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Realtors' Former Top Economist Says Don't Blame the Messenger

Mr. Lereah Called 'Soft Landing' in 2006; It Didn't Come, and Now His Portfolio Stinks

By [NANCY KEATES](#)

FAIRFAX STATION, VA. -- On a recent weekday, David Lereah sat in the sunroom of his five-bedroom colonial house. The only sound was the yapping of his dog Maisy.

Once one of the world's most-visible housing experts, Mr. Lereah is disconnected from his old life. The former chief economist for the National Association of Realtors says the group's top executives won't return his phone calls. He says he wasn't invited to the association's 100th birthday bash last May.

Mr. Lereah, 55 years old, is one of many prognosticators who won professional accolades during the housing boom, only to see their reputations wither in the bust. Throughout 2005, when home prices in the U.S. hit their fifth consecutive annual record, Mr. Lereah was on television so often his wife, Wendy, would catch him by accident. He flew first-class to meetings and speeches in places like Hawaii and Aspen, Colo., staying in suites at expensive resorts. His bosses awarded him more responsibility. That year, he published his second book, "Are You Missing the Real Estate Boom?"

Mr. Lereah continued to make rosy statements amid growing signs of a housing downturn -- like this declaration in January 2007: "It appears we have established a bottom." A few months later, NAR announced that existing-home sales fell 2.6% in April from a month earlier and 10.7% from a year earlier.

Some critics pummeled Mr. Lereah for his optimism. Bloggers nicknamed him "Baghdad Dave," after the Iraqi information minister Mohammed al-Sahaf, called "Baghdad Bob," known for his pro-Iraq press briefings at the time of the U.S. invasion.

Mr. Lereah, who says he left NAR voluntarily, says he was pressured by executives to issue optimistic forecasts -- then was left to shoulder the blame when things went sour. "I was there for seven years doing everything they wanted me to," he said, looking out his window to his tree-filled yard in this Washington suburb. Mr. Lereah now works at home, trying to rebuild his career and saddled with a sagging portfolio of real-estate investments.

A spokesman for NAR says Mr. Lereah used the same kind of forecasts in his book, which wasn't an NAR publication.

NAR, which represents half the 2.6 million licensed real-estate agents in the country, has its critics. One concern is that while the organization collects and releases objective data about home sales, it also provides commentary on those statistics -- and has a mission to advance its members.

Lawrence Roberts, author of "The Great Housing Bubble," says the Securities and Exchange Commission should regulate NAR the way it regulates financial advisers. "Realtors are currently able to make any statement they wish regarding the investment potential of real estate, no matter how ridiculous," he says.

"Realtors are the most trusted resource for real estate information," says the NAR spokesman in an email, adding that the group "has gathered the most comprehensive data on real estate in the world." The spokesman says that during his tenure Mr. Lereah was "solely responsible for the content of NAR forecasts and housing reports -- both the data and the interpretation."

Among the who's who of experts and policy wonks now accused of irrational sunniness are former Federal Reserve Chairman Alan Greenspan and Robert Toll, chairman and CEO of Toll Brothers. But Mr. Lereah has gotten more than his share of the finger-pointing in part because he was such a public face during the housing boom.

Raised in the suburb of Long Beach, N.Y., Mr. Lereah says he decided he wanted to be an economist in high school. His first job was as an economics professor at Rutgers, then at the University of Virginia, and later as a regulator and economist at the Federal Deposit Insurance Corp.

Mr. Lereah says he was recruited to NAR in 2000 with an offer in the "healthy six figures." During the boom years, Mr. Lereah was eager to profit himself. He snapped up condos, including two in Washington in 2003 and 2004 and one each in Tampa, Richmond, Va., Alexandria, Va., and Naples, Fla. By 2006, he says, he owned six condos worth between \$150,000 and \$400,000 apiece.

In late 2005, the market began to fall, and in the third quarter of 2006 existing-home sales sank 12.7% from a year earlier. Mr. Lereah remained publicly upbeat, saying the market is "likely to pick up a bit" and arguing it was experiencing a "soft landing."

Soon, mainstream economists and the press were calling him out. "I thought it was criminal that he kept saying we'd reached bottom," says Ivy Zelman, former housing-market analyst at Credit Suisse and now head of her own housing-sector research firm. She says she dubbed Mr. Lereah "Mr. Liar-eah."

