



Mark Steele

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Founded in 2001, The Title Professionals just celebrated its 10th anniversary. Our Grand Opening/Chamber of Commerce Ribbon Cutting event was held on Sept. 13, 2001, two days after the most notorious date of our generation. As you might imagine, it was far from a festive atmosphere. Fortunately for us, the economic turmoil caused a drop in mortgage interest rates resulting in turning business away within 60 days, less than six months after opening.

Like many businesses in our region, we are dependent upon the real estate industry, and we greatly benefited from the extremely active real estate market for the first five or six years of the last decade. We also suffered significantly during the subsequent economic downturn. I used to say one of the major things we manufactured in this region was bedrooms; as that segment of the market has slowed to a crawl, the impact throughout our region has been tremendous.

I was asked what lessons may have been learned during the recession, and I have struggled to identify any new knowledge gained from the experience. I do not mean to suggest that I knew it all already, but the experiences helped to reinforce some of the basics learned in business school.

- **No man is an island.** Just as we had no control over the interest rates that fueled the refinance boom of 2001, we had no control over the bursting of the real estate bubble in 2006. Strong national and international factors helped to cause both events, and no amount of planning or marketing was going to create real estate contracts that were not being written.
- **Control your costs.** As revenues drop in an economic downturn, expenses must decrease to reflect the drop in revenue. Committed expenses for rent, equipment or debt service are difficult to decrease, as they are generally fixed expenses, which may not be negotiable. Make sure that the expenses committed for these types of expenses fall within acceptable ratios for your industry.
- **Treat your staff well.** As we cut staff by 40 percent in 2008, I made sure to make every effort to keep the most valuable members and terminate the least valuable. As the remaining staff endured pay cuts, they were coupled with furloughs of work days to reflect less work for less pay. Of the staff that endured the bleak last days of 2008, all but one (left for maternity) remain on the staff.
- **There is an opportunity around the corner.** Economic downturns cause businesses to close and employees to lose their jobs. Is there business to be obtained from the recently closed competitor? Would one of their former staff members add benefit to your business? I have

heard numerous stories of businesses that were founded during the Depression. Are there opportunities for your business during a downturn?

I was also asked to weigh in on the economic forecast for 2012. I am afraid that I am an even worse seer than student; however, I will take a very amateur crack at it.

Next year is an election year, and the old school of thought was that the politicians would do whatever they could to make the economy look good to help preserve their jobs. The last election year, 2008, shattered that perception, with some of the worst economic conditions seen in the last 60 years. The fact that neither side of the aisle seems to want to work with any spirit of cooperation leaves one very dubious about how the federal government may influence the economy in 2012.

I am seeing signs that commercial lending is on the increase for existing businesses, which will help allow businesses to retain their properties and provide some opportunity for growth. Personally, I do not see vacancy rates for commercial properties changing in any large measure next year.

I have some concerns with unemployment levels next year. Government downsizing and the reduction in the armed forces will put more people in the employment market, looking for jobs. I really do not see much in the way of job expansion in 2012. I expect mortgage and savings rates to be at or near 2011 levels, with a slight increase for both. I expect the stock market to remain volatile through 2012.

Finally, I am often asked my opinion for the rebound of the real estate market. My general response is that the problems were so severe that it would probably take 10 years for it to get back to something that we might characterize as normal. My opinion is that the beginning of the collapse started in late 2005 or early 2006. If it started in that timeframe, we have another three or four years before we start seeing sales back to the levels we saw in the 1990s.

Best wishes to you and your families for a Merry Christmas and a safe, healthy and prosperous new year.