

## Insights

The "Insights" column was designed to give leading experts in site selection a platform from which to express leadership ideas, to raise concerns, or to offer advice for both sides of the site selection/economic development dynamic.

# Wine, Business Women and an Economic Recovery Perspective

By Leslie Rubin

**It is always a challenge** to look into the illusive crystal ball and accurately predict what will happen a year from now or even six months given the current chaotic market conditions. This is why many a wise person has instructed their students to hedge by telling the audience "what" or "when," but never both in the same sentence. In a similar manner, experts have long relied on historical patterns to support beliefs in future trends.

A common thread in all successful wizards' behavior is their ability to convince, influence and muster support. This is not to say that the American populace is gullible, just desirous of knowledge. It is in this frame of mind that two business women get together on a fairly regular basis, indulge in a glass of wine and discuss the health of the economic recovery.

Inquiries about family and friends topped with a dollop of local politics is the ritual prelude to the meatier topics. Technology invariably bubbles to the surface shortly after the wine has been served. It may be that technical information needs clarity of thinking but it may also be that the resulting frustration with the dynamics at work needs to be dulled.

Wind technologies happened to be the most recent topic. The financing is difficult even with government guarantees. Power generated which needs to be incorporated into the grid is no simple task and the demand is not yet guaranteed. There will be no windfall job creation either. Wind technologies will require a longer horizon than those architecting the current economic recovery would hope and thus should be undertaken by the business savvy long term visionary.

The "how is business" question manages to surface

about half way through the glass of wine. Optional answers include: "I'm surviving," "It's good," or the answer is deflected entirely by introducing a new topic. In this case, the new topic of choice leads to an interesting story.

A recent email inquiry sent to a friend and business associate whose consulting practice is retail logistics came back with a response that "we are having an outstanding year." Curiosity for a more in-depth explanation led to a follow up email which was answered with "retailers had up sales months since February, getting DCs up to higher capacities." Intrigued and wondering whether other contacts were observing a similar phenomenon lead to a series of emails to a broad brush of industries including steel mill processing, international logistics, financial services, construction equipment manufacturing, and paper manufacturing. The majority acknowledged that during the past two quarters demand for product has indeed been on the rise.

Unfortunately, a similar story in real estate transactions, particularly in commercial or residential real estate in the Midwest, cannot be claimed. The activity appears to be operating at a level born out of necessity to change, to cut overhead or consolidate operations. The two business women concluded the obvious: debt financing is still too challenging to stimulate more activity. Banks are very risk averse and will avoid financing deals that could adversely impact their portfolio.

Even the bottom feeders or opportunists with cash are finding that deal making is more challenging. In years past, financing a 40 million dollar asset might have required \$4 million in equity. Today the asset may be discounted to \$20 million but the equity requirement has now increased to \$5 million to obtain financing.

Some transactions are being completed, but how? For the concentrated few using all cash, it is certainly a buyer's market. The rest are becoming acutely aware of the fact that: a) deals are taking considerably longer to close; and b) the bigger the deal, the more complex the financing structure. That complexity often now includes a variety of government assistance tools such as loan guarantees, direct government loans and cost offsetting grants.

The Federal government believed that ARRA bonds would drive investment. They did at the local and state level of government but were drastically underutilized by the private sector. Those private sector investors with enough persistence and patience have begun to segment their deals into financeable chunks and are using government tools to offset perceived risk.

The two business women having enjoyed a glass of good wine and conversation scanned the bar for inbound acquaintances, settled up their tab, left a good tip and departed, each with a clearer view of the economic landscape. **T&ID**



### About the Author

**LESLIE RUBIN**, president of Rubin Advisors Inc., Ph.D., Indiana University, has been providing economic development services to private sector companies for over 17 years. Her expertise comes from previous ownership of two biotechnology businesses, serving as Director of Planning for the City of Indianapolis, and having obtained and administered multimillion dollar grants.

