepreneurship and new product development and
- (5) those that end up in traditional business careers but feel that an entrepreneurial education gives them an advantage.

# SUBR College of Business Mission and Structure



- **Mission**
- **To provide a quality business program that prepares students of diverse backgrounds for global career challenges and makes a positive contribution to the public and private sectors through effective instruction, impactful research and innovative community engagement**
- **Undergraduate programs in:**
  - **Accounting**
  - **Finance (Economic and Insurance Concentrations)**
  - **Management (HR, MIS & Supply Chain Concentrations)**
  - **Marketing (with Professional Sales Concentration)**
- **MBA and JD/MBA programs**
- **University Center for Economic & Entrepreneurial Development (EDA)**
- **Accredited in 1998 by AACSB – International; the Association to Advance Collegiate Schools of Business.**

# **Some New Business and Government Realities**

- **Globalization**
- **IT and Bio Technology Revolution**
- **Business Redesign**
  - **Outsourcing**
  - **Offshoring**
  - **Increase in Strategic Alliances**
- **E-Commerce/Supply Chain Management**
- **Restructured Government Procurement**
- **Changing Market Demographic**

# New Realities in Business

## ■ Recommendations

- ◆ Access New Markets, Develop New Capital Structures, Develop New Business Structures
- ◆ Leverage Government Resources, Develop University Linkages, Support and Encourage Use of Technology, Use of Business Incubators
- ◆ The new realities in the business world have caused a revolution in thinking with respect to developing *entrepreneurship programs*



# Role of the University in Entrepreneurship Development

- **Academic Programs**
  - **Orientation of Business Degree Programs**
  - **Entrepreneurship Courses and Degrees**
- **Research, Grants and Contracting Projects**
  - **Small Business Consulting**
  - **Value-Added in the Supply Chain**
  - **SBIR/STTR**
  - **MSI Alliances and Collaborations**
- **Outreach**
  - **EDA University Center**
    - **Educational Workshops and Training**
    - **Entrepreneurship Training**
  - **Small Business Development Centers**
  - **Business Incubation**
  - **Research Parks**
  - **Community Development Corporations**

# What is entrepreneurship?

- *Creative Destruction Joseph Schumpeter*  
*New Technology and Innovation Drives Business Investment and Realignment*  
*Steam Power, Electric Light, Horseless Carriage*
- *The Breakthrough definition:*  
“Identifying an opportunity regardless of the resources currently available.”
- *Babson definitional (r)evolution:*  
“A **way of thinking and acting that is opportunity obsessed, holistic in approach and leadership balanced.**”

Entrepreneurship is the use of innovative thinking to develop new products, services and processes that lead to the creation of wealth for individuals and society  
(Donald R. Andrews SEE 20 2004)

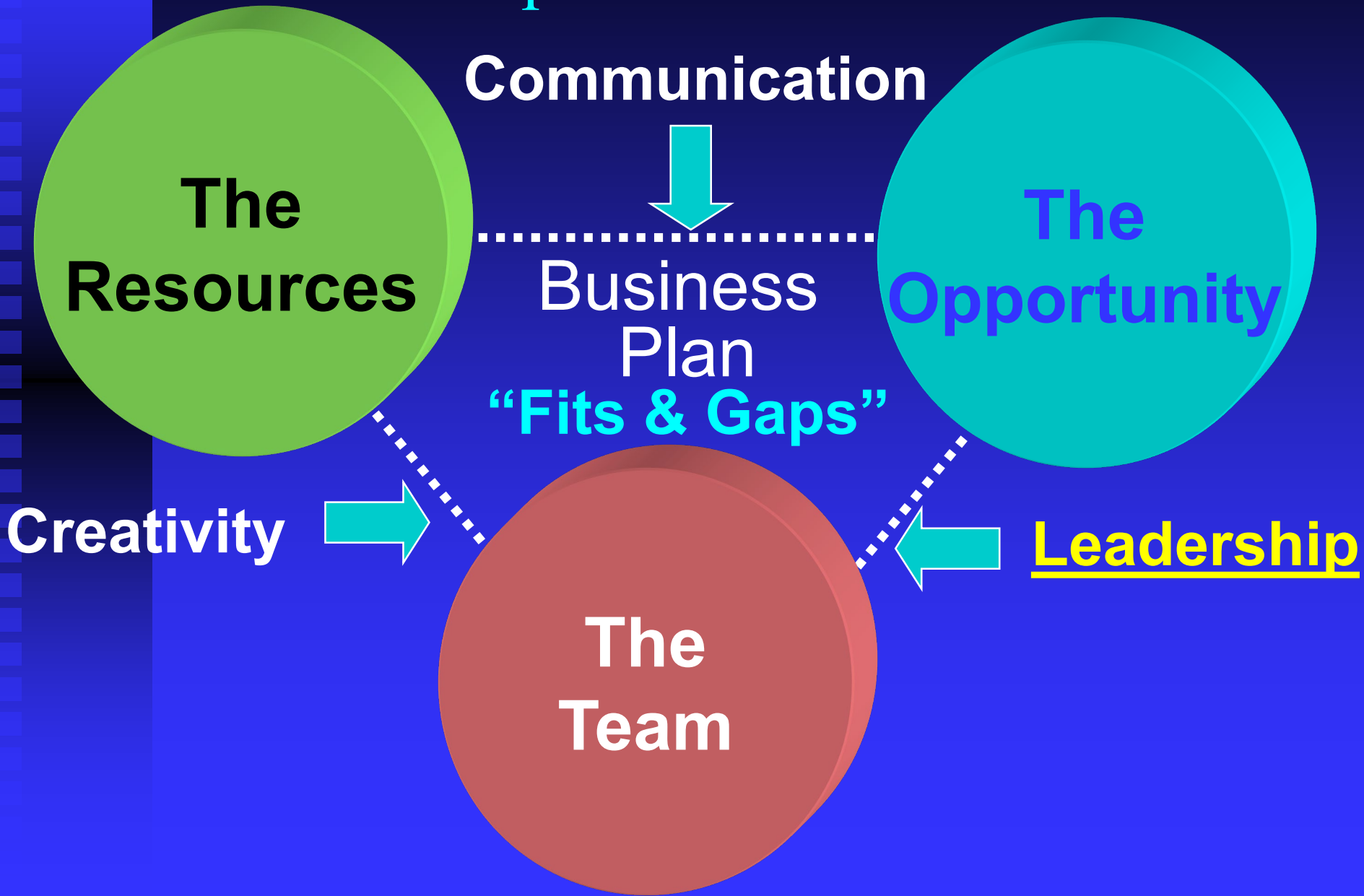
# The Entrepreneurial Process

**The entrepreneurial process will create a better world. It's not just about new company, capital, and job formation, nor innovation, nor creativity, nor breakthroughs. It is also about fostering an ingenious human spirit and improving humankind.**

**Jeffry A. Timmons, 1996**

**Price-Babson College Fellows Program**

# The Timmons' Model of the Entrepreneurial Process



# The Entrepreneurial Process

**OPPORTUNITY Driven**

Economic Analysis

Market size & structure

Economic Profit

The  
Opportunity

# RESOURCES

*Too much money chasing too few great ideas*

Minimize and Control

versus

Maximize and Own

Bootstrapping and Creativity



Resources

# An Entrepreneurial Team

**The Key Ingredient for success!**

The “lead” entrepreneur  
Quality of the team  
**Commitment & Determination**



**The  
Team**

# Leadership

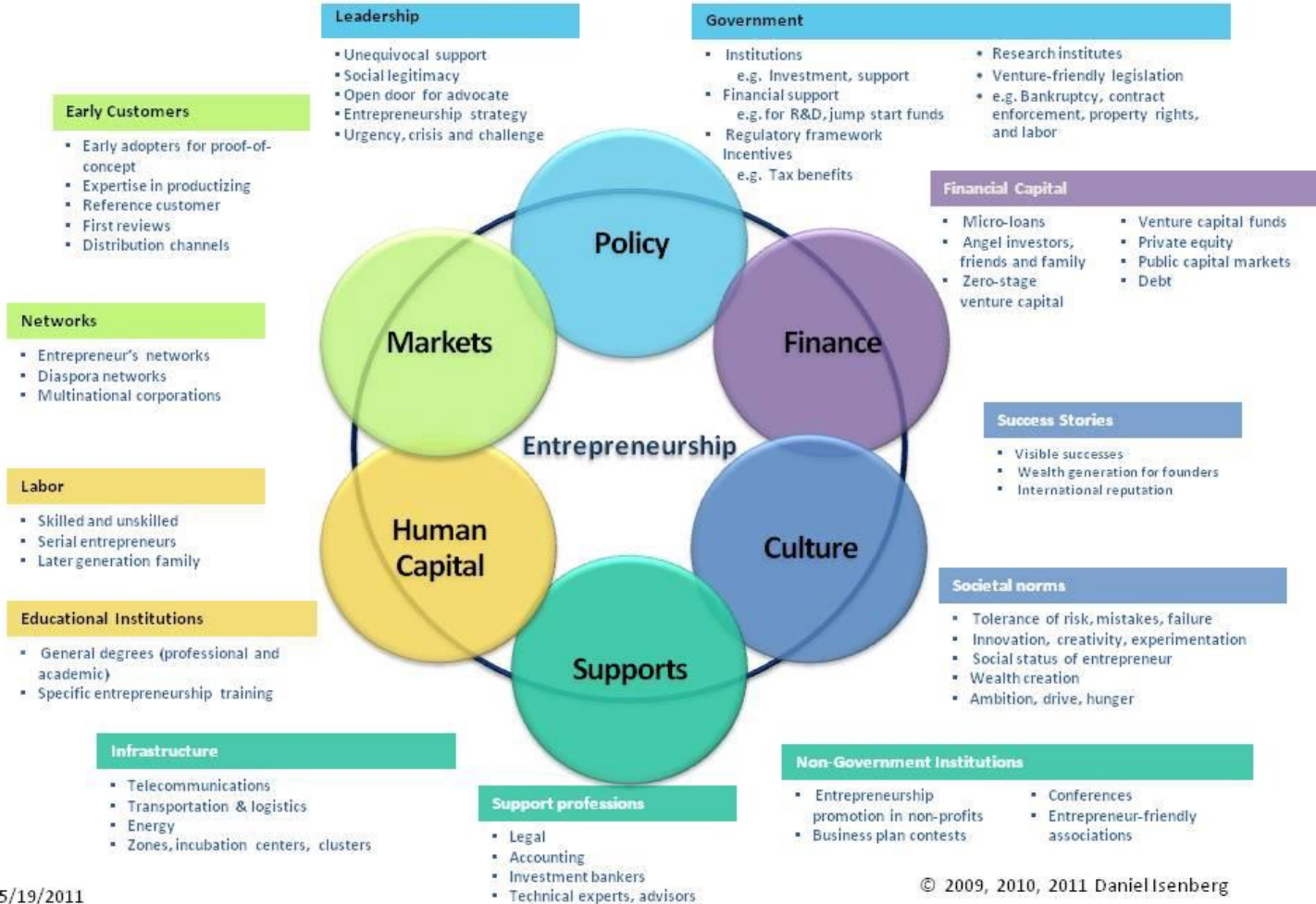
- Good to Great by Jim Collins
- Good the Enemy of Great
- When to Adapt and Change
  - ◆ IBM, GM, Kodak
- Level V Leadership
- The Right People on the Bus will figure out where to go



