

Response from a Developer & Commercial Property Owner:

It's not that your column this week is off base, it is that, like all information sent out to the public, it tends to be one sided in favor of the point the author is trying to make. As a developer and commercial property owner, I can tell you that the market has immensely changed and that money is tight. That said, it is not tight at all if you have 40% or greater down payment. As it should be, pure speculation projects are almost impossible to finance, and projects that do not cash flow or are weak are also difficult to get a traditional loan on.

A broker's viewpoint is hardly evidence about how the actual "commercial business" side of the market actually is. Brokers represent less than 25% of all commercial transactions and they are rarely involved with financing or after the fact manipulations of properties or their economic performance. Brokers sell, and they typically sell what needs (or wants) to be sold. While loans are tougher for them to get closed today, it is largely based on emotion rather than fact. Ask your broker friends if they could get a deal done with 50% down and priced to the market... there would be 3 to 5 banks trying to get in a deal like that and they would be very competitive. And yes, they would argue about a 20- vs. 25-year amortization period and the call would be 5 years or so... and 5 years from now, they would either roll the note over for a higher interest rate than today (presuming rates go up) or not.

This sort of actual marketplace activity doesn't see a shortage of funds and, unlike the cry wolf slogan that \$178 billion in capital rollover can only find \$33 billion

in replacement funds is just idiocy. Since those properties have already been financed and the money spent, one would have to ask why any financial institution would dump a performing asset on the hopes of finding something else that might perform better. Remember, the principle goal of that capital is to yield a return on investment, not a loss.

Sorry.... this stuff just gets me going because so much of it is presented in such a misleading way. I am sure the numbers are close that there is \$178 billion that needs to rollover, I doubt very much that there is only \$30+ billion that is out there. I definitely think there will be no fire sale or deep discounting on the majority of those properties, and the ones that suffer a distressed sale are deserving of it. With the right price and down stroke, they will be purchased with a loan by both banks and buyers standing in line to get it....

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