Real Estate Transcript

Fisher pessimistic on recovery at NRC luncheon

By LOIS WEISS

Richard L. Fisher, speaking at a recent luncheon meeting of the National Realty Congress, predicted the commercial real estate market will not recover for another seven to ten years. "I'm not a wild optimist," said the Fisher Bros. partner, whose company has built over 50 buildings, and since 1957, added eight million square feet of space to the market.

Since human beings have a "primordial need" to congregate in cities and New York City is the financial capital of the world, he said, "America will come of out the recession - indeed, if it hasn't stumbled out of it already - and there will be a need for commercial office space."

He talked about market changes and the effects of underlying transformations that have irrevocably altered business. While Fisher explained that cyclical changes can be overcome, structural changes - such as the loss of New York's shipping facilities to other transportation networks like railways - cannot be adapted to as easily. "Structural changes are different and too upsetting," he explained.

For Central Business Districts and places like New York City to prevail, he said, there must be new approaches, new thinking and new ways to adapt.

Fisher observed that technological changes, such as personal computers and faxes, have led to corporate slimming and an ability to relocate anywhere in the world. Additionally, the development of the highway system may have decimated the freight railroads, but led to the building booms of the suburbs.

Structural changes of necessity dictate changes in behavior, he said, and he chided city leaders for not addressing these structural changes.

Fisher called the city a perfect example of the rule that says the more a municipality raises taxes the less it collects in revenues. He pointed to the onerous city hotel tax that placed a 19.25 percent tax on hotel rooms costing over $100 per night beginning in June of 1990.

"The amount of convention business it drove out exceeded the amount collected," he sighed. "People who plan conventions don't have to go to New York City."

The city leads the nation in such charges, with an average of $23.76 a night in taxes. Chicago, whose hotel tax is the second highest in the country, charges a significantly lower $7.67 in taxes, while the top 20 cities in the U.S. charge an average of $7.60. Additionally, city hotel employment is down 16.2 percent and 1992 room revenue was reduced by $194 million solely because of the hotel tax, he said.

Fisher believes the city has lost too many jobs in manufacturing and needs to adapt with tax incentives and enterprise zones in order to restore Brooklyn and the Bronx.

"The business of New York City is business," he said. "Commercial real estate will only be successful if businesses are successful." Fisher noted, whether we like it or not, the city can feed the homeless, keep welfare and give medical attention to all who need it only if the city can afford it.

Fisher is pessimistic because Mayor David N. Dinkins does not seem to have an overall picture of the structural changes and is viewing these problems as budgetary. Other American cities will do a better job of reacting to these issues, he believes, citing Jersey City's low sales tax enterprise zone as the only reason Legman Bros. is moving from Gotham.

Participants at a recent National Realty Club luncheon panel included (L to R): Robert A. Knakal, Massey & Knakal Realty Inc.; David M. Grant, president, LVM Group; Richard Fisher, senior partner and chief financial officer of Fisher Brothers, the featured speaker; Jerome J. Steiker, president, National Realty Club; and Eugene A. Hegy, Jr., president, Eugene A. Hegy & Associates.