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55 YEARS

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## **Everybody sees it differently - Winners and losers**

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The market dynamics are complex and have provoked a variety of different, often opposing, perspectives. The persistent disparity between the bid and the ask has impeded ramping of velocity. However, velocity continues to gradually increase. Capital is not a problem. Risk assessment is. In Seattle at The Counselors Midyear meeting on May 23rd - 26th, members and invited experts agreed to stipulate recovery, but differed on the opportunities for 2010. During the program and sidebars, attendees were actively testing scenarios and strategies before rollout. Workouts and defaults were a popular focus of commentary and workshops, and the legal profession was well represented on panels and from CRE member ranks.

The market will have winners and losers. The winners are already the users. Choices abound and pricing is favorable. Economic outlook and business orders have improved enough for employers to aggressively address physical requirements with confidence and they are the big winners. The winners are also owners and properties with well occupied, credit-worthy tenants and cash. The losers are the investors that stacked leverage and lacked liquidity for the longest recession and recovery since the depression. The losers are also the lenders and the investors that made the leverage possible.

The defaults and deferrals are accumulating and the volume of workouts, receiverships and bankruptcies are increasing and expected to dramatically increase in most markets during 2010 and 2011. The CRE's are particularly well suited to assist in the reconciliation of the outstanding broken loans. CRE's are known for broad knowledge, objectivity, competence and integrity. At least one session focused on extreme due diligence as an essential ingredient to the reconciliation process. Know your market. Know your property. Know your lender and borrower. Know your documents. Be prepared, complete and candid and be an aggressive listener!

The ongoing disparity between the bid and the ask in local commercial real estate markets is getting some pressure from the gavel. The auctioneers have been busy for a while, and the bankruptcy judges have not started the summer schedule. However, patience and prudence is running out, and the markets are boosting expectations and soon velocity will improve.

The Counselors Midyear Meeting delivered on Conquering the Divide from the market makers, Credit and Workouts a panel jointly sponsored with the American Council of Real Estate Lawyers (ACREL), a panel on Real Estate Investment Management, and a business issues workshop on Litigation Support. The legal profession is ready for a team approach and so are the lenders and borrowers. The Counselors will meet again in Philadelphia on October 17th - 20th, and the agenda could be similar to Seattle.

The summer will be a busy one for commercial real estate markets. The counselors have recognized the changing economic environment. Seattle was a lesson in preparedness for the market movements!

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