

Wall Street problems will hit Portland

by Matthew Kish, Portland Business Journal

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Financial experts say this weekend's news that three more of Wall Street's biggest institutions are nearly insolvent will continue to make it difficult for local businesses to raise cash.

"One of the implications nationally, and here as well, it's going to be tougher to get a loan," said John Mitchell, a consultant at Lake Oswego-based M&H Economic Consultants. "It's going to be a different world than it was in 2004, 2005 or 2006."

Over the weekend, Lehman Bros. declared bankruptcy. The 94-year-old Merrill Lynch & Co. agreed to be sold to Bank of America for \$44 billion, or \$29 a share. The insurance giant American International Group spent the weekend frantically trying to raise cash in order to avert disastrous credit downgrades before reaching a deal to borrow \$20 billion from its subsidiaries.

The news followed a government-backed takeover of mortgage giants Fannie Mae and Freddie Mac and the meltdown of Bear Stearns.

"It impacts the whole country," said George Hosfield, principal and chief investment officer at Portland-based Ferguson Wellman Capital Management Inc., of this weekend's wild ride on Wall Street. "Bodies continue to float to the surface from the fallout of the subprime meltdown ... Credit's difficult to get and more expensive if you can get it."

It's unknown what impact the Merrill Lynch sale will have on local employment numbers. Merrill Lynch employs roughly 100 brokers in its Portland office, according to the Business Journal's Book of Lists. Bank of America employs 50 brokers in its Portland office.

Merrill Lynch did not immediately respond to a request for comment.

Experts agree that a rebound hinges on the housing industry.

"Maybe we're heading towards a resolution," Mitchell said. "The things that have to happen are happening. (Home) prices are going down. New construction is very weak. Those are things that will ultimately chew through (home) inventory."

"Oregon, with it's heavy exposure on the trade side, that should help us," Mitchell said. "We're also not directly in the motor vehicle business. (Agriculture) had a good year. Travel and tourism seem to have held up."

Hosfield, agreed that the housing market needs to hit bottom in order for the market to recover.

“We’re in an extremely volatile period,” he said. “It could be until 2010 before the markets rally.”

Hosfield predicted that Seattle-based Washington Mutual Inc. and Charlotte-based Wachovia Corp. could be the next financial giants in need of a rescue.

“The odds are significant that both Wachovia and WaMu will not be survivors,” Hosfield said. “It’s highly likely that they will be forged into someone else’s well-capitalized arms.”