



ANDERSON BAUMAN TOURTELLOT VOS

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Can Commercial Real Estate Ride Out the Impending Storm?

New Report Indicates Crisis Scenario Looms for Short Term

(Greensboro, NC) – Vacancies have leapt. Rents have plunged. Tenants are suffering declining sales. Needs for warehouse and manufacturing space are contracting. Mortgage delinquency rates are on the rise.

This is a snapshot of an industry facing its day of reckoning.

While the residential real estate industry has been the poster child for the struggles of the financial markets over the past couple of years, the commercial real estate industry must now come to terms with its own challenges.

These challenges have been detailed in the just-published report, **For Rent: The Ongoing Perils of Commercial Real Estate**. Compiled by Anderson Bauman Tourtellot Vos, a leading turnaround management firm, the report is based on research conducted over the past three months.

Though the fuse for commercial real estate mortgages is longer than its residential mortgage counterpart, it is lit and burning. Commercial real estate loans held by lenders in their own portfolios and those collected, securitized and sold as pools of commercial mortgage-backed securities have generally had a five-year term for refinancing, a few years longer than the terms available in the residential mortgage industry. Two years into the current economic recession, the alarm bells are beginning to sound.

According to government and industry professionals, over one trillion dollars of commercial real estate loans will come due in the next few years. With the devaluation of many commercial properties from recent highs, refinancings will be extremely challenging as properties now are often worth less than their loan balances and may not meet refinancing requirements sufficient to pay off existing debt. Some industry experts estimate that commercial real estate values have fallen up to 25 percent across the board.

Despite the gloomy outlook, the industry has some opportunities to explore to ride out the storm by proactively managing troubled asset portfolios, creatively refinancing loans, conserving assets, collaborating with appropriate players for rent relief and acquiring assets that cannot be conserved by owners.

While most experts agree there will be no meaningful recovery in the commercial real estate industry until the overall economy rebounds, the industry's response to refinancing challenges could affect the overall recovery.

“The industry needs for everyone to get into the same boat and row in the same direction, without waiting for the government to make sure the boat floats,” said Peter Tourtellot, managing director of Anderson Bauman Tourtellot Vos. “Fresh thinking, coupled with the ability to take a hard, honest look at existing business conditions and make tough calls is what will pull commercial real estate through the pending financial crisis.”

The report can be downloaded at <http://abtv.com/commercialrealestatewatch.pdf>.

Anderson Bauman Tourtellot Vos, with offices in Greensboro, Charlotte, Atlanta, Jacksonville and Richmond, provides turnaround consulting, interim executive management, planning, fraud investigation and bankruptcy and liquidation services. www.abtv.com. 336-275-9110.

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