

The Road to Recovery – February 15, 2010

The bumpy ride continues but

At this juncture, it is clear that some commercial real estate investors are farther down the road to recovery than others. Institutional investors are up against the same roadblocks affecting regional property investors, but the large institutions already have worked through a lion's share of re-pricing issues. This is due to the regulatory requirement of mark-to-market accounting and pressure from institutional boards to get their portfolios valued at market. Unfortunately, the same cannot be said for the broader commercial real estate market. As a whole, property investors have not embraced the market's harsh realities, so 2010 will be a year of reckoning for many investors who up to now have been able to defer their issues to a later date.

We are edging out of one of the worst economic climates since the Great Depression, according to some historians. Although the recession may be over and we have avoided a total collapse of the financial system, we are still grappling to find stable footing and direction.

Commercial real estate continues to suffer on two fronts: space demand — fewer workers and fewer customers mean businesses need less space — and upside-down credit — loans are coming due at a time when property values often are less than the amount owed on them.

Unfortunately job recovery may be several years away.

The 2010 outlook for the credit markets isn't much better than what we experienced in 2009.

Reality is setting in, and the economic recession we thought we had in early 2008 has turned out to be much deeper and longer and has inflicted much more damage to the commercial real estate industry than anyone expected.

But 2010 also may be a good year for investors to purchase quality properties at reduced prices.

In this commercial real estate market only the strong — investors with the courage, conviction, and most importantly, cash — will persevere and prosper.

From an article by Kenneth P. Riggs, Jr., CCIM, CRE, MAI in Commercial Investment Real Estate magazine. [Click here](#) to view the current issue of CIRE and the full article which appears starting on page 26.