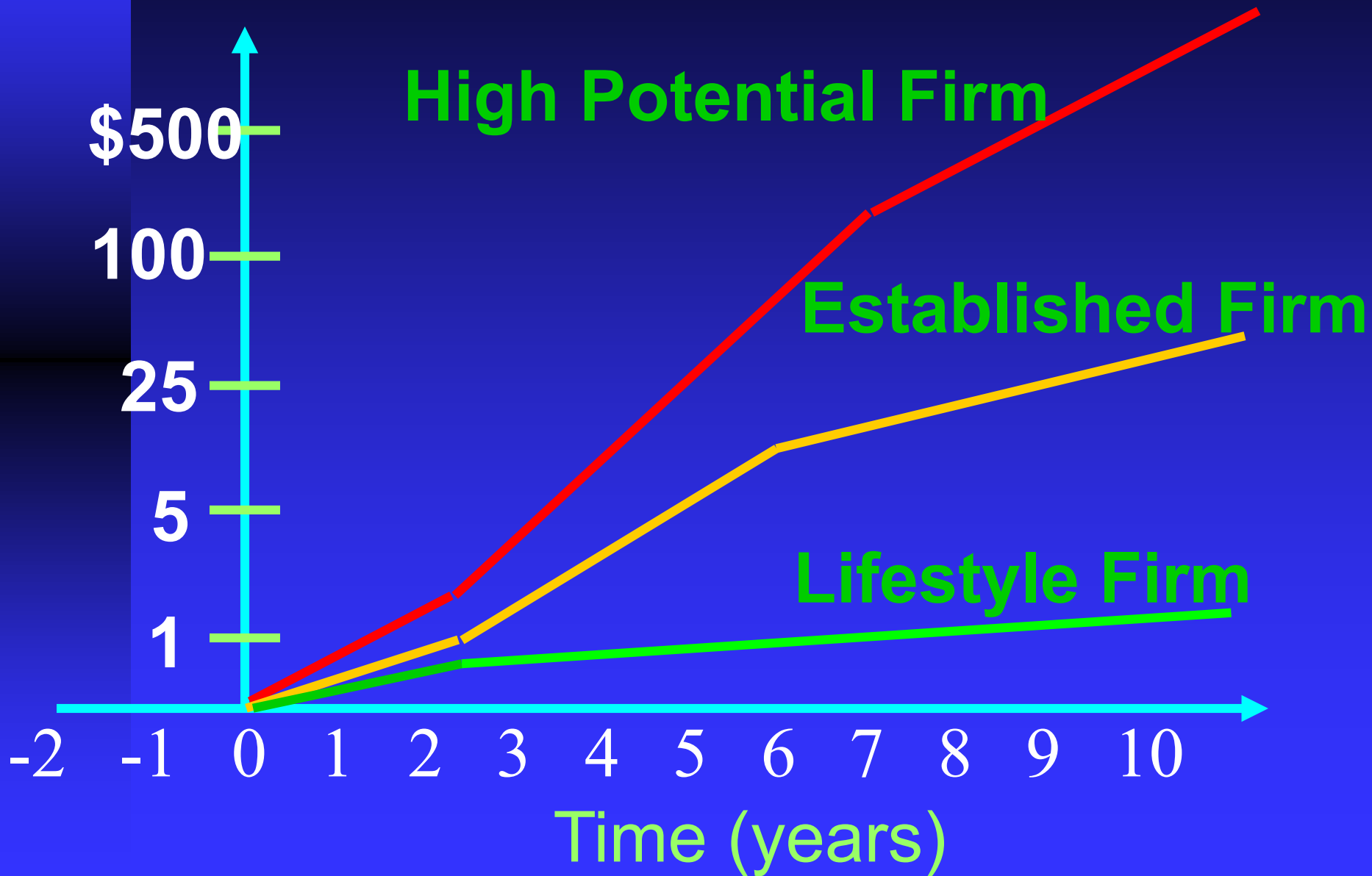
# Entrepreneurial Ecosystem



## Domains of the Entrepreneurship Ecosystem



# Three Classic Life Cycles



# Business Growth Stages

sales

100

50

25

3

1

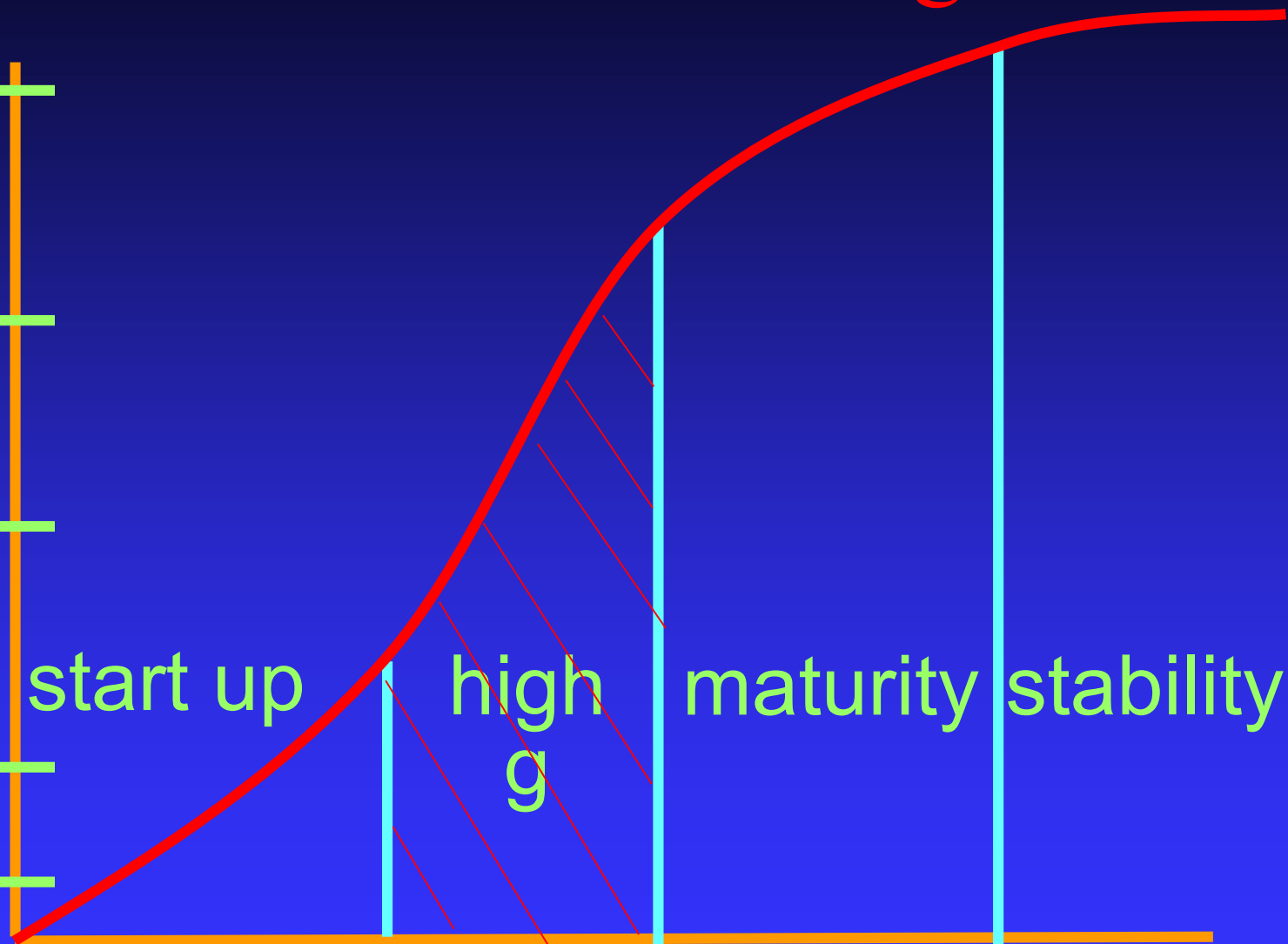
start up

high  
g

maturity

stability

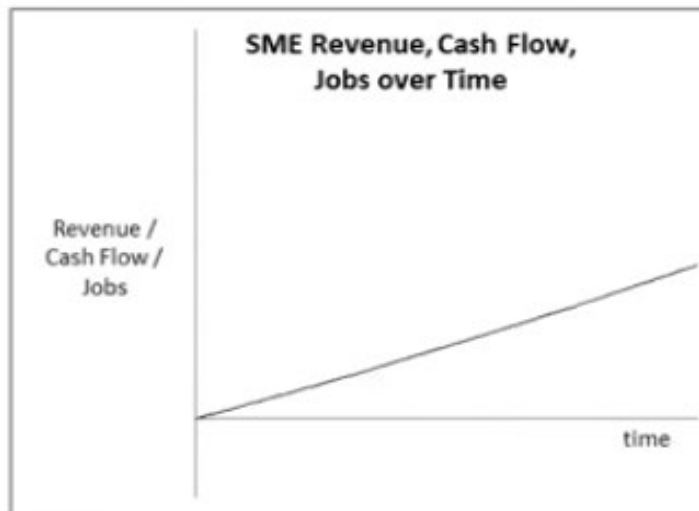
time (years)



## SME (Small Medium Enterprise)

Local Market Focus

Restaurants, Dry Cleaners, Services

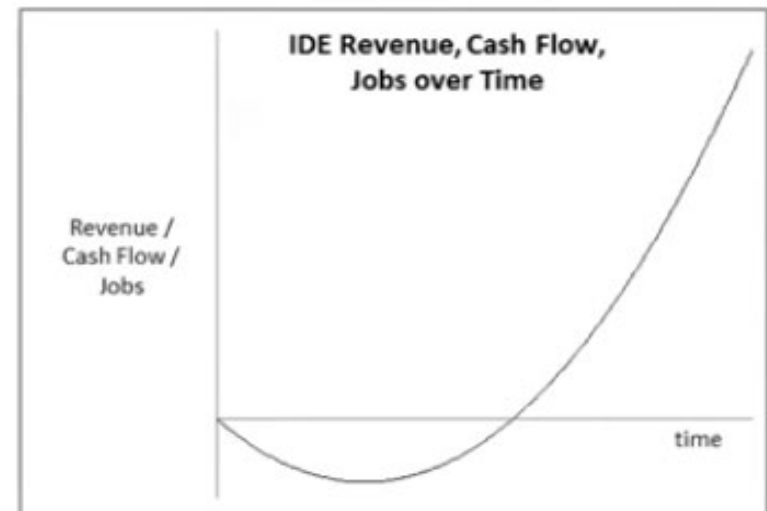


- $\Delta t$  is short
- Linear growth (capped)
- Less investment required

## IDE (Innovation-Driven Enterprise)

Global Market Focus

Products w/ Innovation at Core



- $\Delta t$  is long
- Exponential growth (uncapped)
- A lot of investment required

# Entrepreneur Definition

- Entrepreneur – someone who identifies and acts on an idea or problem that no one else has identified or acted on
- Small Business Owner – someone who owns or starts a business that already has an existing model such as a restaurant, whereas an entrepreneur is someone who creates something new.
- What is the Difference. Babson Definition vs. MIT.

# Types of Entrepreneurs

- Innovators – New Approach, Methods, or Product that Adds Value to Solve a Problem in a unique manner
- Creator – Makes Something New or See a Problem that Other People have not noticed
- Market Makers- Innovate or reinvent their market from a future perspective by asking what the market could evolve into
- Expanders and Scalars- Seek out opportunities to expand upon previously created methods, processes, or products

# Risk vs Uncertainty

## ■ Traditional Business (SME)

- ◆ Create three to five year business plan
- ◆ Franchise follow the rules
- ◆ Has **risk** associated with it.

## ■ Startup (Innovation Driven Enterprise –IDE)

- ◆ Innovation (High Failure)
- ◆ “A startup is a human institution designed to create a new product or service under conditions of extreme **uncertainty**.”  
Eric Ries, Lean Startup.

# Innovation: Segway Mobility of the Future





# Segway Innovation

- Inventor Dean Kamen said Segway “Will do for walking, what the calculator did for pad and pencil, Get there quicker. You’ll go further.”
- Why Did It Fail
  - ◆ Lack of Safety Regulation
  - ◆ Dangerous (Death and Injury)
  - ◆ Expensive (\$5,000)
  - ◆ Needed Some Design Changes
  - ◆ Substitutes Available (Scooters, Bikes, etc.)
- Needed a Paying Customer

# Innovation and Searching for Customers



# Disciplined Entrepreneurship

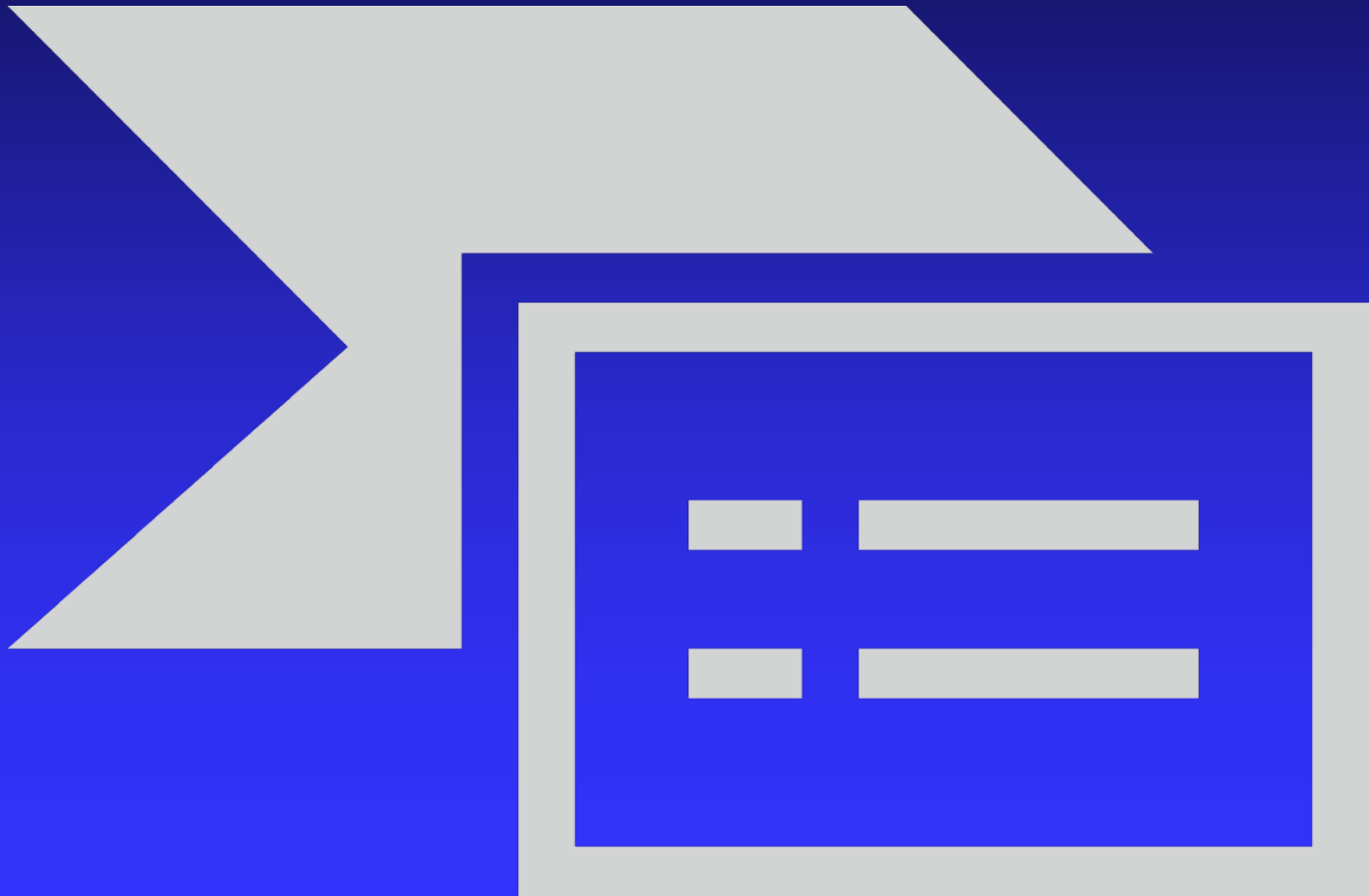
Bill Aulet

- Disciplined Entrepreneurship is a structured approach that guides the starting entrepreneur through specific actions that need to be taken before jumping into developing the product or service. This methodology shows how innovation-driven entrepreneurship can be broken down into discreet behaviors and processes which can be taught in just 24 steps.
- “The spirit of a pirate, the skills of a navy seal”
- “The single necessary and sufficient condition for a startup to succeed is a paying customer”  
Bill Aulet, MIT Sloan Professor, Disciplined Entrepreneurship author
- <https://gcnode.no/news/the-spirit-of-a-pirate-the-skills-of-a-navy-seal/>

