



## Experts Say Commercial Property Woes Only Beginning

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According to industry experts, the commercial real estate market (which includes shopping centers, strip malls, apartment buildings, office buildings and warehouses) is due to suffer the same fate as the recent collapse of the housing market only worse. Commercial research provider Trepp found that delinquent loans in commercial mortgage securities jumped 85 basis points to 5.65 percent at the end of November, up from just 4.8 percent a month earlier.

In addition, the Mortgage Bankers Association's (MBA) Commercial/Multifamily Delinquency Report showed that between the second and third quarters of 2009, the 30-plus day delinquency rate on loans held in commercial mortgage-backed securities rose to 4.06 percent. The 60-plus day delinquency rate on loans held in life company portfolios rose to 0.23 percent. And according to Credit Suisse analysts, installments on \$22.4 billion of mortgages were 60 days late.

The increase in delinquency rates is expected to continue through next year and peak in 2011. There is about \$300 billion in negative equity overhang that needs to be refinanced in 2010 and 2011. These numbers will only continue to increase as around \$2 trillion in commercial mortgages are expected to come due for payment within the next five years.

"What we are seeing now is the perfect recipe for disaster in the commercial real estate market in 2010," said Jeramie Concklin, Chief Executive Officer of Guardian Solutions, a commercial loan restructuring company. "A huge number of balloon payments for commercial property loans are coming due in 2010 and 2011. With vacancy rates at high levels, unemployment soaring and commercial property values plummeting, commercial property owners are not going to be able to service their debt without serious restructuring of their loans and business. Property owners need to prepare now in order to avoid default."

The United States Government has already taken steps in an effort to curb the impact of the impending commercial real estate meltdown. The IRS has removed adverse tax consequences to investors that grant commercial loan modifications to owners, opening the opportunity for loan restructuring without imposing tax consequences to investors. The Federal Reserve also stepped in, pushing new interagency guidance on restructuring commercial real estate loans.

"We applaud the government's efforts to help commercial property owners facing foreclosure secure loan restructuring," said Ira Friedman, Chief Operating Officer of Guardian Solutions. "Unfortunately the banks are not following suit. Credit remains tight and [market conditions](#) remain dismal, so refinancing is often off the table. Loan restructuring provides a viable alternative, but to successfully secure a restructured loan requires intimate knowledge of banking, business, law and finance that most property owners do not have."

Commercial loan restructuring involves executing a plan to help property owners avoid default and ultimately turning their non-performing property asset into a performing property asset. One aspect of restructuring includes permanently modifying the original mortgage to include terms more favorable to borrowers such as extending the length of the loan, a reduced interest rate, lower mortgage payments, interest only payments for a specified period and/or delayed payment of past due amount to the end of the term. Loan restructuring also includes a variety of other solutions to ensure the long- and short-term viability of an owner's commercial property such as a revised [business plan](#), expenditure reductions, revamped pricing structures for franchise fees and legal maneuvers to protect assets.

The technical and legal aspects involved with securing a commercial loan restructure prompts many property owners to ignore their position and accept foreclosure rather than save their investment. This can result in losing the property, severely damaging the borrower's credit and even personal bankruptcy.

However, commercial loan restructuring companies, such as Guardian Solutions, can help stressed property owners navigate the complex procedures, negotiations and nuances associated with a successful loan restructure program. Even mortgage brokers have difficulty in providing answers to their clients in this regard.

"We have found that many commercial property owners and mortgage brokers don't realize that there are opportunities and solutions available for them to restructure their loans and avoid default," said Concklin. "Guardian Solutions is a full-service loan restructuring company that focuses solely on commercial properties. Our staff includes MBAs, lawyers, accountants, real estate professionals that provide a comprehensive, individualized restructuring program. By leveraging the experience and relationships we have already built in the industry, commercial property owners can avoid foreclosure now, increase their current cash flow, weather the commercial real estate collapse, and find themselves in a much stronger position once the economy fully recovers."

Guardian Solutions starts by evaluating an owner's asset performance and potential. A competitive analysis is also performed to identify market trends and compare a client's property with other properties in the geographic area. From this information, senior management creates a comprehensive restructuring program including strategies for modifying the owner's current mortgage with the lender. The proposal is submitted to the lender and Guardian Solutions' mediators enter negotiations with the lender to secure the most advantageous terms for the client. Depending on the exact situation, the entire process can take up to six months or longer. But Guardian Solutions offers a money-back guarantee that their services will result in the lender accepting a restructure of the loan.

"Guardian Solutions can and will help commercial real estate owners in distress," added Friedman. "But the sooner a borrower comes to us, the more options they have. While it's never too late to avoid foreclosure, a plan that's put in place at the first sign of trouble usually contains the most beneficial terms and achieves the greatest results. With the dismal forecasts for commercial properties, wise property owners are taking a look at their assets and preparing now for the eventual market declines."

### About Guardian Solutions

Guardian Solutions is the nation's largest commercial loan restructuring company and is committed to helping commercial property owners save their properties. The company's knowledgeable mediators are experienced in a variety of disciplines to provide customized restructuring solutions. For more information, visit [www.GuardianSolutions.org](http://www.GuardianSolutions.org)