

Professionals Predict:

by Janis Arnold for REDNews



Summarization of the most recent survey taken by Jones Lang LaSalle at the Urban Land Institute's Spring Council Forum in Atlanta:

While approximately 25% of CRE investors and developers polled report that they are planning to reduce investment spending this year, 37% plan to increase their investment activity over last year's spending.

Some reported that they felt that the global economy has hit bottom and predicted recovery in the market with 38% expecting multifamily to be the most promising area for investment, and 26%

looking to the industrial sector to be this year's winner.

A promising sign pointed to by many was the London market where pricing levels by buyers and offers from buyers have begun to meet again. Far and away survey respondents pointed to concerns about the lack of liquidity as the significant influence on development and investment activity this year.

Many survey respondents are looking toward multifamily, industrial and hotel sectors for opportunities this year, but continue to feel that on the average, investment spending might decline by as much

as 30%. Multifamily offers the best potential for outperformance among the sectors according to 52% of poll respondents.

More than 25% of the CRE professionals are expecting the industrial sector to show relative strength in 2009. 100% of respondents are expecting to see declines in the office sector, and 87% think that the hotel sector will underperform this year. 87% of those polled have seen occupancy of their commercial portfolios fall by as much as 20% in 2009 when compared to 2008.



Where's the Money Going to Come From?

by Janis Arnold for REDNews

Beginning in June, the Federal Reserve will expand the Term Asset-Backed Security Loan Facility (TALF) to free up liquidity and unfreeze the credit market for securities in the commercial real estate debt market. The federal government plans to lend money to investors in AAA-rated securities backed by new and recently originated commercial mortgage loans, thereby enabling investors to obtain low-cost loans from the Fed to purchase securities backed by consumer debt, such as credit card debt and car debt as well as commercial mortgage securities debt.

"The inclusion of CMBS as eligible collateral for TALF loans will help prevent defaults on economically viable commercial properties,

increase the capacity of current holders of maturing mortgages to make additional loans, and facilitate the sale of distressed properties," announced the Fed in a May press release.

The new loans have a suggested five-year maturity rate. Real Estate Economics estimates that \$264 billion in commercial mortgages, excluding construction and land development loans, will mature in 2009 with an additional \$274 billion maturing in 2010. The New York-based real estate research firm forecasts that the default rate on commercial mortgages will increase to 4.7% by year-end 2010. There are concerns that these conditions will limit the effectiveness of this government program unless other factors come into play due

to the fact that only commercial mortgages originated on or after July 1, 2008, are eligible for the June round of loans. However, there is talk that the TALF is expected to increase in scope to include older issues under Legacy TALF.

The Fed said including commercial mortgage-backed securities in TALF "will help prevent defaults on economically viable commercial properties, increase the capacity of current holders of maturing mortgages to make additional loans and facilitate the sale of distressed properties."



Using IRAs to Buy Real Estate

Using IRAs to Buy Real Estate - Excerpted from MarketWatch's Chris Pummer's recent article



by Ray Hankamer

Six reasons to tap retirement funds now to buy rental property...One of today's soundest investments is never touted in financial services ads. The reason: Wall Street wouldn't make any money on it.

Since 1974, Americans have had the ability to use IRA assets to buy investment property... called a self-directed IRA...(it) remains one of the least known and unheralded investment vehicles in the vast financial marketplace.

...residential (and commercial) real estate (may be) a bargain for investors holding cash...if they can put 30% down, IRA investors will find specialty lenders eager to help them leverage their retirement savings with mortgages on rental properties.

...homes purchased with IRA funds cannot be used for personal purposes...(but) purchasing a steeply discounted property that can produce annual income of 10% and more is a low-risk strategy for uncertain times - especially for retirees whose fixed-income investments are paying paltry yields right now.

Six reasons to buy:

1. A solid alternative to stocks
2. An investment well-suited to long-term investors
3. Purchasing a significantly undervalued asset
4. A steady income generator- income flows back into the retirement account and is not subject to taxation-this income can be two to three times higher than today's fixed income offerings
5. A safer means to play the stock market-rental income funneled

into stocks or stock mutual funds today will be buying shares at sharply reduced prices

6. The ability to flip real estate with no tax bite-proceeds from selling IRA-owned (real estate) roll back into the IRA without facing capital gains taxes

The bottom line with buying rental properties with an IRA is that the investor retains a level of control over a tangible asset that he or she could never remotely attain in owning shares of a company or a mutual fund.

What will yield a better return in the next five to ten years-shares of Microsoft, GE, or Citigroup, or a modest rental home in a decent school district...whose value may soon be juiced by record low mortgage rates and unprecedented tax breaks?

