



## What Effect Terror?

By Michael J. Novogradac, CPA

Amid the immense emotional and psychological toll caused by the hijacking of four commercial airliners and using them to attack the World Trade Center (WTC) and Pentagon, are the huge losses of human life and the destruction of important icons of the built environment.

For those who lived the nightmare, like Linda Cargill, a consultant to Lehman Brothers and president of the Affordable Housing Tax Credit Coalition, and the partners and others at the New York law offices of Holland & Knight, who not only witnessed the devastation but lost a partner and colleague, the loss is immeasurable. Cargill was near the WTC when the planes hit; Holland & Knight partner Glenn Winuk donned a mask and a pair of gloves and went in to the burning buildings to help rescue efforts. He has not been heard from.

More calculable, according to the Rosen Consulting Group LLC, are some of the direct costs to the economy and the communities hit by these unimaginable acts. The twin towers were valued at \$1.2 billion, the worth of surrounding building damage estimated to be as high as \$800 million, and the cost of the four planes about \$400 million. The total value of the casualty losses to property could run as high as \$25 billion to \$30 billion, reports the Rosen consultants. Rosen Consulting Group is a California-based real estate and regional economics research and consulting firm whose clients include banks, insurance companies and real estate investors.

Immediately following the attacks, market activity worldwide declined dramatically, asset prices weakened sharply, airline travel ground to a halt, major league sports events were postponed, and businesses, government offices, entertainment venues and retail malls closed. Numerous meetings and conferences, such as our own, were postponed.

The Rosen Group says the sharp decline in U.S. share prices comes at a time when they were probably poised to weaken anyway, but the combination of the above factors adds up to a severe hit to the net worth of the nation's asset holders. In response, consumers and corporations alike, their confidence shaken by all the uncertainty, are trying to reduce debt, increase savings and curtail spending, the effects of which are sending the nation into a recessionary spiral. Despite the tragic and incomprehensible events of September 11 and the economic fallout from them, some are predicting a recovery in early 2002. In the meantime, industry professionals see the affordable housing industry undergoing some changes in the way it operates [See stories on page 1]. As a whole, however, the greatest short-term effect on the industry will likely come from the equity investment sector, as we await the immediate response of investors. Equity investors appear to be staying their original 2001 course, with 2002 more likely to be affected. The greatest mid- to long-term impact will probably come from the President and Congress, as the potential for significant tax cuts and/or other housing related domestic spending has increased significantly since the terrorist attacks. ❖

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