



nerej

Be optimistic! The sluggish economy is on the mend

October 07, 2009 - Financial Digest

In the wake of the mortgage meltdown and subsequent foreclosure crisis, many in the industry thought the worst was over. Fortunately for commercial lenders, who had started to see many of the same negative trends as those seen in the residential markets, it appears that it is.

As the residential lending market fell, a downward spiral began. Consumers had less discretionary income and were thus less inclined to spend on non-essential items. Further, with tightening in the credit markets, those consumers inclined to spend found it more difficult to make the desired purchases. A decline in business led to less revenue with which to make mortgage payments. Near default and without the ability to sell commercial spaces for the debt owed, many business owners found themselves staring into the same abyss of foreclosure that residential owners had been facing for months. While driving through N.E. recently has been a bit unnerving for residents of cities and towns who were faced with increasingly empty storefronts, those residents and business owners have reason to be optimistic as the once sluggish economy, by most accounts, is on the mend.

Our lawmakers have been stepping in to enact laws aimed at helping residential owners, which collectively seem to have stemmed the tide of rising foreclosures. On the commercial side, however, it appears that it may be lenders themselves who have been averting foreclosures. One theory for this is that lenders cannot afford to default all of their loans at once. Whatever the reason, the industry-wide hesitation to foreclose on commercial properties may have provided distressed commercial property owners with just enough of a delay to enable them to wait out the recession and it could create an opportunity to make their loans current. Once the business comes back, these owners will once again have the revenue to make timely mortgage payments, keep their mortgages from falling into default, and bide time until these much-needed equity can be built.

Historically, an upturn in the economy has spurred the growth of small businesses. These small businesses need retail and commercial space in which to operate and grow their businesses. With the anticipated decrease in commercial defaults as a result of increases in consumer spending and the presumed stabilization of the real estate market, many opportunities will be presenting themselves in the next few years for these small business owners to enter the commercial real estate market and to eventually expand into larger spaces. Further, with the new regulations and oversight of the lending market, the mortgage products that these businesses will be offered will likely be more favorably tailored to their respective business models. Lenders who are more in tune with their commercial borrowers and commercial borrowers who are being put into mortgages that are more likely to be sustainable will produce a mutually beneficial and symbiotic relationship that was missing in the past. As a result, the commercial real estate market should be an area of positive growth in the coming months and years.

While there are still some questions surrounding the commercial real estate market and the impact the national market will have on N.E. properties, one can hope that the positive impact will largely

outweigh and overcome any negative trends.

At Nicholas Barrett & Associates, we provide services to lenders who are facing challenges related to commercial loans and properties in addition to the work we are currently performing for lenders on the residential side: Foreclosure, Eviction, Bankruptcy, Litigation, REO/Origination Loan Closings.

Katherine T. Bosma, Esq. is an Associate Attorney and Foreclosure Manager for Nicholas Barrett & Associates.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540