Mr. Lereah says he was starting to worry about the housing market and tried to tone down his optimistic comments with phrases like "we also may be seeing some fallout from a decline in subprime lending." He says his critics nevertheless "became vicious."

Mr. Lereah admits to one mistake: believing there would be no national housing crash. "I have to take the blame for that," he says. "I never thought it would be as bad as this."

In April 2007, Mr. Lereah left NAR, and after working about a year on a start-up venture, took some time off for a few months. He cruised around on his 29-foot sport-fishing boat and played golf at the country club. He eventually started consulting on the real-estate market again, this time to hedge funds and Japanese companies.

Mr. Lereah now works in a small upstairs office that doubles as an exercise room. He has started his own company, Reecon Advisors, that puts out a weekly newsletter on the housing market and provides consulting services. "I feel I have such a refreshing view now because I'm not representing any interests," says Mr. Lereah.

He charges \$495 annually for the newsletter, and currently has fewer than 50 paying subscribers -- a number Mr. Lereah aims to increase to 1,500 by the end of this year.

"He's starting to make some money off it now, not much," says Mrs. Lereah. "We have an expensive lifestyle: a big house, a housekeeper once a week, college tuitions, the country club."

Mrs. Lereah, a CPA who also works at home, decided the only way she and her husband could work in the same house was if they pretended they were at outside offices. They communicate during the day by email and cellphone. Every morning, Mr. Lereah drives to a Dunkin' Donuts or McDonald's and eats in the car, just as he would have on his commute to NAR.

Mr. Lereah's real-estate portfolio has taken a hit. He says his 3,068-square-foot five-bedroom, 5½-bathroom brick house has lost about 20% of its value in the past two years. (It is worth \$780,000 now, according to Zillow.com.) His condos are down, too. He now says housing prices won't recover for some time.

His successor at NAR, Lawrence Yun, however, says things might be looking up. In his latest news release, Mr. Yun says that although the pending home-sales index based on contracts signed in November fell 5.3 from a year earlier, with a "proper real-estate focused stimulus measure," home sales could rise more than expected, by more than 10%, to 5.5 million, in 2009.

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The Real Marshall Criser

Written by Jessica Newman

You will inevitably make at least one trip to Criser Hall, if you haven't already, as a student at the University of Florida. It's one of the most important buildings on campus, housing the Office of Admissions, the Office for Student Financial Affairs, the Office of the University Registrar and the Student Employment Office under the same roof.

For such an important building to bear his namesake, Marshall Criser had to play a large role in the university's history. But surprisingly (or not, if you've read past installments), few students are aware of the less-than-honorable legacy he left behind.

Criser was the eighth president of the university, serving from 1984 to 1989. He got both his bachelor's in business administration and law degree from UF, making him the second UF alumnus to become president. Before his presidency, Criser served on the Florida Board of Regents and as president of the Florida Bar Association.

During Criser's administration, he established the first Capital Campaign (a campus-wide fundraising event for the general benefit of the university), UF was inducted into the Association of American Universities; and the university increased its focus on "academic excellence." All of this information can be found on the university's Office of the President web site.



But what you won't find on the university's web site is the scandal, which hit Criser's office at the end of his administration – something locals like to call "Chambergate," in which Criser allegedly attempted to take away the first amendment rights of members of UF's faculty, as well as challenge their academic freedom.

It all started in January 1987 with comments made by the then-president of Gainesville's Chamber of Commerce, John Schroepfer, in a meeting regarding opposition to the Chamber's plans for development and economic growth in the county, much of which was considered an unsound investment and environmentally threatening to natural areas in the county. In particular, voices of dissent arose from many members of the UF faculty, some activists and other experts in the field of business geography and land development.

Schroepfer and the members of the Chamber, many of who would profit from the new developments as real estate developers and contractors, needed an easy way to silence the dissenters, whose opposition might inhibit county and personal economic growth.

According to the minutes from a Chamber meeting on Jan. 15, 1987, Marilyn Tubbs, vice president of Public Affairs, suggested investigating opposing letter-writers, finding out “with whom they’re aligned to discourage them from writing.” But Schroepfer had a better idea.

