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## Banks key to commercial real estate's comeback

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*Question: Describe the market you guys work in.*

**Answer: (Bradford)** The local market is roughly about 90million square feet of industrial inventory. Right now, we've got approximately an 11.5 to 12percent vacancy rate. Our core focus is on primarily landlord representations. We represent pension funds, private investors and REITS and their products. What we're encountering now on the leasing side is a relatively flat market. While there is activity out there, the preponderance are existing companies basically looking to relocate their business to another building as opposed to new companies moving into Orlando. So there's a lot of lateral movement going on. On the sales side, we're really seeing very little. The reason for that is there is a huge distance, or gap, between owners' opinions of the values for their buildings and what buyers are willing to pay.



*Q: This gap, between what buyers and sellers are willing to pay, sounds a lot like the stalemate that existed for some time on the residential side.*

**A: (McFadden)** I would agree that it's similar to what existed on the residential side. But we were fortunate in our business in that we didn't run quite as high and fast and hard as residential folks did. But towards the end of our run-up, we started seeing industrial buildings that probably should have been trading for \$40 to \$60 per [square] foot trading for north of \$100 a square foot. This was really because of the lack of available land, and because of, to quote [ex-Fed Chairman Alan] Greenspan, 'irrational exuberance.' We're starting to see those prices come down, but that is a slow process that's similar to herding cats. When sellers see comps from 18months ago at \$105 a foot and can't get an offer at \$60 a foot, it's a bitter pill to swallow.

*Q: How long do you think this process will take?*

**A: (McFadden)** We're definitely headed there, and our values should get back in line in the next 12 to 18months. And then, I think, we'll have an orderly progression of appreciation, as opposed to what we've just had.

*Q: Talk about the Orlando market based on your experience. Where are we now?*

**A: (Bradford)** We're on the back side of the peak of probably the largest mountain we've ever had in terms of sheer activity. There is no bottom in sight as of right now, unfortunately. What the

market's trying to do right now is establish a bottom, much like what the stock market's trying to do.

*Q: What has to happen to form that bottom?*

**A:(Bradford)** A number of items, and I would say, No. 1, we need some stability in the credit markets. No. 2, we need the supply side to be shut down, essentially. And No. 3, we need some demand created to absorb what existing supply we do have. Those three things need to occur before we find out where the bottom is.

*Q: Do you see any evidence in the federal budget, or the stimulus package that Congress just passed and the president signed, that might help the commercial real estate market?*

**A: (McFadden)** Based on what I've read and what I've seen, I don't see any. I'm afraid this is a spending bill as opposed to a stimulus bill. But I guess that's more political as opposed to real estate. There may be some benefits from some of the infrastructure projects, whereby some of the folks who typically are space users may get back into the market, such as contractors, suppliers and vendors supplying materials for these projects. But as a general rule, I haven't seen anything that's going to stimulate the commercial market and, candidly, I haven't seen a lot that's going to stimulate the residential market. I see a lot done to stimulate government.

*Q: What do you think needs to be done to get the commercial real-estate market moving?*

**A: (Bradford)** Probably at the top of the to-do list would have to be resolving the banking and liquidity issues that we face today. By way of example, customers who need lines of credit to operate their business, whether they be manufacturers or distributors or what have you, they are unable to get the necessary funds they need to operate. We have a half a dozen clients that are in this predicament right now. So first and foremost, I would say, is resolving the banking situation and getting these lenders lending again.

*Q: What about the Central Florida real estate market relative to the rest of the state -- where do you think we stand?*

**A: (McFadden)** It would appear from what I've read and what I've heard that, while we have fallen significantly from our high, I don't believe we're suffering quite as bad as Miami and Tampa, and maybe even Jacksonville to a lesser degree. Jacksonville, of course, has spent an immense amount of money on the port and these news leases with the container companies, which I don't think has produced the fruit that they had hoped it would. But at some point in the future, I believe, it will. I don't know that I would say that Orlando is any better off than other parts of the state, but I don't think we're worse off, and from the standpoint of what we do for a living -- industrial real estate -- distribution-wise we are still the primary location within the state because we're not on the coast. The trucks have somewhere to go in every direction.

*Q. What are you seeing specifically?*

**A: (McFadden)** We are seeing, or we were seeing, I guess I should say, a lot of synergistic business from Atlanta. We were seeing larger distribution centers being opened in Orlando as opposed to mega-centers being opened in Atlanta. That activity clearly has decreased now but that is economically driven; I don't believe it's driven locationally or logistically. I believe Orlando's prospects are very good in the long term, but it could still be fairly painful for the next 18 to 24 months.

*Q: What do you guys do to relax away from the office?*

**A: (Bradford)** I live in south Orlando on the Conway chain of lakes, and I have two small children, .f|.f|. and we spend a lot of time on the lake and on the beach. When I'm not with my family, I'm an avid outdoorsman; I enjoy hunting and fishing, and I've got an offshore boat, so I spend some time .f|.f|. in pursuit of lobster and grouper and an occasional sailfish and dolphin.

*Q: What about you Tom? What are some of your extra-curricular activities?*

**A: (McFadden):** I have three children -- a 22-year-old, a 12-year old and 10-year old. Similar with Bo, when I'm not spending time with the family, I do a lot of hunting and fishing. I spend a lot of time with my two younger children; both of them are avid outdoorsmen. I'm fortunate that I have a hunting lease here in Central Florida, and also one in Texas, where we go once a year. I spend as much time outside and in the woods as we can.

**Jerry W. Jackson can be reached at [jwjackson@orlandosentinel.com](mailto:jwjackson@orlandosentinel.com) or 407-420-5721.**

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