# Bill Aulet 24 Steps



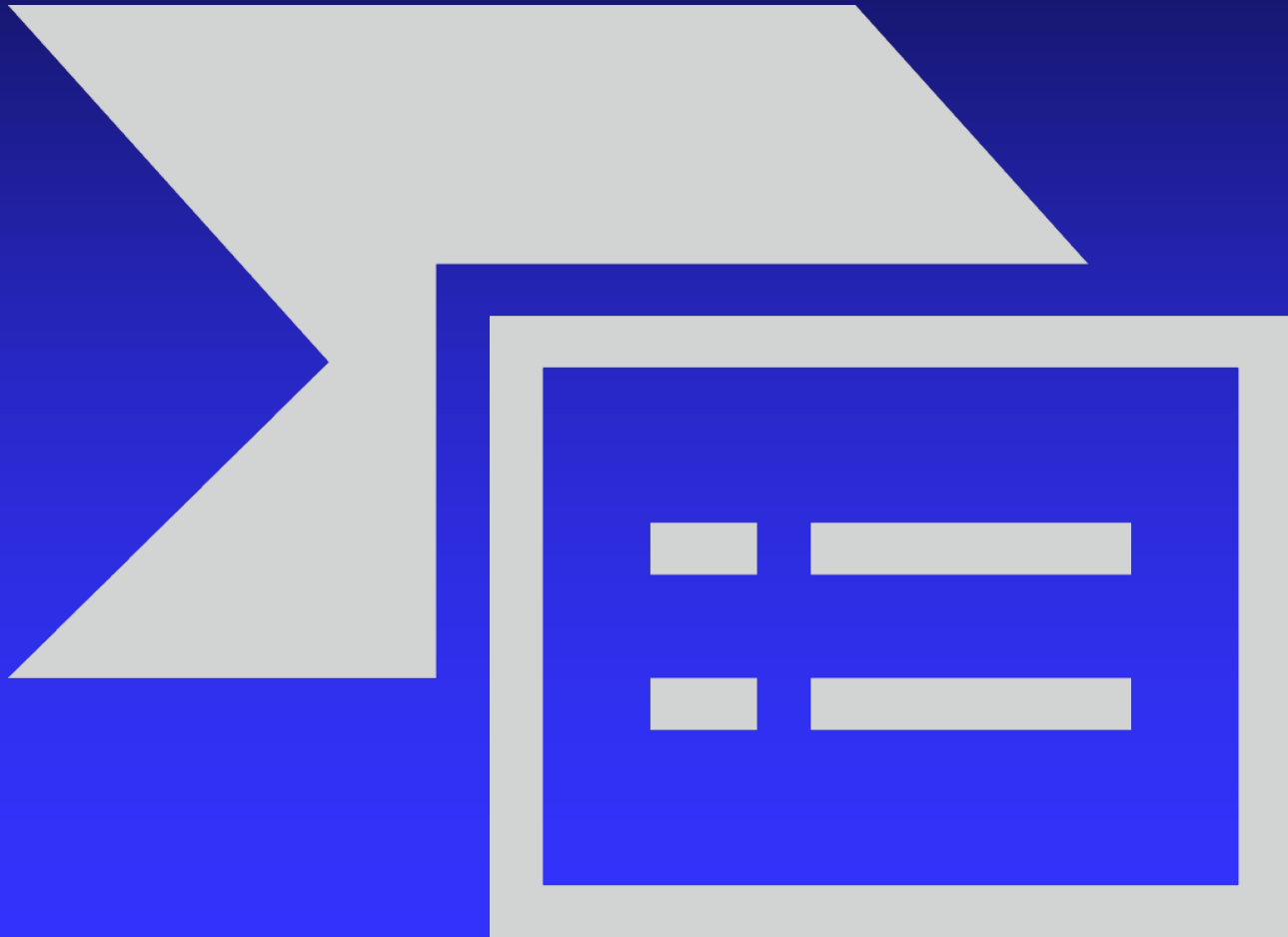
# Disciplined Entrepreneurship Canvas



# Lean Startup

- Lean Startup is a methodology that encourages you to always ask and never assume. To push forward your minimum viable product, to test things and adjust as required, and to keep your user at the center of it all. The Build—Measure—Learn feedback loop is a core component of this framework. It emphasizes more on having the right attitude and mentality, rather than what steps need taking.
- “The ability to learn faster from customers is the essential competitive advantage that startups must possess .”  
Eric Ries, *The Lean Startup: How Today’s Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*

# Lean Startup

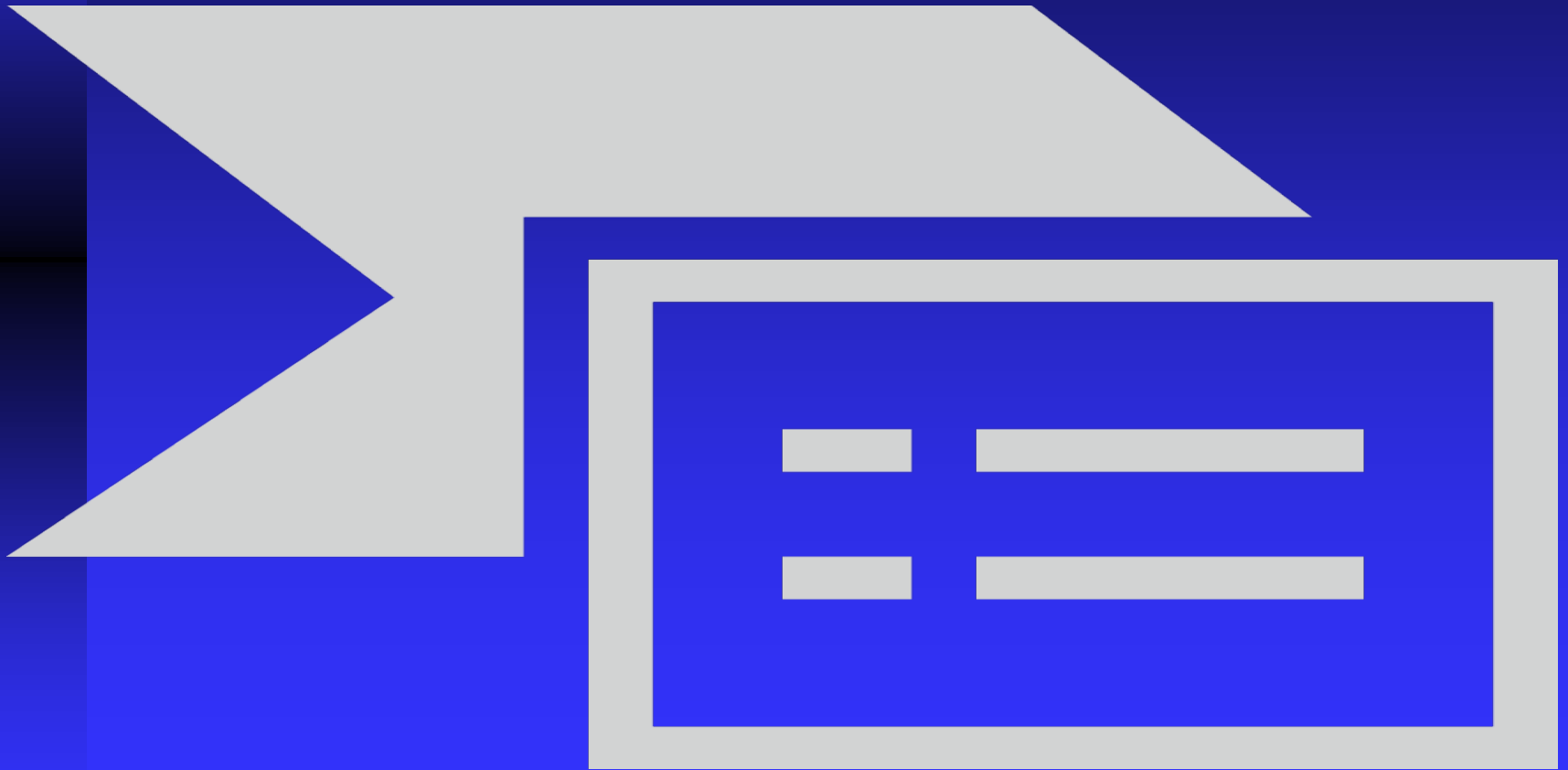


# Business Model Canvas

- The Business Model Canvas is a chart that allows you to create a more visual representation of what the business should look like. It maps out key features, the product design, and, once completed, it tells you the exact key points that you need to address when building your company. The Value Proposition Canvas comes as a follow-up but is an integral part of the process as it helps you understand your customer first and how you can create value for them.
- “The same products, services or technologies can fail or succeed depending on the business model you choose. Exploring the possibilities is critical to finding a successful business model. Settling on first ideas risks the possibility of missing potential that can only be discovered by prototyping and testing different alternatives.”  
Alex Osterwalder, creator of the Business Model Canvas.



# Business Model Canvas



# African American Firms Average Gross Receipts \$58,119 vs Non-Minority \$552,079



Fact Sheet

## U.S. Minority-Owned Firms

January 2016

Growth of U.S. Firms (2007 - 2012)



Industry Sectors of Minority-Owned Firms



### QUICK FACTS

- There are 8 million minority-owned firms in the U.S. — a 38% increase since 2007.
- Combined gross receipts of minority-owned firms increased 35% between 2007 and 2012, but average receipts per firm declined 2% during the same period.
- 11% of minority-owned firms have paid employees, compared to 22% for nonminority firms.

	Black/African American	American Indian & Alaska Native	Asian	Hispanic	Native Hawaiian & Pacific Islander	All Minority Firms	Non-Minority Firms	Classifiable Firms*	All U.S. Firms
Number of firms	2,584,403	272,919	1,917,902	3,305,873	54,749	7,952,386	18,987, 918	27,179,380	27,626,360
Combined gross receipts	\$150.2 billion	\$38.8 billion	\$699.5 billion	\$473.6 billion	\$8.1 billion	\$1.4 trillion	\$10.5 trillion	\$11.9 trillion	\$33.5 trillion
Average gross receipts	\$58,119	\$142,306	\$364,717	\$143,271	\$148,614	\$173,552	\$552,079	\$440,190	\$1,213,944
Number of firms with employees	109,137	26,179	481,026	287,501	4,706	908,800	4,156,683	5,136,203	5,424,458
Combined receipts of firms with employees	\$103.5 billion	\$31.7 billion	\$627.5 billion	\$380.0 billion	\$6.5 billion	\$1.2 trillion	\$9.7 trillion	\$11.0 trillion	\$32.5 trillion
Average receipts of firms with employees	\$947,905	\$1,209,143	\$1,304,571	\$1,321,717	\$1,374,831	\$1,227,983	\$2,337,043	\$2,134,765	\$5,990,509
Number of paid employees	975,052	208,178	3,572,577	2,329,553	39,001	7,165,151	48,255,649	56,058,563	115,249,007

Source: U.S. Department of Commerce, 2007 and 2012 Survey of Business Owners; and American Community Survey 2012 population estimates.

\*Classifiable firms are those for which gender, ethnicity, race, and veteran status has been determined. Classifiable firms do not include business subsidiaries, employee stock ownership plans, cooperatives or clubs, estates, trusts, tribally owned firms, nonprofit organizations, and businesses with no individual owning 10 percent or more of the rights, claims, interests, or stock. \*\*Other includes repair and maintenance; personal and laundry services; religious and civic organizations; and private households.

# Examples of Minority Entrepreneurs



- If we're talking successful black-owned businesses, it makes sense to start with the IT behemoth World Wide Technology. With more than \$10 billion in annual revenue and over 5,000 employees, WWT is one of the largest private companies in the U.S.
- David L. Steward founded the company in St Louis, Missouri, back in 1990, and he's still its chairman today. The company's success is a long way from the poverty and discrimination he grew up with:
- "I vividly remember segregation—separate schools, sitting in the balcony at the movie theater, being barred from the public swimming pool." Today, his net worth is estimated at almost \$4 billion, and his company topped this year's BE 100s list of the nation's largest black-owned businesses.
- <https://business.tutsplus.com/articles/successful-companies-black-entrepreneurs--cms-32691>

**Sheila Crump Johnson** is an American businesswoman, co-founder of BET, CEO of Salamander Hotels and Resorts, and the first African-American woman to attain a net worth of at least one billion dollars.



**Daymond John** has come a long way from turning a \$40 budget into FUBU, a \$6 billion fashion game-changer. “He achieved that, in part, by mortgaging his house in Queens to raise the money to make and sell his own tie-top hats with a group of friends. FUBU is now a global hip hop apparel brand, and its founder has expanded into consulting, speaking, a TV role on the business show *Shark Tank*, while still remaining as CEO of FUBU.



# Examples of Minority Entrepreneurs

## ■ **Dangote Group**

- As promised, we're not sticking to the U.S. for this list. So let's head to Nigeria, where industrial conglomerate Dangote Group pulls in over \$4 billion in annual revenue and employs 30,000 people.
- Company founder and CEO, Aliko Dangote, was recently ranked by Forbes as the richest person of African descent in the world. His entrepreneurship started young:
- "I can remember when I was in primary school, I would go and buy cartons of sweets [candy] and I would start selling them just to make money. I was so interested in business, even at that time."

# Entrepreneurship and Economics

# Economics – Science of Scarcity

- Economic Problem (Limited Resources but Unlimited Wants)
- Limited Resources
  - ◆ Land - Rent
  - ◆ Labor - Wages
  - ◆ Capital - Interest
  - ◆ Entrepreneurship - Profit



# Capitalist Economic System

- Adam Smith “An Inquiry into the Nature and Causes of the Wealth of Nations”
  - ◆ Private Property
  - ◆ Self Interest (The Invisible Hand)
  - ◆ Competition and Free Markets
  - ◆ Price System (Demand and Supply)
  - ◆ Economic Individualism (Laissez-Faire)
  - ◆ Limited Role of Government

# Microeconomics

Theory of the Firm: Goal is to Maximize Profit

## Market Structures

- Pure Competition – Many Sellers, Homogenous Product (Commodity) -No Barriers to Entry
- Monopoly - One Seller -Weak Substitutes for Product – Maximum Barriers to Entry (Example Patent Protection)
- Monopolistic Competition - Many Sellers Differentiated Product-Weak Barriers to Entry
- Oligopoly – Few Sellers – High Barriers to Entry Interdependency in Actions Potential for Collusion (Game Theory)

# Macroeconomics

- Goal Full Employment and Price Stability
- Basic Equation  $C+I+G+NE = \text{Total Output}$
- Classical Economics – Capitalism is Stable Self Correcting
- Keynesian Economics – Capitalism Unstable Needs Help
- The Business Cycle – Private Spending Fluctuations
  - ◆ Consumption – Consumers (C)
  - ◆ Investment – Private Business Sector (I)
  - ◆ Net Exports – International Sector (NE)
- Role of Government Spending (G)
  - ◆ Monetary Policy – Federal Reserve System
  - ◆ Fiscal Policy - Congress

# Major Instability in the Economy

- Monetary Panics and Depression
  - ◆ Runs on Banks
  - ◆ Establishment of Federal Reserve Bank (Ms)
- Great Depression
  - ◆ Roosevelt New Deal (Big G)
- Post World War II Economy
  - ◆ Kennedy Tax Cuts, Johnson Great Society, Reagan Tax Cuts, Bush Great Recession
  - ◆ COVID-19 Recession

