

Outlook bleak for commercial real estate in 2009

CEO of NBS Real Estate Capital has little good news to offer brokers at CAR breakfast

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BY TYLER GRAF

Is there a light at the end of the tunnel for commercial real estate? Brokers got their answer Wednesday morning, when **Rance Gregory**, CEO of NBS Real Estate Capital, gave a presentation of the same name.

"I actually just learned the title of (my presentation), so I'm missing the slide that just says 'no,' " he joked to a room full of brokers, who laughed nervously.

At the Commercial Association of Realtors quarterly breakfast, Gregory said brokers may face more complicated deals in the near future. Economists don't expect the market downturn to reverse course until 2010.

Gregory said he was not typically known for his optimism.

"We got into this as a credit market problem," Gregory said, "and there's no way to get out of it without first healing the credit market."

Billions of dollars in financing have been lost, he added. He calls it a lending industry "death spiral," with the nationalization of banks not far off.

Yet Gregory said that private firms such as NBS Real Estate Capital could be there to "fill the gap." His company, for one, has about 39 investments already worth about \$500 million.

But eventually, he said, banks will have to take on more debt.

Gregory expects a lot of activity to surround brokers, primarily in regard to maturing debt. If investors do not have maturing debt, then it's best to ride out the market, he said.

He likes the **multifamily market** despite an emerging shadow market of single-family homes for rent. Industrial property, considered months ago to be one of the better-performing markets, is showing signs of weakening.

The office market is performing adequately, but only for investors who have stellar credit.

"Underwriting corporate credit is just becoming a nightmare," Gregory said.

The less said about retail the better, he added.

He said one way to stay ahead of the current crisis is through loan syndication and "spreading the risk" around.

The trends may be bad, but they can't get much worse, he said. "There aren't going to be very many new deals this year," he added.

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