

THE REAL DEAL

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Investors await commercial price drop

By Roger Drouin
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Investors remain on the sidelines, waiting for the gap between bids and asking prices on commercial properties to narrow.

From large investment banks such as Morgan Stanley and pension fund advisors to wealthy individuals who made smart investments during the boom years, these buyers are going to become the big players as more and more distressed office and retail sales hit the market. Not yet, though.

"A lot of money is sitting on the sidelines," said Charles Foschini, vice chairman at CB Richard Ellis in Miami, "waiting for when the price is right." As sale prices drop, and activity picks up, those investors able to pay cash or put down at least 50 percent capital are the ones who will be able to close deals.

One of those players is Miami-based private investment firm Steelbridge Capital LLC.

In 2005, 2006 and 2007, Steelbridge Capital sold off a \$400 million portfolio of office, retail and light industrial building space throughout Florida. "We timed the market right and sold at the right time, but we have been frustrated because we wanted to re-deploy that capital," said Gavin Campbell, founder and managing partner of the investment firm.

A sizable spread remains between what buyers are asking and what investors like Steelbridge are bidding.

"We've been sitting on a lot of cash," Campbell said. "When the right time comes along, we'll be able to buy right."

Large investment banks like Morgan Stanley and Goldman Sachs will likely return to competition, dipping into set-aside so-called opportunity funds to snatch up distressed properties. South Florida -- with sinking prices and a stable job economy -- is going to become a prime target for the investment banks. "They will clearly become big players," Campbell said.

Larger corporations could also end up becoming their own landlords and buying office headquarters, predicts Foschini.

"Usually corporations don't want the liability on their bankrolls, and they would rather lease," Foschini said. "But we may see that change. They have cash and they need a place where they feel safe investing it."

Advisors representing pension funds and endowments -- with investment potential in the billions -- are potential buyers, also. Add to the mix wealthy individuals. "The people who are able to buy will be the wealthy of the world," Foschini said.