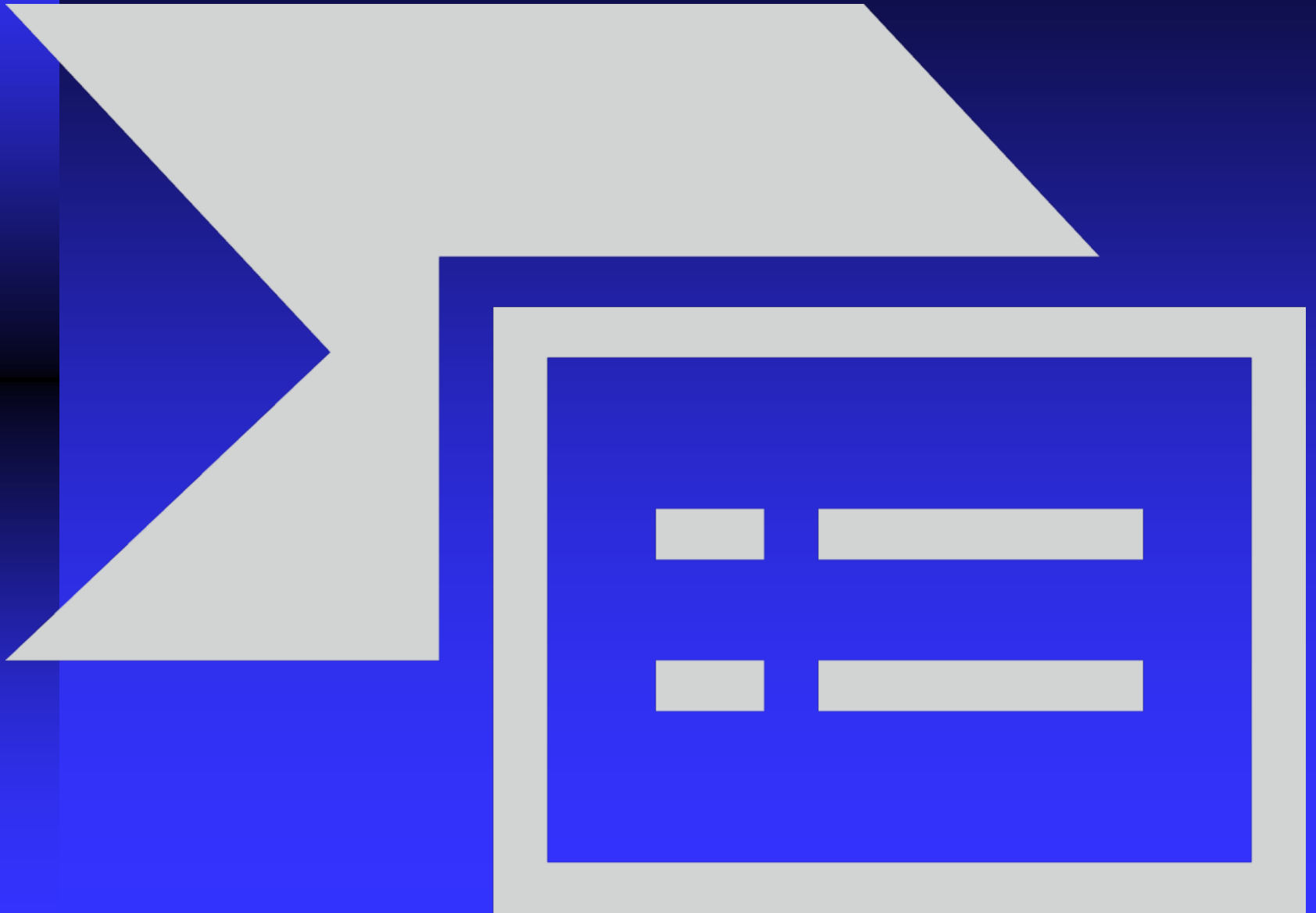
# Business Cycles

- The **Business Cycle** measures changes in gross domestic product (GDP), or **economic** activity, over time. There are four phases: of the Business Cycle: **Recovery, Prosperity, Recession, and Depression.**
- Causes of the Business Cycle
  - ◆ Changes in Consumption Spending
  - ◆ Changes in Investment Spending
    - ◆ Automobile
    - ◆ Housing
  - ◆ Changes in Government Fiscal and Monetary Policy

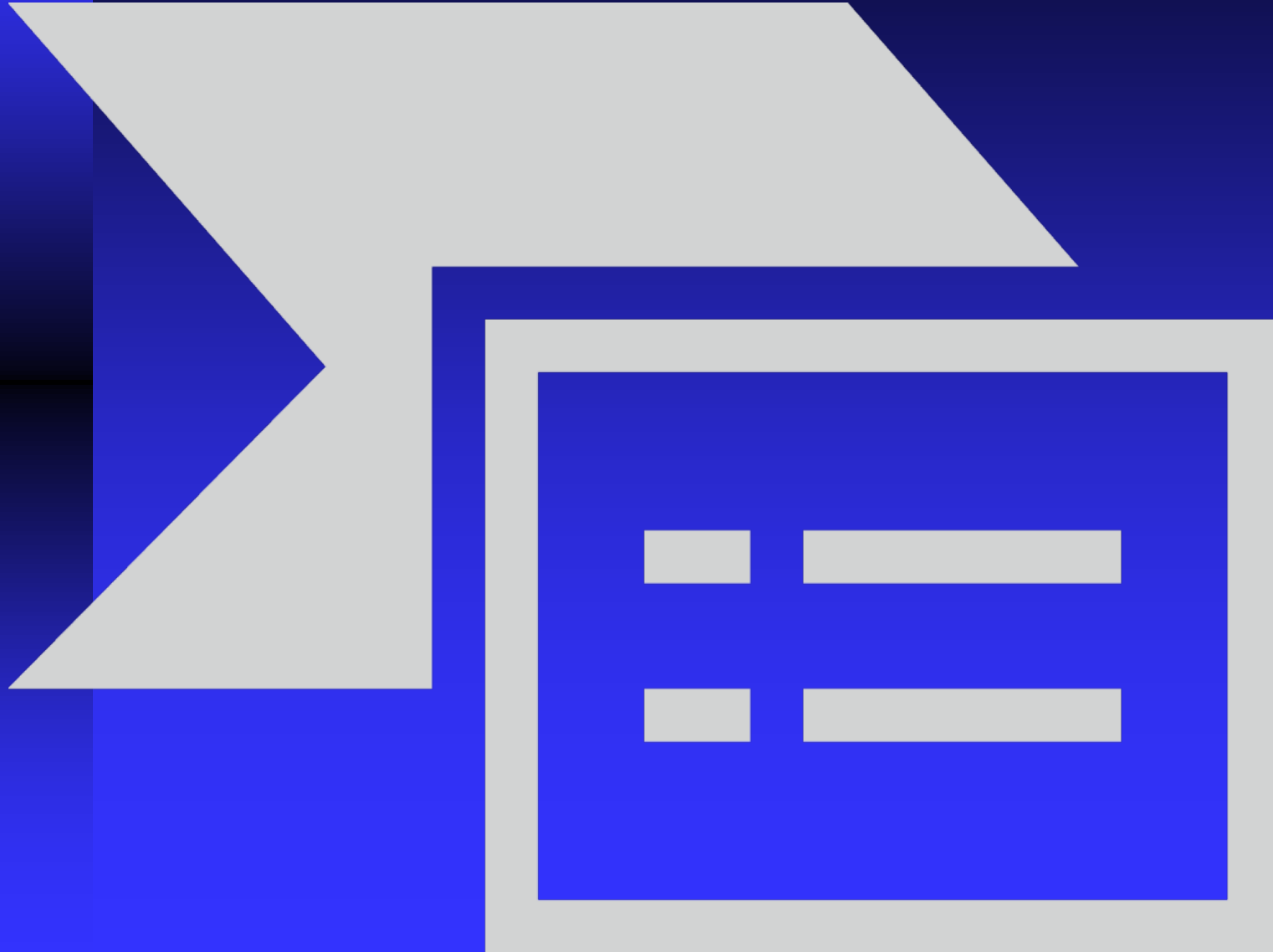
The **business cycle** measures gross domestic product, or **economic** activity, over time. In reality, the **cycle** rarely looks this neat, but this simplified **graph** shows its four phases: expansion, peak, recession, and trough



# Real Estate Market Cycle



# Psychology in the Business Cycle

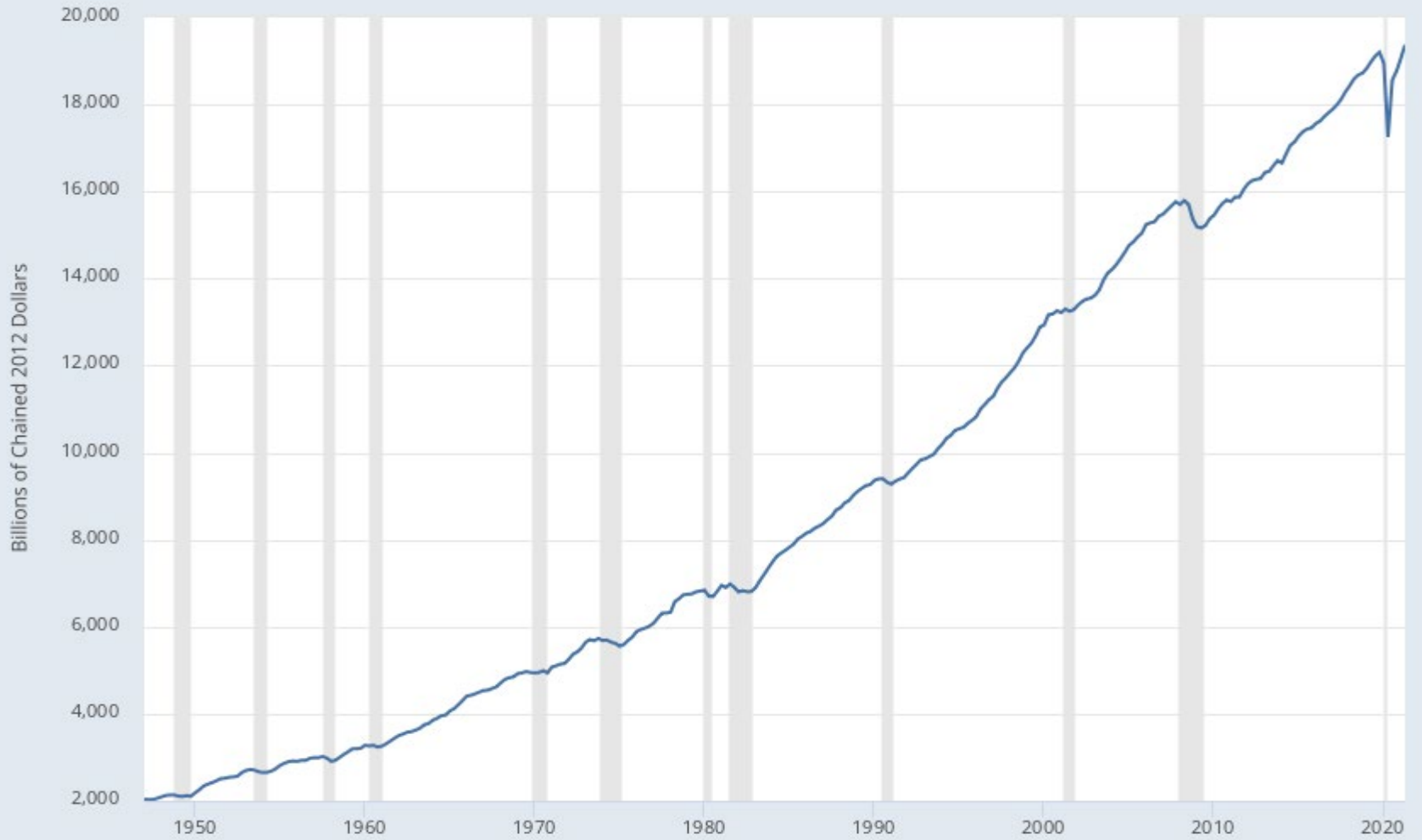




**FRED**



— Real Gross Domestic Product



*Shaded areas indicate U.S. recessions.*

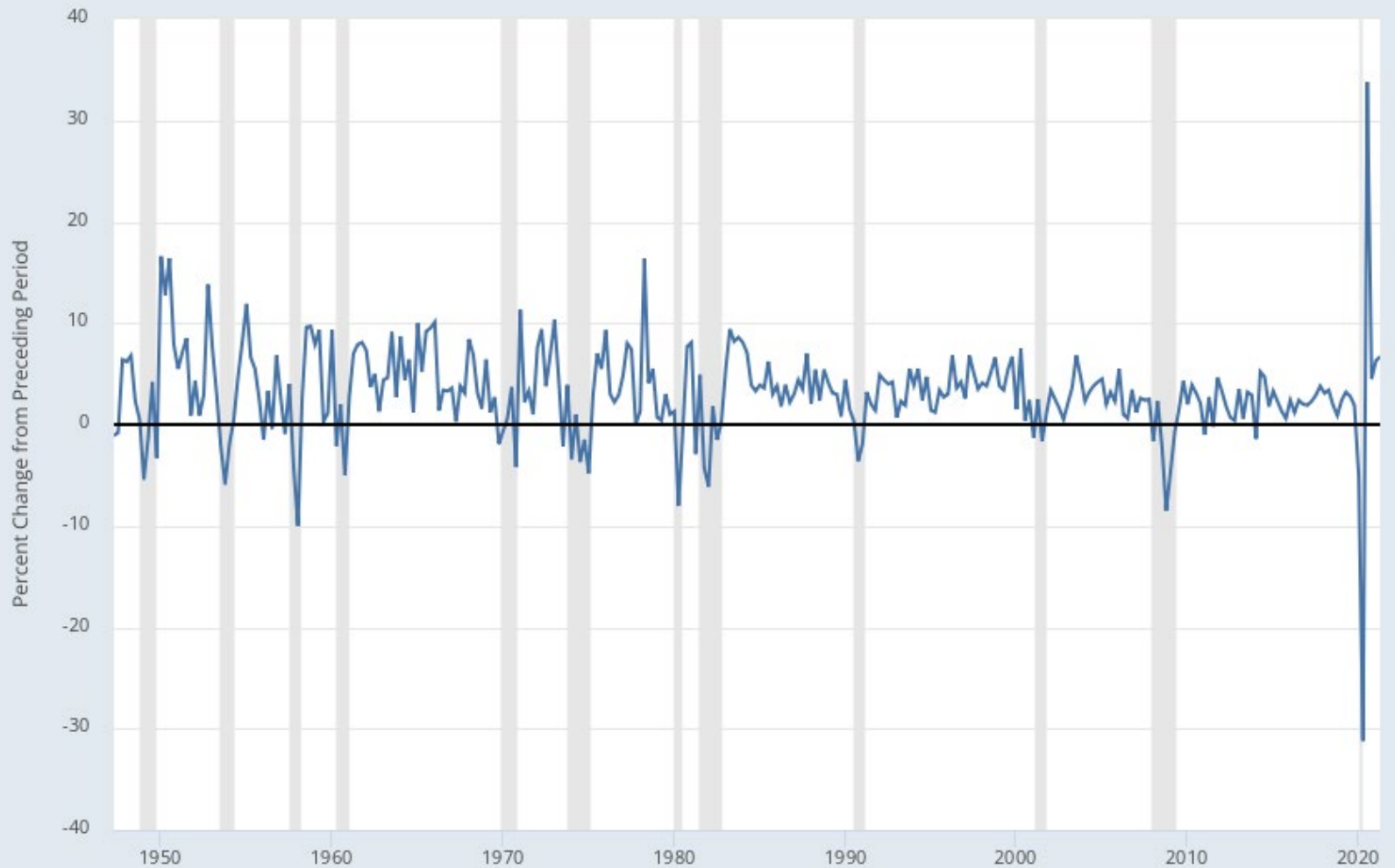
Source: U.S. Bureau of Economic Analysis

[myf.red/g/He30](https://myf.red/g/He30)

**FRED**



— Real Gross Domestic Product



*Shaded areas indicate U.S. recessions.*

Source: U.S. Bureau of Economic Analysis

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FRED



Unemployment Rate



Shaded areas indicate U.S. recessions.

