



Commercial Real Estate: Stability May Be On The Horizon

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Since 2008, the commercial real estate market has been challenging for all involved. Although we are not completely past the turbulence, we are beginning to see more stability on the horizon.

Lenders Have Slowed or Stopped Tightening Standards

While Lenders certainly do not appear to be loosening standards, the Federal Reserve Board's January 2010 Senior Loan Officer Survey on Bank Lending Practices indicates that they have stopped tightening standards. In fact, lenders are sending the message that they intend to again start lending on real estate. The 2010 Lenders' Expectations Report indicated that 43 percent of lenders surveyed anticipate \$1 to \$3 billion in real estate based loans in 2010, more than double the number anticipating such levels in 2009.

Increased Credit May Lead to Increased Real Estate Value

As credit becomes more available, more buyers will return to the market, albeit more cautiously. This increased demand will likely lead to increased value for sellers. Buyers shouldn't worry too much though, the inventory of foreclosed properties will take years to unload, maintaining downward pressure on value.

A Return to Stability Is Not Without Pitfalls

As buyers return and sellers more actively market real estate with higher values, they should still be cautious, perhaps more so. Much real estate could still be "toxic." Buyers need to re-double due diligence efforts to avoid potential losses. Purchase contracts should be tightly crafted, plenty of time must be allowed for inspections, title exams should be thoroughly completed well in advance of closing, and title insurance should be considered mandatory.