“You know what we’ve been doing along those lines? ... I had a meeting with Marshall Criser, and he committed to this, among other things: that every time a member of his faculty gets up at a public meeting or writes a letter that is dilatory about economic development about this community, he will get someone of equal or higher credentials to write a letter or go to a public meeting in opposition of that point of view.”

The Chamber excitedly embraced this idea, and Schroepfer assured them they could “put that into [their] bag of tricks ‘cause that’s available.”

In other words, Criser’s office allegedly conspired to undermine and suppress any dissent that inhibited potentially profitable projects of the Chamber of Commerce, essentially denying the freedom of speech and academic freedom to vocal members of the faculty.



Some time after the meeting, someone gave a copy of the minutes to the Gainesville Sun, which published them in total and created a serious stir in the community.

One such member of the faculty who spoke out against potentially harmful development projects was Dwight Adams, a professor of physics who taught at UF for 42 years and retired in 2005. As a member of the Sierra Club, Adams specifically opposed the development of the Progress Center for environmental reasons.

The Progress Center, which is still around today and still hasn’t achieved “build out” (a measure of developmental success), is an industrial center located in a sinkhole area just upstream from the city of Alachua’s well field. The problem was the potential for harmful chemicals to leak into the city’s well field and contaminate the water supply, Adams said in a recent interview.

Adams said he was the “main target” in Chambergate because he regularly attended government meetings, wrote letters to the editor and spoke out against detrimental development. In fact, Schroepfer referred to him as “that wacko” in the infamous chamber meeting. He’s mentioned specifically in the infamous minutes when Schroepfer tells the chamber he called Criser’s office but got the vice president Al Alsobrook instead.

According to the minutes, Schroepfer told Alsobrook, “Your boy is out on a limb again ... Dwight Adams is his name.” He then discussed the solution the two of them came up with: “And so the first choice is to get his department head to write a letter against what he said. That has a chilling effect on future letters.”

But instead of writing a letter, Criser’s office allegedly sent Adams’ superior, vice president of research Don Price, to a meeting involving the Progress Center where Adams’ attendance and vocal opposition was expected.

“I had never seen him at another meeting of this sort,” Adams said. “That’s just not what he did. But he obviously had gotten his marching orders from Al Alsobrook to go to that meeting and say something.”

Whether or not Alsobrook acted on behalf of Criser, Adams wouldn’t say. But Grant Thrall, another objecting faculty member, said he believes Criser was directly involved in the scandal.

“Criser should have insisted that he had a sworn testimony to clear the university’s and his name, but he never did,” said Thrall, who has been a professor of business geography at UF since 1983. “Because of this, I believe he was directly involved.”

Thrall had no involvement in the local community until he was asked by the city of Gainesville and the county to evaluate recommendations for land use in Alachua County based on his expertise in industrial location and market analysis. When asked about the location of the Progress Center, Thrall declared the site a bad investment for UF and the city.

Unhappy with this conclusion, UF followed up with the opinion of a private consulting firm in hopes of getting a better answer. But the firm agreed wholeheartedly with Thrall. The chamber and UF continued to push for the development, and Thrall continued to speak out against it even though he worried about the consequences of his actions.

“What we had was a state employee, the president, using his office to deny a citizen of the U.S. his first amendment rights, the freedom of speech, as well as the issues we had in the university of academic freedom and the freedom to practice one’s profession professionally,” Thrall said. “There was certainly a feeling of intimidation.”

Thrall eventually went to the Florida Board of Regents and asked for a formal investigation. The investigative team came in early 1989 and never talked to Dwight Adams, one of the key players in the scandal. During this time, Criser invited Adams to his office and proposed that they just “put this all behind [them],” Adams said. He refused and continued to fight against the Progress Center.

A month after the investigation started, Criser resigned from the office of the presidency because of “presidential fatigue,” and he began work in Jacksonville with a corporate law firm that specializes in commercial real estate and development.

Now Chambergate is a well-hidden aspect of Gainesville and UF history, unknown to many students and residents alike. It is difficult to find information in the University Archives, and the Gainesville Sun has locked it away in the morgue. But those involved have not forgotten it and remember how it “cast a chill over the university,” as Thrall put it.

“It was a time when academics were concerned about speaking out on things that might be leaked to the press and lead to discrimination against them,” Thrall said. “It certainly had a wrenching effect on my life. My expertise was allegedly denigrated by the president of UF, who was not an expert.”