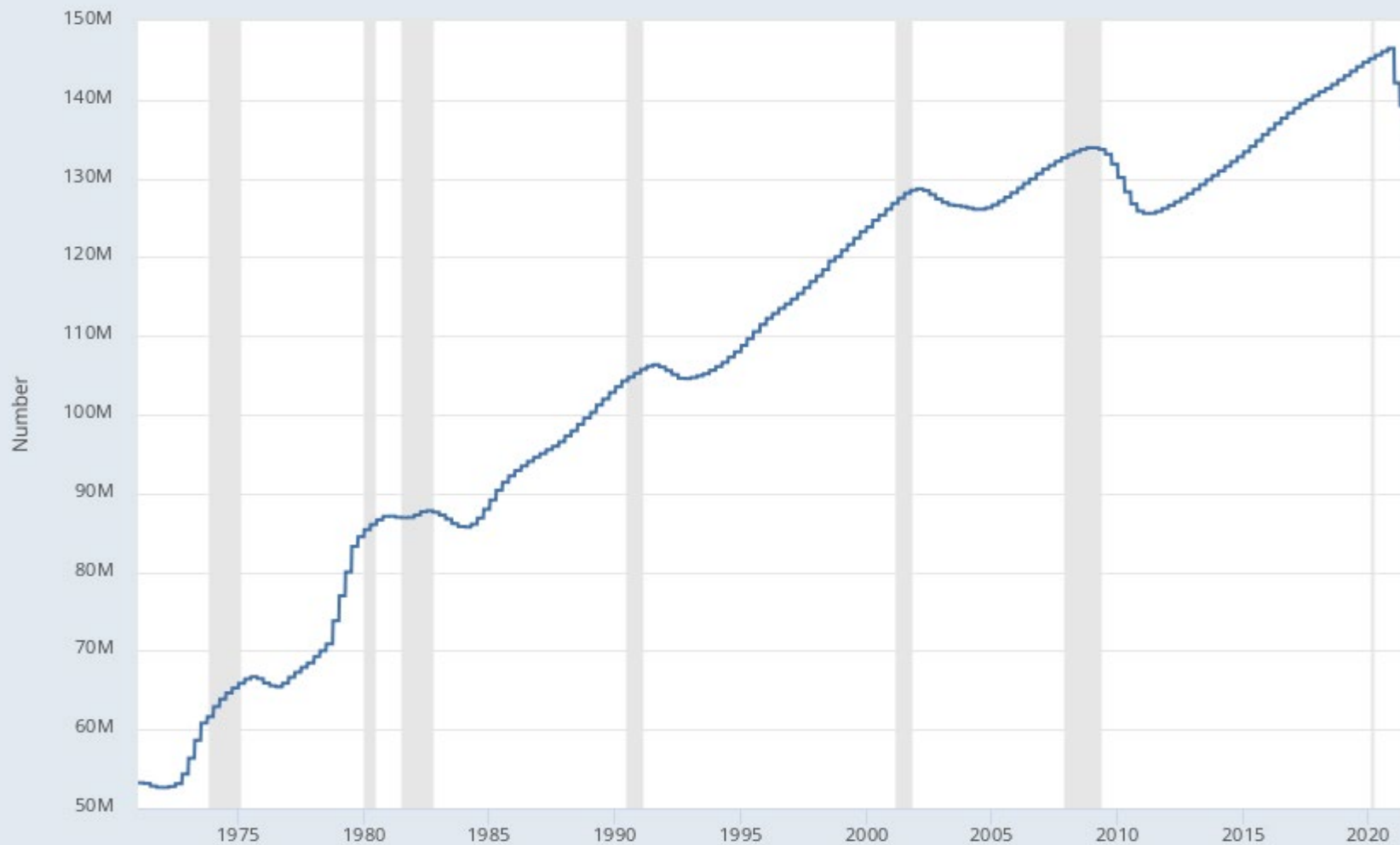
Source: U.S. Bureau of Labor Statistics

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FRED



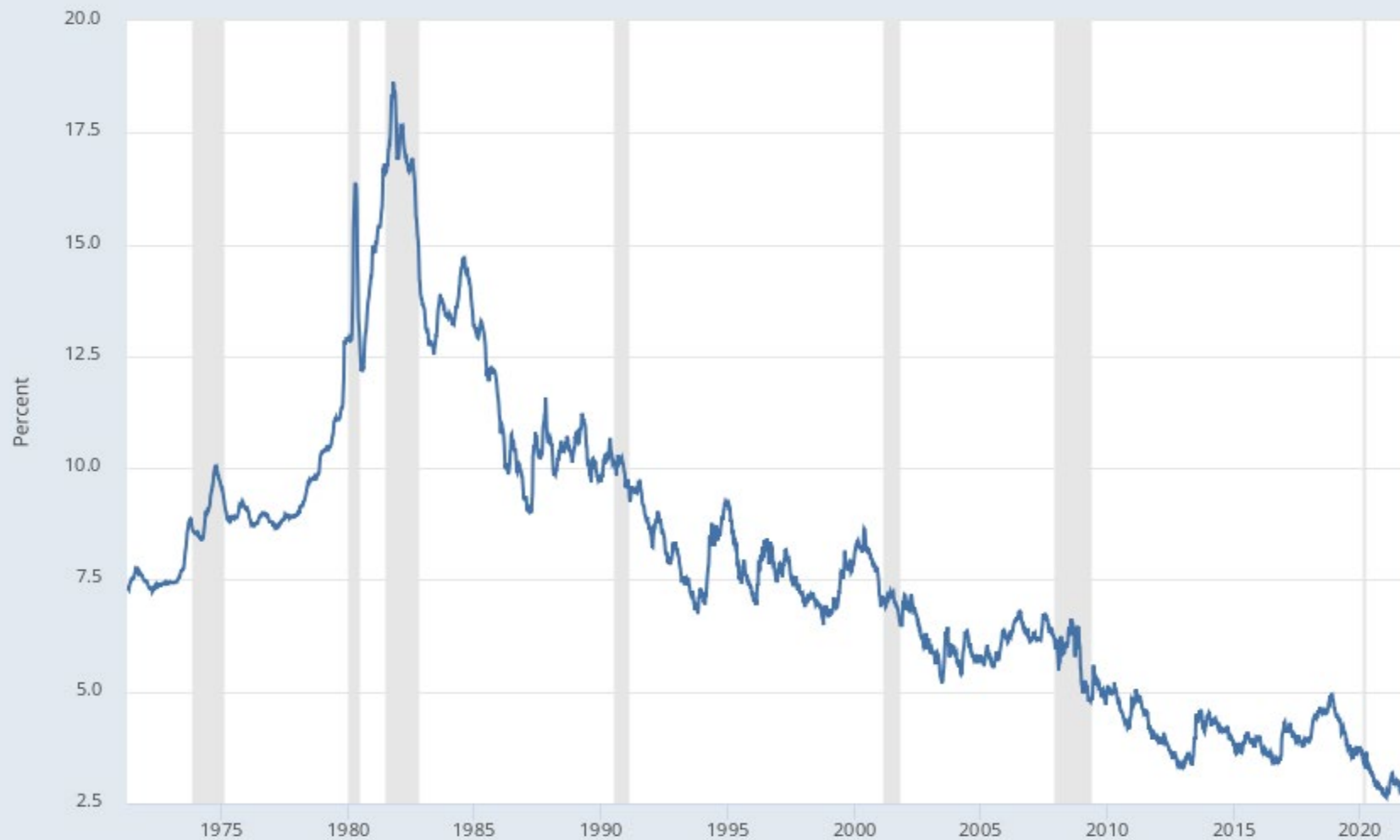
— Covered Employment



Source: U.S. Employment and Training Administration

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**FRED**  — 30-Year Fixed Rate Mortgage Average in the United States

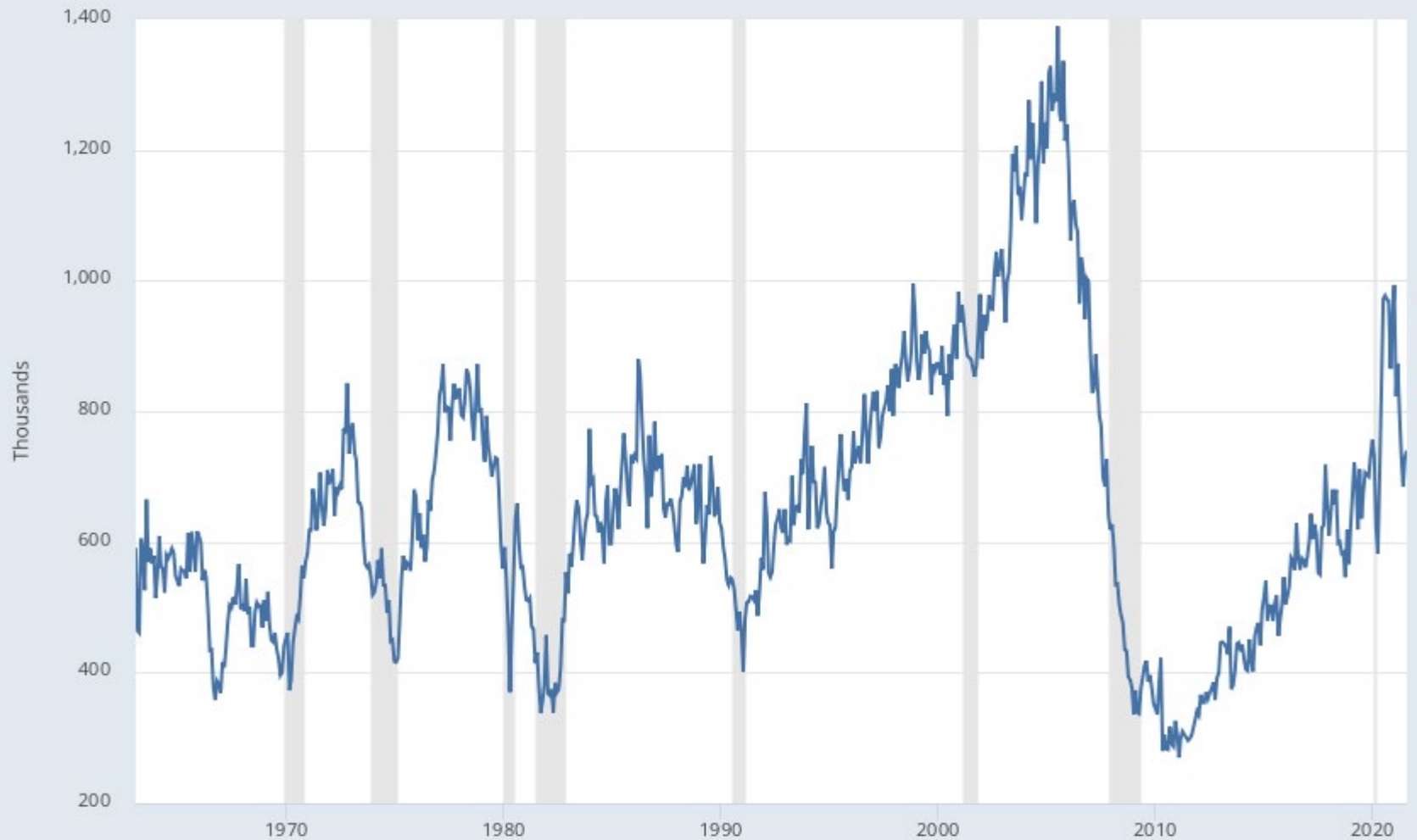


*Shaded areas indicate U.S. recessions.*

Source: Freddie Mac

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**FRED**  — New One Family Houses Sold: United States



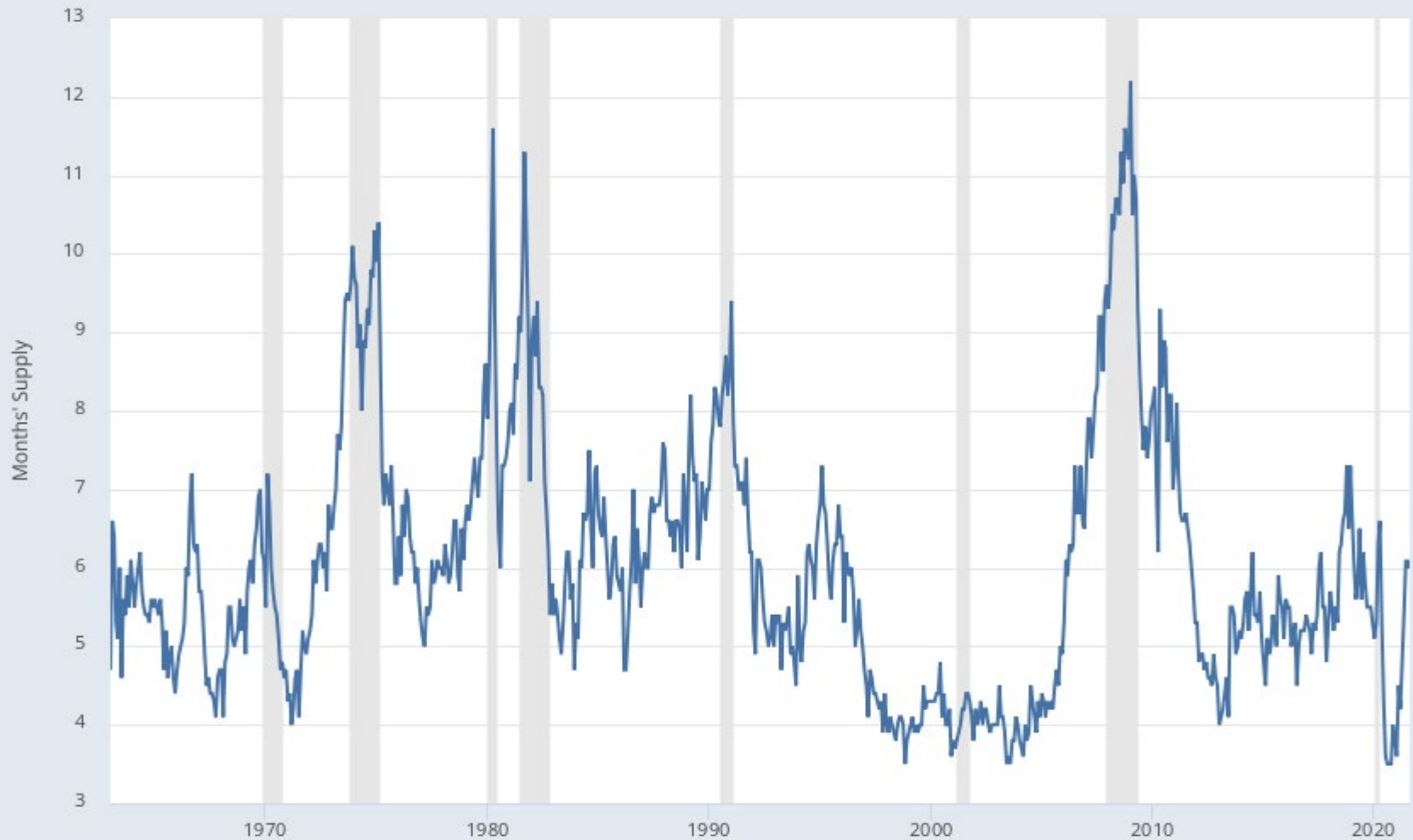
*Shaded areas indicate U.S. recessions.*

