

Distressed transactions a tough sell in down market

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TAMPA — Everyone has their eye on the clock, waiting for the recession to end and property to start moving again.

Especially sluggish are distressed properties, which are slow to sell and hard to finance.

No one wants to commit \$20 million or \$30 million to buy a property, said **Patrick Berman**, senior director of retail brokerage for [Cushman & Wakefield of Florida Inc.](#)

“Who wants to buy something that has zero cash flow?” Berman said. “It doesn’t make sense. It’s not attractive unless you have a plan to tear it down or build apartments.”

Much of distressed property sales occur at an institutional level, although brokers said sales are sparse even at this level.

Distressed properties can be sold in bulk in a package of 20 or 30 to one buyer at a discount, but such transactions are often shrouded in nondisclosure agreements, said **Frank Bozikovich**, retail investment specialist with [Commercial Partners Realty Inc.](#) in St. Petersburg. Lenders collect the properties through foreclosures and sell them in bulk to large funds, viewing the arrangement as preferable to dealing with a single property and a single buyer. Even tenants may not fully know what is happening, although they sign forms and pay rent to a new owner.

“Often they don’t know who it is unless a new property manager shows up at the door, and says here I am,” Bozikovich said.

It’s often quicker for a bank to re-price the loan than to have to hold and manage the property. These arrangements also involve nondisclosure agreements, Bozikovich said.

The market has stabilized, to some degree, because landlords are offering rent abatements to keep tenants.

Landlords will work with tenants that show promise, but they are not interested in keeping tenants that are poor operators.

“That’s the current M.O. for landlords,” Bozikovich said. “Obviously, they don’t give rent abatements to everybody. The tenants have to show reasons.”

In a downturn, weak players fall by the wayside and strong players come in and buy, he said.

Know your options

Tampa is one of the hardest hit areas in the economic downturn, with a number of properties that were purchased or refinanced at the height of the bubble between 2004 and 2007, said **Ira Friedman**, president of [Guardian Solutions](#), a Clearwater company offering commercial loan modification services for commercial properties.

An increase in sales activity is not necessarily an indicator of the market heating up, but could show that properties are being marketed because they are in default and distressed.

“You have a combination of vacancies and rental concessions given to maintain occupancies, so the income being produced in many instances is insufficient to cover the debt service on the mortgage,” Friedman said.

If property owners were aware of options available to them, they might be more inclined to restructure than to liquidate their assets, he said.