LOCAL INVESTMENTS
Experts say savvy business owners now realizing ‘terrific’ deals

BY KATHY ORISTAGLIO

According to Moody’s/REAL Commercial Property Price Indices, November 2009 report, prices for commercial properties (office space, industrial, retail and apartments) have fallen 27 to nearly 40 percent since October 2007. And many experts agree the freefall is far from over. In an Oct. 30 report, Bloomberg reported that commercial property sales nationwide are forecast to fall to the lowest levels in almost two decades. The report quoted billionaire investor Wilbur L. Ross as saying that the U.S. is in the beginning of a “huge crash in commercial real estate.”

In December, the Treasure Coast Business Journal spoke with a few local commercial real estate brokers about the current market conditions on the Treasure Coast. While they all acknowledged that the market is challenging, especially for sellers, they all agree that it’s an ideal time for savvy business owners to realize terrific deals on office, retail and warehouse space.

Alex “Buzz” MacWilliam, III, broker/owner of Alex MacWilliam Real Estate in Vero Beach, admits that sales in Indian River County right now are almost nonexistent. “Only a handful of buildings have sold in the past year, mostly to end-users (tenants). For commercial, vacant land, like U.S. 1, there is very little demand. It used to be U.S. 1 was $8 to $12 a square foot, now it can be had for $4 or $5 a square foot. Prices on the mainland are down 50 percent across the board.”

MacWilliam went on to say that short sales are starting to show up in the commercial market. “That’s going to be next.” But this type of market is ideal for sound business owners with cash in hand, to purchase. “Businesses that have been renting, if they have the cash, now is a good time to buy. They have to have a good business plan, a good record and still put up 30 percent.”

Karl Zimmerman, broker/associate with Michael Thorpe Real Estate in Vero, recently attended the National Association of Realtors meeting in San Diego. He reported, “The panelists all seem to feel there is a dark cloud on the horizon: 1.3 to 1.7 million dollars worth of commercial mortgages, most with balloon mortgages, are coming due between now and 2013. The concern is the availability of mortgages to refinance and the lending requirements are toughening.”

Locally, Zimmerman says there is interest in people looking for land for residential and commercial development, but that buyers are looking for plats that have financial difficulty. He said that there also seems to be an interest in retail shopping centers but “most of it seems to be bargain hunters.”

Chris Klein, broker/owner of Treasure Coast Commercial Real Estate, deals primarily in Martin and St. Lucie counties. Klein’s take on the local market is a little more upbeat. “Obviously, the volumes are off from where they were, but it’s a good time to buy. There are real opportunities to buy at real good prices.”

Klein said his firm is seeing mostly “user deals”—business owners buying for themselves and in most instances, financing hasn’t been an issue. “They (the banks) want to do owner-occupied stuff. I haven’t lost a deal to financing yet because they’re doing the deals that banks want to do. There is money out there for owner-occupied deals.”

Klein is cautiously optimistic about the future and doesn’t necessarily agree with the picture of doom painted by other local brokers or national experts. He said, “It’s been slow, so I think it’s closer to the end. People are just waiting for clarity. We’ll never see a wholesale market where everything is 50 cents on the dollar. We have opportunities now that people are passing up.”

Investments abound, such as this medical building, right, or this warehouse complex, below, both listed in Vero Beach.