Sources: Census; HUD

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— Monthly Supply of Houses in the United States



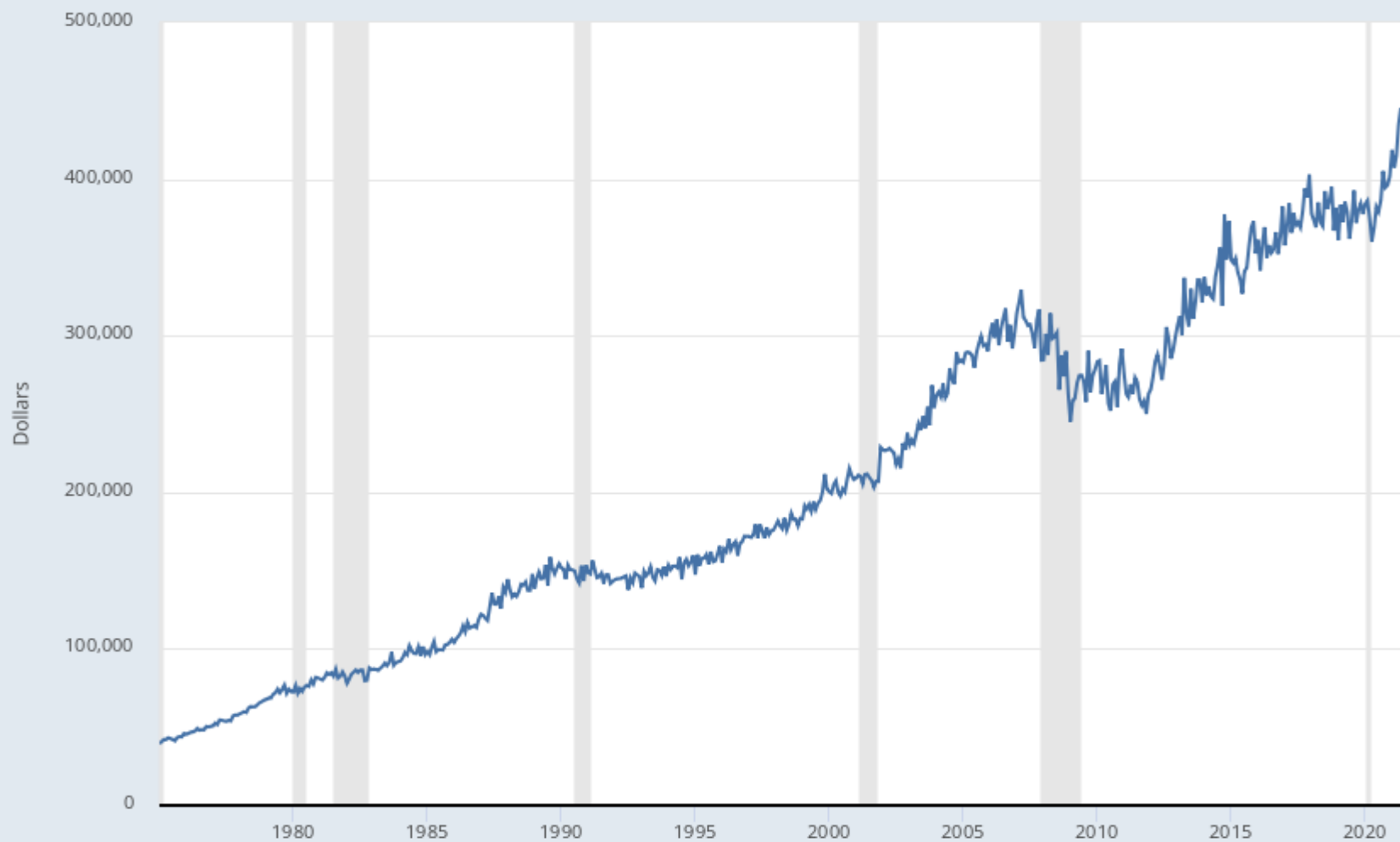
*Shaded areas indicate U.S. recessions.*

Sources: Census; HUD

[myf.red/g/HMNb](https://myf.red/g/HMNb)



— Average Sales Price for New Houses Sold in the United States



*Shaded areas indicate U.S. recessions.*

Sources: Census; HUD

[myf.fred/g/HOCA](https://myf.fred.stlouisfed.org/g/HOCA)





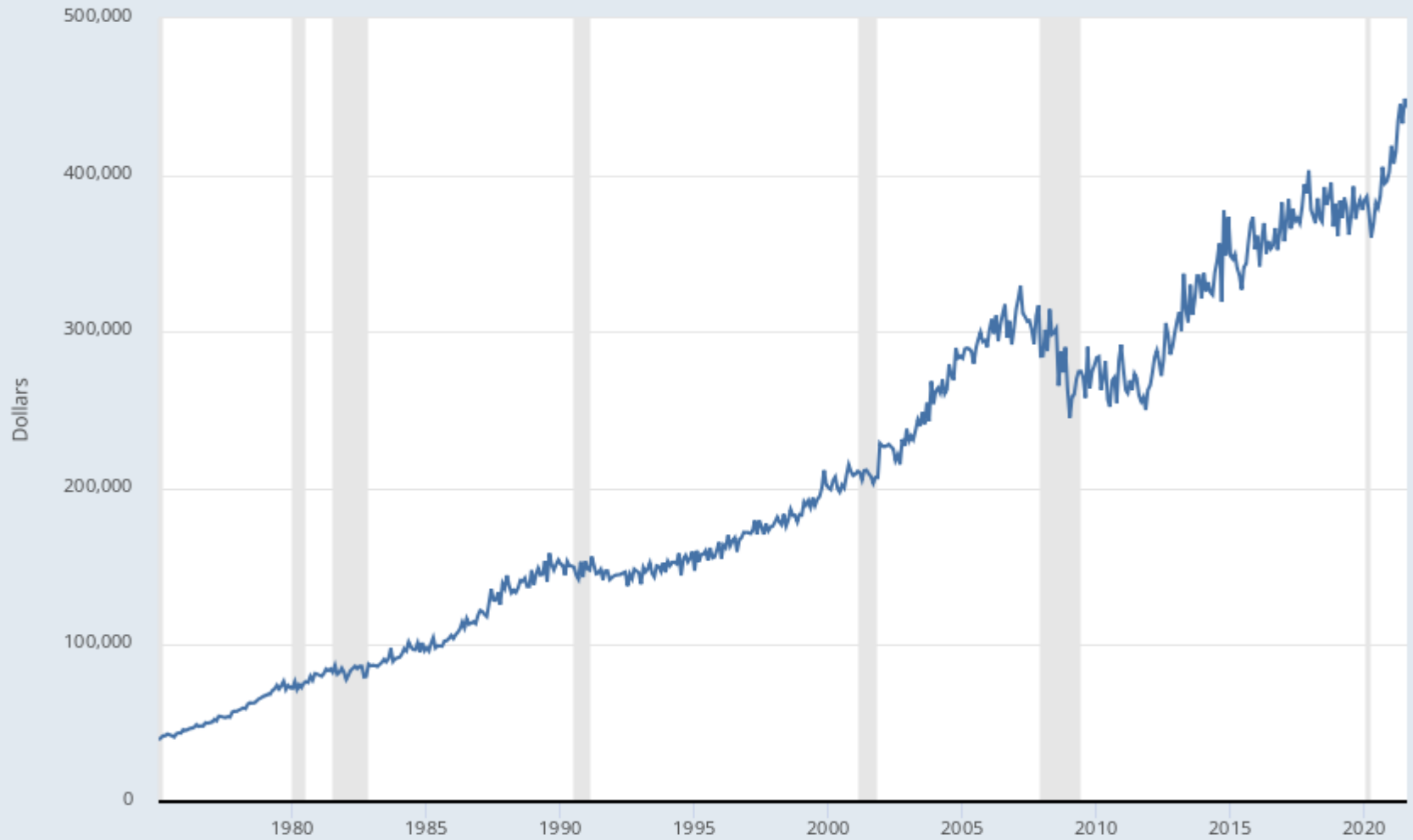
— Mean Sales Price of Existing Homes



*Shaded areas indicate U.S. recessions.*

Source: National Association of Realtors

[myf.fred/g/HOD3](https://myf.fred/stories/g/HOD3)



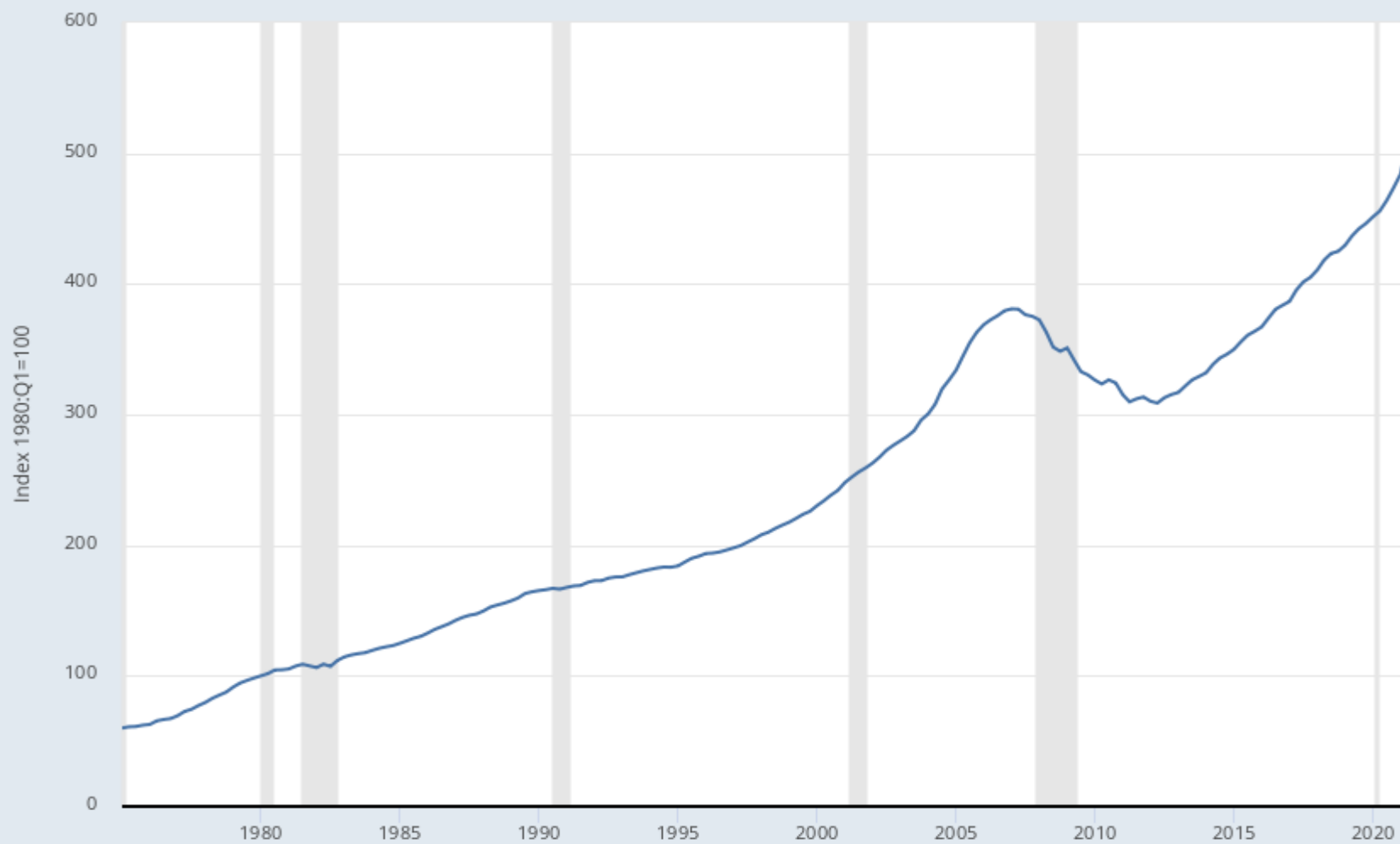
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— All-Transactions House Price Index for the United States

