

Some property remains hard to acquire

Buyers aren't finding deals on commercial real estate

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The weakening economy slowed the flow of commercial real estate transactions nationwide to a trickle last year.

Only \$17 billion of major apartment, industrial, office and retail properties changed hands during the fourth quarter last year, amounting to an 80 percent drop from fourth quarter 2007, the Mortgage Bankers Association said.

Commercial property sales volume for the whole year was down 69 percent, according to the MBA.

Commercial real estate sales in Greenville County dropped

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36.5 percent in 2008, according to Greenville Property Pulse.

The local firm said 743 commercial properties were sold in Greenville County last year, compared with 1,168 properties in 2007.

The National Association of Realtors said in its latest Commercial Real Estate Outlook it expects commercial real estate activity to weaken further over the coming months.

Michael Dodds, owner of Greenville Property Pulse, said much of the decline in transactions is attributable to two things — “sellers aren't reducing on their asking price and buyers are expecting to acquire at a

30 percent discount. The wide bid-ask gap sort of creates a stalemate.”

Dodds said the reduced number of sales in Greenville County “makes it tough for brokers and appraisers to estimate the value of a property.”

Jamie Woodwell, MBA's vice president of commercial/multifamily research, said during 2006 and 2007, there was just an extraordinary volume of property transactions.

“Given the capital markets at the time, given what was going on in the property markets, what was going on with property prices, there was a lot of incentive for sellers to sell and a lot of great market conditions for buyers to buy,” he said. “We've seen a lot of those conditions shift pretty dramatically.”

Woodwell said all sectors of commercial real estate

were impacted, though for some the effects of the recession were more immediate.

“Certainly, stress in the retail sector has funneled through to retail properties. Likewise apartments, because they have generally short-term year-to-year leases, can feel the effects of the recession more quickly,” he said.

Office properties tend to have longer leases and as a result both growth and slowdowns in the economy tend to be a little bit more muted in the sector, Woodwell said.

Apartment building sales had the largest decline of all commercial sectors between 2007 and 2008 with a 57.6 percent drop, according to Greenville Property Pulse. Sales in office buildings followed with a 44.3 percent decline between 2007 and 2008.