

# Recovering from recession harder this time around

By Vandana Sinha

Stanley Fineman has built his career on the backs of economic recessions. The real estate community, it seems, has its highest need for the D.C. tax assessment attorney when it hits its lowest points.

Fineman was busy through the oil crisis of the 1970s and the savings and loan catastrophe in the early '80s, when an inflation-riddled country needed to heal from the destructive marriage of unregulated lenders and fraudulent brokers.

His workload at Wilkes Artis Chartered multiplied a decade later through yet another recession, this time involving an overbuilt, hastily financed commercial real estate market that ended up collapsing in one big overvalued heap.

"Stay alive until 1995," he chorused with his real estate client base – a catchphrase he had emblazoned on a T-shirt. Even then, it seemed to take another two years before the pain really subsided.

Each time, Fineman saw bankruptcies undermine the banking industry, contractions shrink the construction industry and foreclosures cripple the housing industry – all elements of what seems to have become the most overplayed storyline even in today's debilitating recession. But he's watched the Washington area bounce back, each time a little stronger than the last.

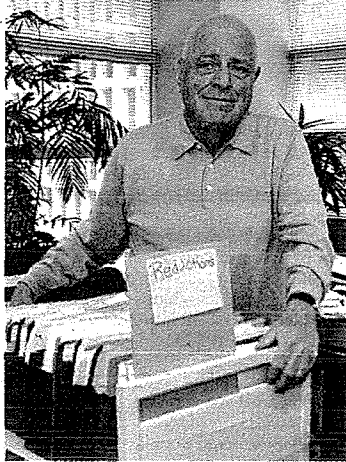
"I would go to seminars three or four years ago where very bright people spoke, and they would say all those recessions have passed – that [such recessions] won't be with us in the future, and they would give all of their scholarly reasons for that," said Fineman, now president at Wilkes Artis. "I was always skeptical because I'm 70 years old now, and I've seen recessions in the '70s and '80s and '90s. All of those scholarly people were under 35 years old. So it's not that they weren't smart. They hadn't lived long enough."

That's the good news. The Washington area has emerged from this before, Thirty-two times before, to be exact. Through post-war panics in the early 1800s, the vestiges of the Great Depression, the interest-rate roller coaster and the startling pop of the technology bubble. With their spending in this region, federal agencies have stitched together a comfortable financial cushion, preventing the area from falling as hard as the manufacturing-laden Midwest.

However, the bad news takes more precedence this time around. While this most recent recession shared many of the traits of its ancestors – even the Panic of 1787 involved overspeculation of real estate – it ran much wider and deeper across the region's many economic sectors. Almost no industry was spared in an economic drain repeatedly being described as the worst since pageboy-capped men stood in line for bread in 1930s New York. This recession had mined out a new rock bottom for the region.

Economists say it's likely that the forces that pulled the region out of recessions in past decades – mostly government contracting and professional services – could come to the rescue again this year. But even as the local business community keeps learning and adjusting to each painful dip, business leaders caution that no one should expect a quick rebound.

"My experience is, the recovery always lasts longer than you think," said Maureen Dwyer, a zoning attorney for Goulston & Storrs PC.



Stanley Fineman, an attorney at Wilkes Artis who did workouts in the early '90s, still has a T-shirt proclaiming "Stay alive until 1995." Photo by Joanne S. Lawton

So what does that mean for the next recovery-related memento for Fineman, who still owns that T-shirt imprinted with the encouraging "Stay-alive-until-1995" chant? Perhaps one that reads, "Wait for heaven in 2011."

Here is a look at how the Washington area fared in past recessions:

● **1980s:** The area wasn't as affected by this recession since a primary target, manufacturing, had never been an economic engine here. The region's job losses lasted only a matter of months before President Ronald Reagan flipped the switch on government spending. He began to unload unprecedented amounts of government work onto the private sector, helping the government contracting industry take off in the region. Agencies quickly turned into massive consumers of information technology services.

● **1990s:** This recession most mirrors what the business community has been enduring for the past year and a half. Developers scored quick-hit financing deals for office buildings that soared without a single tenant lease signed. That fallout hit the Washington area harder than in the previous recession. The sector that recovered the quickest was that of professional business services – engineering, accounting, legal services. Economists estimate that those businesses shifted to positive growth nine months ahead of other area sectors, and nonprofit and trade organizations followed soon after. Federal contracting stayed strong throughout, while commercial real estate took years to recover.

● **2001:** The country was hit with the double whammy of the tech bubble bursting and the terrorist attacks. While this was a low point nationwide, the Washington area's economy was not hit as hard. Indeed, with the federal government's creation of the Department of Homeland Security and the upswing in defense spending, government contractors found themselves busier than ever. And those larger companies – once slow-moving old-timers that quickly transformed into economic superheroes – were quick to hire scores of laid-off high-tech workers.