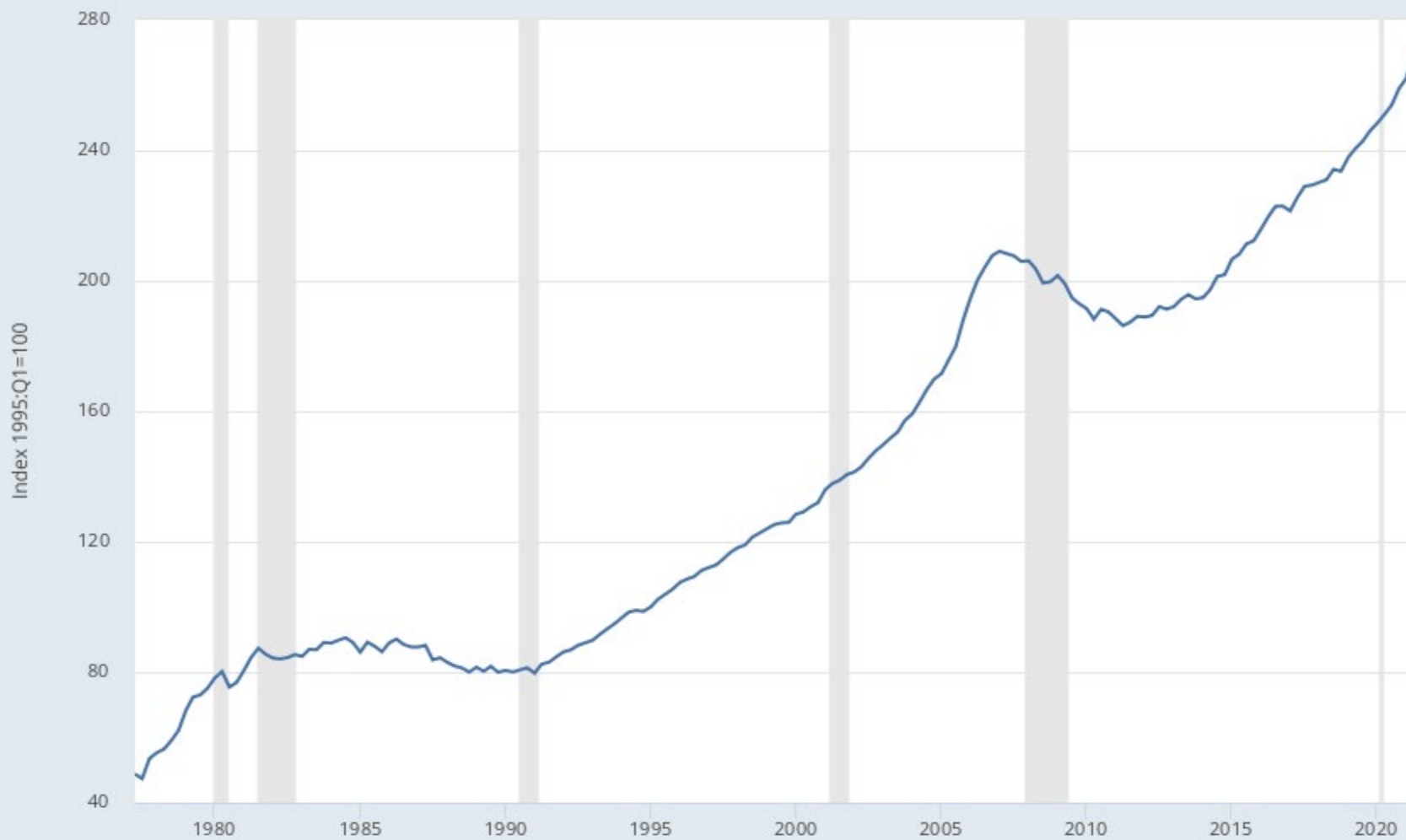


Source: U.S. Federal Housing Finance Agency

[myf.red/g/GuOZ](https://myf.red/g/GuOZ)

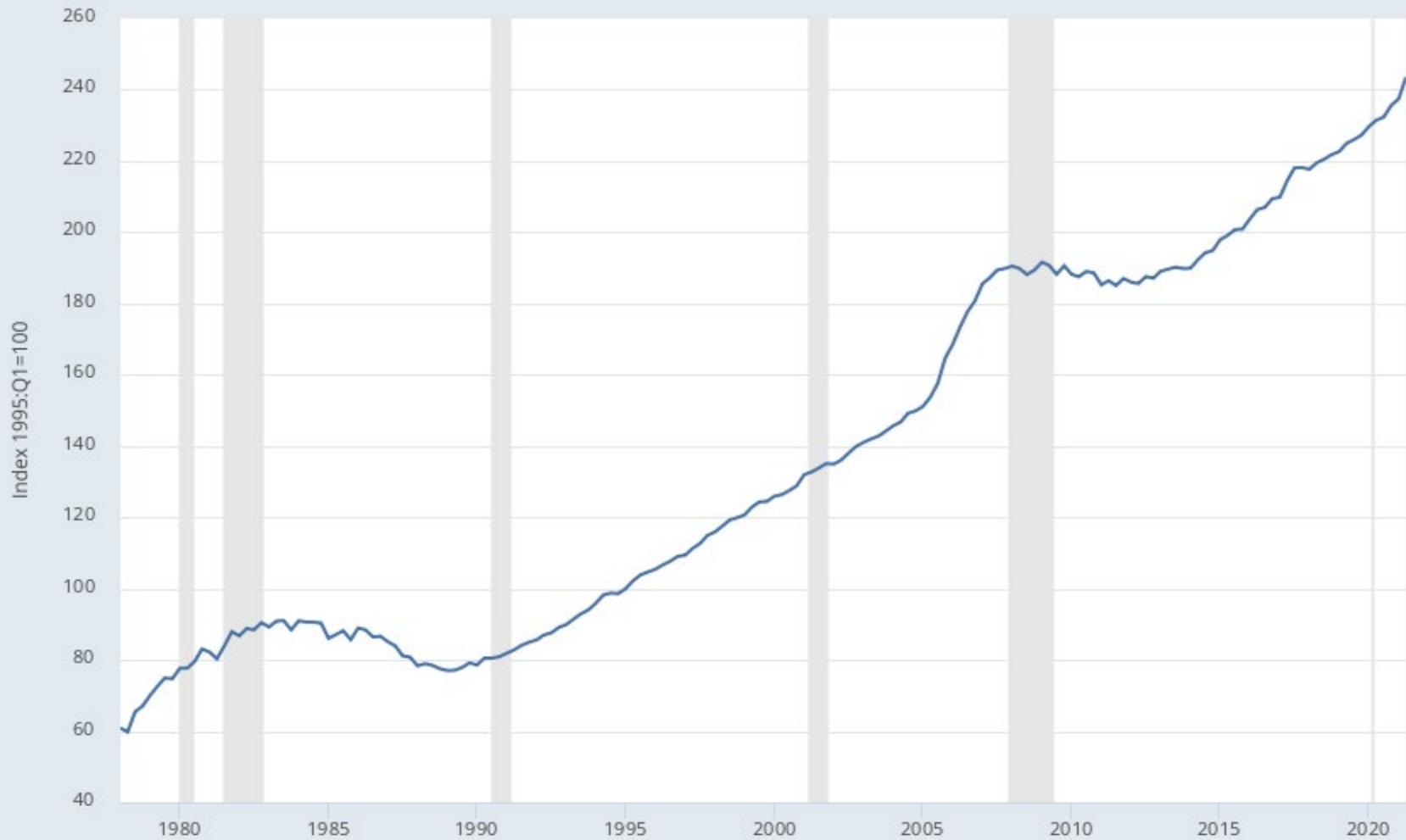


— All-Transactions House Price Index for New Orleans-Metairie, LA (MSA)



Source: U.S. Federal Housing Finance Agency

myf.red/g/HOE6



Source: U.S. Federal Housing Finance Agency

[myf.red/g/HOEr](https://myf.red/g/HOEr)



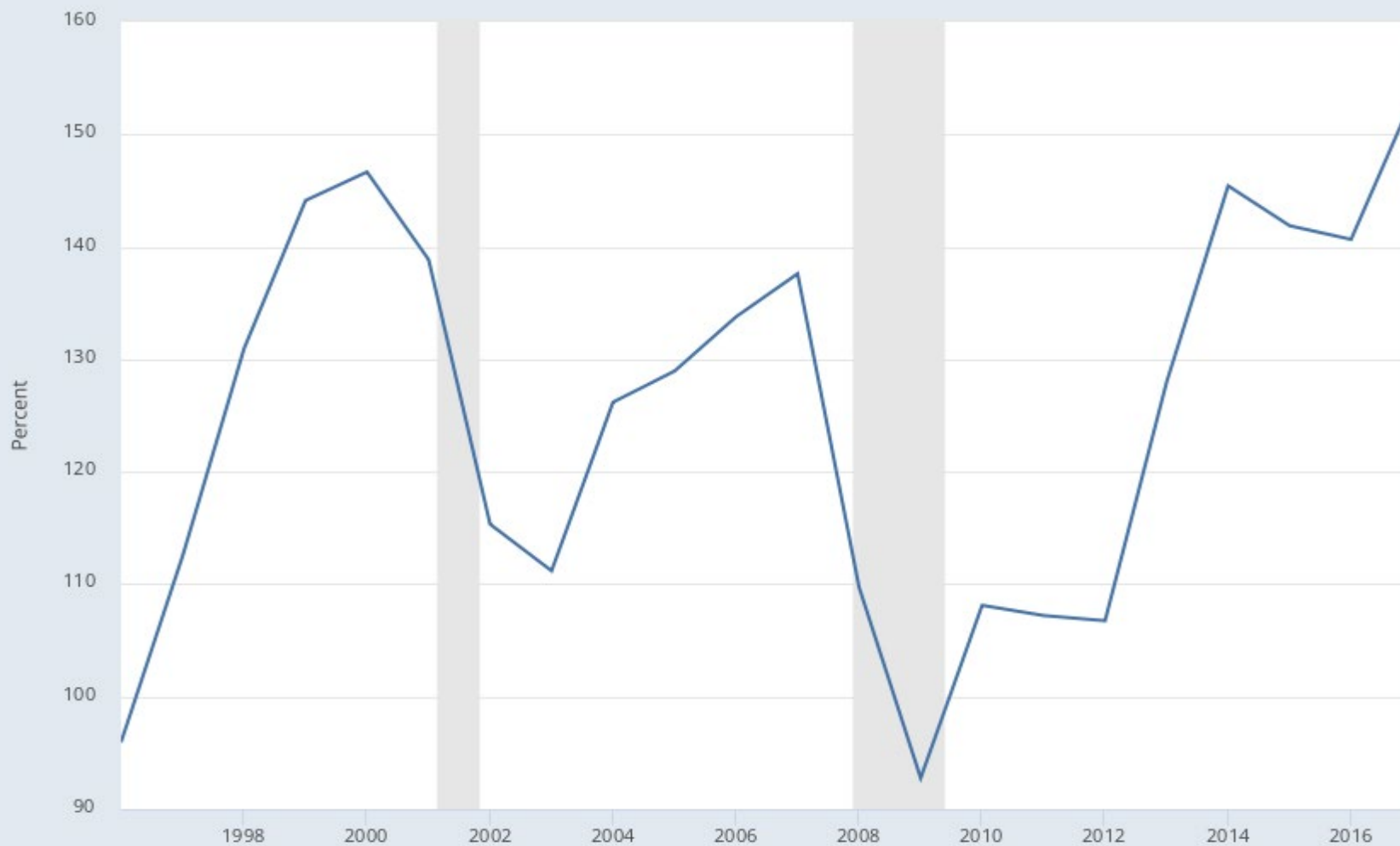
*Shaded areas indicate U.S. recessions.*

Source: S&P Dow Jones Indices LLC

[myf.red/g/HOF1](https://myf.red/g/HOF1)



— Stock Market Capitalization to GDP for United States



Shaded areas indicate U.S. recessions.

Source: World Bank

[myf.red/g/DKSq](https://myf.red/g/DKSq)

# Today's tight housing market is already overbuilt, one analyst says

PUBLISHED TUE, OCT 12 2021 12:25 PM EDT UPDATED TUE, OCT 12 2021 13:54 PM EDT

<https://www.cnbc.com/2021/10/12/-tight-housing-market-is-already-overbuilt-one-analyst-says.html>



Questions ?

# CREATING NEIGHBORHOOD DEVELOPERS

## ACQUISITIONS

Presented By:

Cedric Grant

President, Grant Management Group

# ACQUISITION PROCESS

The acquisition of property for development can take many forms. All require a legal transaction and you should engage and involve an attorney early in the acquisition process.

## WHO AM I?

I will be speaking to you today as a former government official that has been involved in neighborhood and community development as well as major economic development and infrastructure development projects.

I have delivered billions of dollars of public projects at the local and state levels of government and that have included public and private investment.

# WHO CAN DEVELOP NEIGHBORHOODS?

- Individuals
- Non-profits
- For Profits
- You

# WHAT NEEDS TO BE DEVELOPED?

- Vacant Lots
- Single Family Homes
- Multi-Family Homes
- Commercial Buildings
- Mixed-use Facilities

# WHEN DO NEIGHBORHOODS NEED TO BE DEVELOPED?

- Based on individual initiative
- According to local government policy
- According to neighborhood strategic plans
- According to local planning, zoning and building codes
- According to agreed upon completion schedules

# WHY DEVELOP NEIGHBORHOODS?

- Stabilize neighborhood conditions
- Increase property values
- Reduce crime and blight
- Improve the tax base
- Create a stake in the community
- Create personal wealth
- Develop community capacity



## HOW ARE NEIGHBORHOOD DEVELOPERS SELECTED?

- Experience and Capacity
- Project Strength
- Repayment Ability
- Community Impact
- Diversity and Capacity Building

# WHAT DOES IT TAKE TO WIN PROJECT APPROVAL?

- Projects that are ready to proceed and are likely to succeed
- Projects undertaken by development teams with experience on similar projects
- Projects with financial projections that reflect existing market conditions
- Projects that target properties that require limited or no developer forgiveness
- Projects that demonstrate the ability to repay financing
- Projects that include fully developed, realistic marketing plans
- Projects that adopt high-quality and energy efficient building standards

## CRITICAL INFORMATION

- Respond to the proposal as requested
- Submit on time
- Ensure you meet the experience threshold or obtain the requisite expertise
- YOU DO NOT HAVE TO KNOW EVERYTHING.THERE ARE EXPERTS THAT CAN ASSIST YOU

QUESTIONS



LACY BAAHETH  
& ASSOCIATES

**October 16, 2021**

**The Real Estate Market**

# Credentials

**Lacy Baaheth & Associates**

**BROKER/Owner**

**Established 2008**

**(Licensed for 18 years)**

**LA Real Estate Commission - Chairman**

**Member of Baton Rouge Association of Real Estate Brokers (BRAREB)**

**Past President of BRAREB**

**National Award: 2012 Realtist of the Year (NAREB)**

**Member of National Association of Real Estate Brokers (NAR)**

**Member of Professional Business Network (PBN)**

**Right-of-Way and Relocation Agent for Louisiana and GBR**

**LA REALTORS Board of Director, At Large 2021**

**LA REALTORS, Pres. Exec Committee – Professional Dev 2022**

## **Professional Designations:**

**Accredited Buyer Representative (ABR)**

**Graduate's REALTORS Institute (GRI)**

**Vendor Resource Management (VRM)**

**Certified Distressed Property Expert (CDPE)**

**Certified Veteran Housing Counselor**



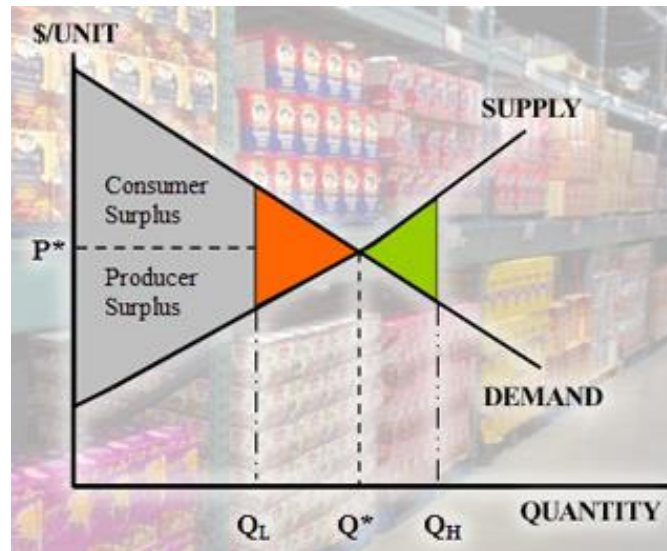
# “THE MARKET”

