

Business

Local commercial real estate steady

Many Peninsula projects seek same space, making market competitive, exec says

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Just as residential real estate is in the midst of a wrenching adjustment, so is commercial real estate.

Values have plummeted between 25 percent and 45 percent. Sales dropped 95 percent since 2007, John B. Levy said Thursday during a meeting of the Hampton Roads Association for Commercial Real Estate.

"This really isn't going to be over in a year," said Levy, president of Richmond-based real estate investment banking firm John B. Levy & Co. "We won't measure this in quarters. It'll be years."

But financing is hard to come by.

Commercial mortgage-backed securities have funded about a third of all commercial loans over the past 10 years, and loans worth about \$1.5 trillion are coming due within the next three



VERONICA CHUFO/DAILY PRESS FILE PHOTO

A GVA Advantis sign is shown outside Newmarket plaza on Mercury Boulevard in Hampton. The Hampton Roads commercial real estate market is holding up better than many markets across the country, said Sandy Cohen, chief operating officer of Divaris Real Estate.

years, said Peter Eckert, HRACRE president. Those loans will need to be renewed, extended or refinanced — at a time when values have fallen.

That also poses a challenge for new projects seeking financing. The \$230 billion commercial

mortgage-backed security industry in 2007 dried up to about \$560 million in 2009, Levy said.

"It's a killer to us," he said.

The Hampton Roads commercial real estate market — which includes retail, industrial, offices and apartments — is

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holding up better than many markets across the country, said Sandy Cohen, chief operating officer of Divaris Real Estate. Other areas of the country were subject to residential overbuilding and the accompanying commercial overbuilding.

"Hampton Roads didn't have the same dramatic growth," he said. "Yes, we do have an uptick in vacancy in the market, but it's not as pronounced as in other markets. The foreclosures haven't been as pronounced either. I don't foresee that happening for some time. The lenders are working with borrowers and doing their best to work out of a difficult situation

in many instances."

The problems in the commercial real estate market are playing out in new retail developments on the Peninsula, he said.

"We have a lot of retail projects coming online at a time when demand for space is weak, so we have a lot of projects fighting for the same tenant base," Cohen said. "It's making for a very competitive market."

On the bright side, it's good news for a local business owner looking for space or a better deal on a lease.

"This is probably the best time in a long time to get a great rate on a lease," he said. "Landlords are making concessions and lowering lease rates to points that we haven't seen in years."

It's also a good time to buy into commercial real estate, but sellers are having a hard time coming to grips with how far the market has fallen.

"There's still a divide there, a discrepancy between what sellers are willing to sell at and buyers are willing to buy," Cohen said. "Until that narrows, it's going to be a very slow market."