

Top 5 Issues Affecting Commercial Recovery

Here are the top five issues facing commercial real estate in 2011, according to consultant Deloitte LLP.

- 1. The market remains uncertain.** The recovery isn't following previous trends. While there is some indication that the worst may be over, some markets continue to decline.
- 2. Impact of "amend and extend."** Some banks are recognizing that they will never recover full value on some properties and are willing to work with borrowers. This has made it more difficult to tell when the business has hit bottom.
- 3. High maturities remain a challenge.** The high level of maturing debt over the next several years remains a significant barrier to recovery. In addition to commercial mortgage-backed securities (CMBS), loan delinquencies and commercial real estate loan defaults, there is also an increase in strategic defaults as more commercial borrowers make a pragmatic business decision to exit profit-draining investments in order to divert money to performing projects or shareholders.
- 4. The number of deals is increasing.** A good sign.
- 5. The economy is recovering very slowly.** This increases opportunities in distressed properties, but the overall market isn't in a hurry to pick up.

Source: Deloitte (12/07/2010)