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Be wary of pundits who claim that the worst of the financial crisis is behind us. We have yet to feel the full impact of problems in the commercial real estate sector. The decline in economic activity has led to higher vacancy rates and lower lease rates. Together, these factors reduce the cash flow generated by commercial real estate properties. This creates two significant problems.

The reduction in cash flow is making it difficult for property owners to meet their loan obligations. In Q1 2009, the delinquency rate on commercial loans increased 17.9 percent compared to the previous quarter. Approximately 6.4 percent of all commercial loans were at least 30 days delinquent in Q1 2009.

Reduced cash flow is also affecting commercial property values. When cash flow declines commercial property values decline. Since the beginning of the year, commercial properties have lost, on average, 22.1 percent of their value. The lost value makes it extremely difficult for property owners to sell or refinance.

Brace yourselves this ride is far from over.