- ▶ Defined as: the overall state of Real Estate based on supply and demand
- ▶ Analyze Cycles
- ▶ Predict Cycles
- ▶ Leading Indicators
- ▶ 4 Phases
- ▶ Where are we today?
- ▶ Participation



# THE MARKET

- ▶ Supply and Demand
- ▶ Psychologically and Emotionally Driven
- ▶ Complicated
  - ▶ General Economic Condition
    - ▶ Location
    - ▶ Type
    - ▶ Consumer
  - ▶ Particular Niche
    - ▶ Single Family Housing
    - ▶ Investment Property
    - ▶ Multi-family Property
    - ▶ Commercial Buildings





# What Affects the Market

Inflation

Rate of Economic Growth

Federal Reserve Monetary Policy

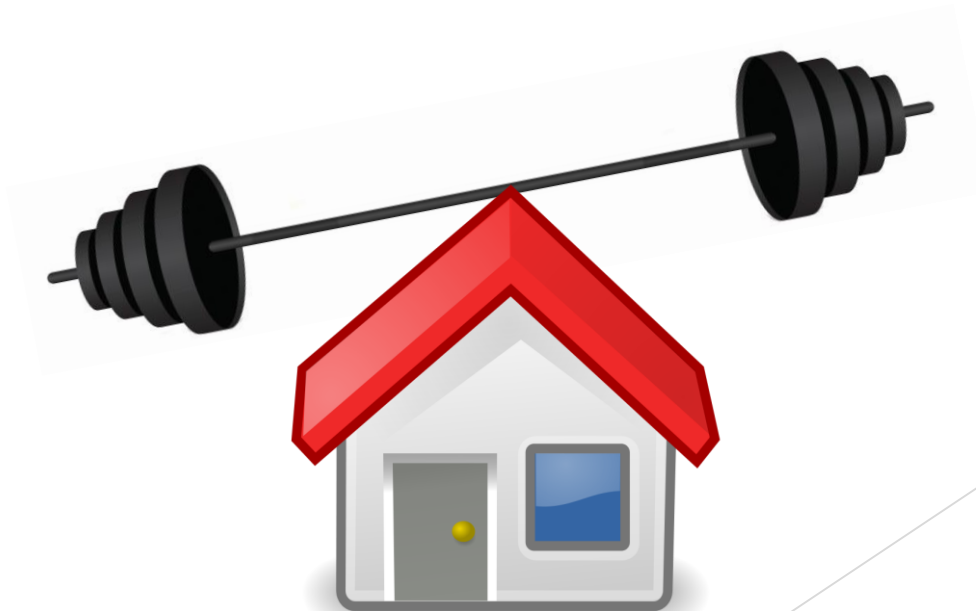
The Bond Market

Housing Market Conditions

# STRENGTH of the MARKET

The **MOST IMPORTANT QUESTIONS** to Help to Analyze and Predict Market Cycles

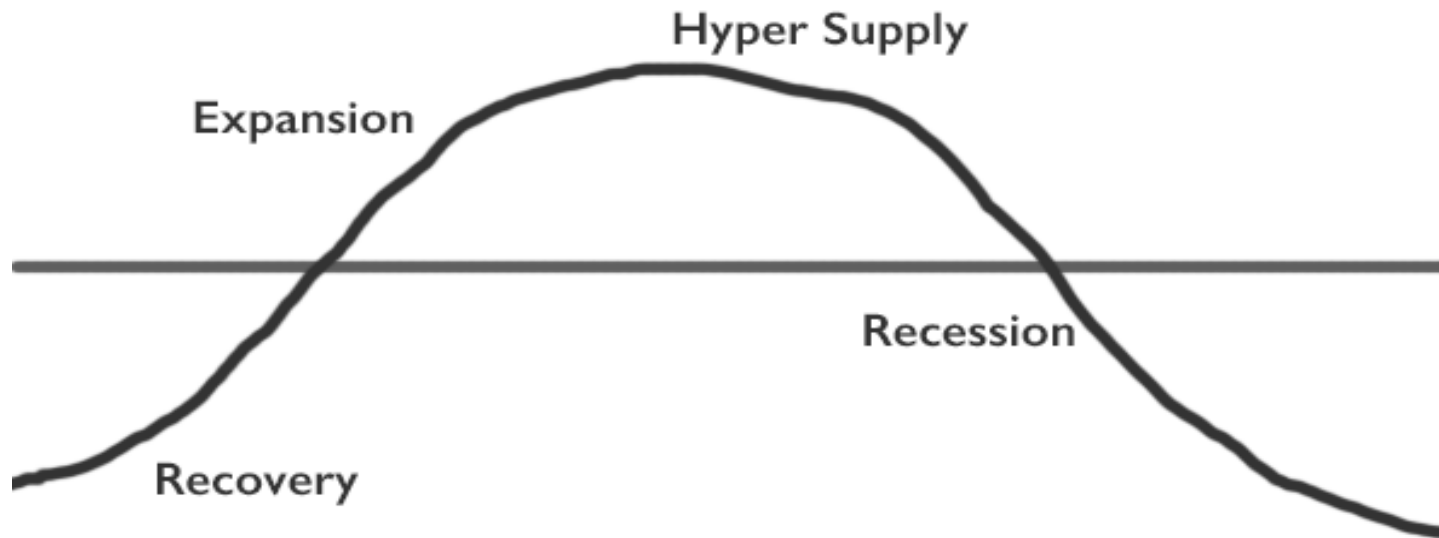
- ▶ **WHERE** is it strong?
- ▶ For **WHOM** is it strong?
- ▶ **WHAT** type of Real Estate is strong?



# THE REAL ESTATE CYCLE

## ▶ 4 PHASES

- ▶ Phase 1:            Recovery            Spring
- ▶ Phase 2:            Expansion            Summer
- ▶ Phase 3:            Hyper Supply        Fall
- ▶ Phase 4:            Recession            Winter



# PHASE 1: RECOVERY

## Spring Time

- ▶ RECOVERY from WINTER (Phase 4)
- ▶ RECOVERY from Downturn
- ▶ RECOVERY from Free Fall

REPRESENTED BY:

High Unemployment

Home Foreclosures

FEAR in the General Population



# PHASE 2: EXPANSION

## SUMMER TIME

- ▶ EXPANDING # of Businesses
- ▶ EXPANDING Businesses (size)
- ▶ EXPANDING Housing Market (start of)

## REPRESENTED BY:

- ▶ HIGHER Property Pricing
- ▶ LOWER Supply of Property
- ▶ CONFIDENCE of the General Population



# PHASE 3: HYPER SUPPLY

FALL

- ▶ HYPER-Prices
- ▶ HYPER-Building Projects
- ▶ HYPER-Market - “BULL Market”



REPRESENTED BY:

- ▶ Sky-Rocketing Prices
- ▶ Over-Development
- ▶ Rising # of Vacancies
- ▶ OVER-CONFIDENCE



# PHASE 4: RECESSION



## COLD-COLD WINTER

- ▶ **Market Collapse**
- ▶ **DECREASING # Businesses**
- ▶ **DECREASING Businesses (size)**
- ▶ **Property Owners Drowning (under water)**

## REPRESENTED BY:

- ▶ **RISING Unemployment Rate**
- ▶ **Decreased Rents and Increased Vacancies**
- ▶ **FEAR**



# PHASE 4: RECESSION

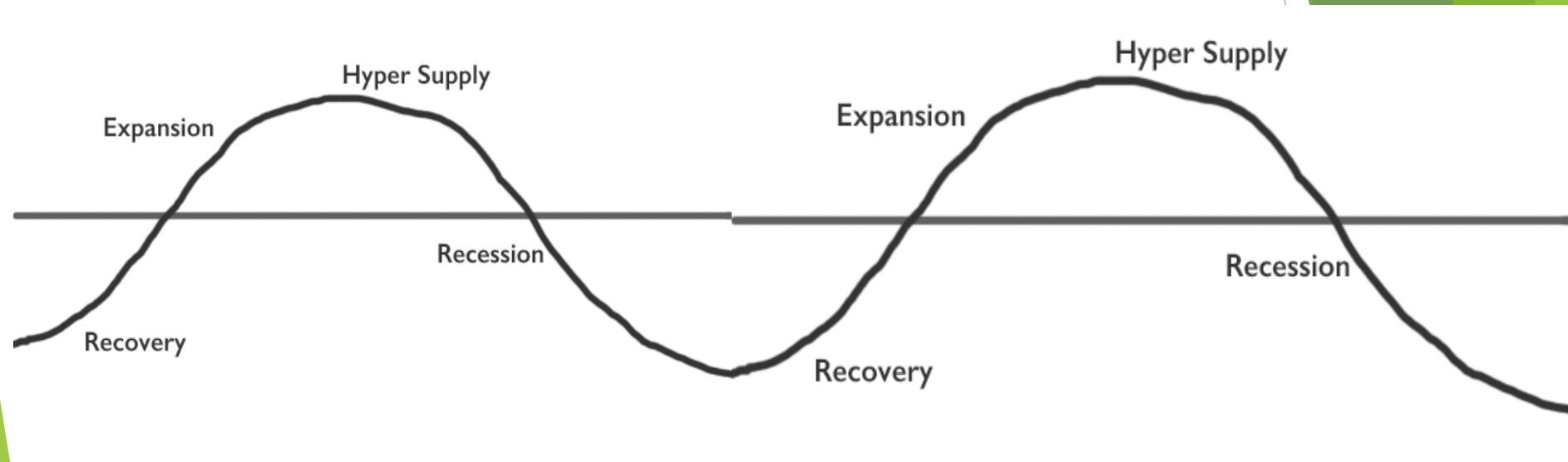
## THE SAVVY INVESTOR

- ▶ PLAY VERY IMPORTANT ROLE
- ▶ PREVENT MARKET COLLAPSE





# THE REAL ESTATE CYCLE



Fred E. Foldvary - "The Depression of 2008"  
18-Yr Cycle  
1989 - 2007  
2007 - 2025

# WHERE ARE WE TODAY?

- ▶ Ask the important questions
  - ▶ WHERE is it strong?
  - ▶ For WHOM is it strong?
  - ▶ WHAT type of Real Estate is strong?
- ▶ Many factors can affect “The Market”
  - ▶ Interest Rates
  - ▶ White House
  - ▶ War
  - ▶ ....AND, Of Course



# “NATURAL DISASTERS”

- ▶ ARTIFICIALLY inflate
- ▶ ARTIFICIALLY deflate
- ▶ INSTANT Phase Shift
- ▶ INSTANT Multi-Phase Shift



# Where are we today?

## ▶ NATIONALLY

- ▶ Phase 2: EXPANSION
- ▶ Nearing the End
- ▶ Unemployment Rate is Decreasing
- ▶ CONFIDENCE in the General Population



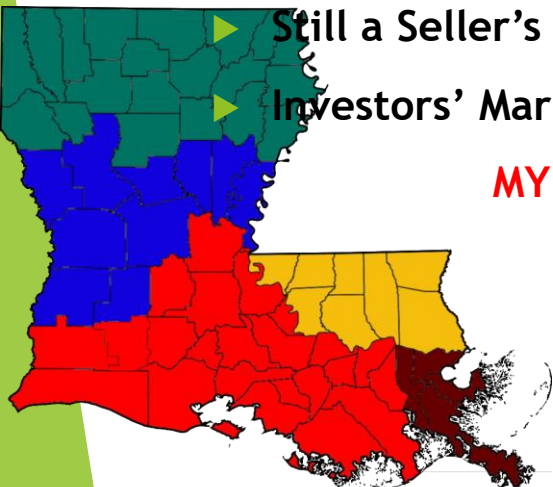
## ▶ LOCALLY

- ▶ Phase 2: EXPANSION
- ▶ Home Prices Still Rising
- ▶ **Market** Driven by FEAR and CONFIDENCE

▶ **Still a Seller's Market**

▶ **Investors' Market Slowing**

**MY OBSERVATIONS and MY PREDICTIONS**



# My Observations

OCT 2021

- ▶ Increase
  - ▶ Home Values - High but Leveling
  - ▶ Rental Rates - STEADY
  - ▶ Rental Properties
  - ▶ Construction Costs
  - ▶ Foreclosures - Artificially Low
- ▶ Decrease
  - ▶ Homes for Sale
  - ▶ Home Values
  - ▶ Investment Property



TM

# Projections 2021-2022

- ▶ Foldvary - Economist
- ▶ Doug Duncan - Fannie Mae Econ
- ▶ NAR
- ▶ Realtor.com
- ▶ Redfin
- ▶ Zillow
- ▶ NAHB

▶ **WHERE DO WE STAND?**



# Projections 2021-2022

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- ▶ NAHB

▶ **WHERE DO WE STAND?**



# Types of investments

## ▶ LONG-TERM

- ▶ Land Purchases
- ▶ Income Producing - Income Supplement
  - ▶ Rentals
  - ▶ Retirees
  - ▶ Generation X and Y

## ▶ SHORT-TERM

- ▶ Flipping





# FLIPPING

“THE DEVIL IS IN THE DETAILS”

## ▶ GOOD TEAM MEMBERS

- ▶ REALTOR®
- ▶ CONTRACTOR
- ▶ LOAN REPRESENTATIVE
- ▶ GENERAL MAINTENANCE
- ▶ TITLE ATTORNEY
- ▶ CPA
- ▶ INSURANCE AGENT
- ▶ SU COB
- ▶ YOU!
- ▶ REALTOR®



# A GOOD & “KNOWLEDGABLE” REALTOR®

- ▶ UNDERSTAND TOTAL COSTS
- ▶ HAVE RELATIONSHIPS
- ▶ HAVE FAVOR
- ▶ BE FLEXIBLE
- ▶ HELP DEVELOP YOUR GOALS
- ▶ HAVE A GOOD REPUTATION
- ▶ HAVE EXPERIENCE
- ▶ UNDERSTAND FINANCING
- ▶ AVOID PITFALLS



**LACY BAAHETH**  
**& ASSOCIATES**  
Real Estate Sales & Property Management