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Commercial brokers see hope for industry

by Dani Grigg

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Dave Wali, an investment broker with Colliers International, introduced himself to an overflowing auditorium of real estate followers, then paused for several closed-lipped beats.

"And that," he said to erupting laughter, "was the activity report for the first half of 2009."

At the Colliers International 2009 Outlook Conference, which took place in the Boise Centre on Sept. 9, brokers acknowledged the sluggish commercial real estate market and predicted continued tough times ahead.

Colliers International's Boise managing principal, George Iliff, kicked off the conference by warning that the analysis that followed would not be for the weak of heart.

"I'd like to invite those of you who came to here to hear nothing but good news to head outside to our reception area and start drinking," he said.

Jerry Dunn, a CPA with A10 Capital in Boise, spelled out the danger looming from indicators he said some are calling the four horsemen of the apocalypse: dropping rental rates, climbing vacancies, rising cap rates, and falling loan-to-value ratios.

With \$1.4 trillion in loans coming due in the next four years, many building owners are going to have to come up with a lot of money if they want to avoid defaulting on a loan.

But amid all the dark indicators, each speaker made a point to throw in a piece of hopeful news.

The featured speaker, who flew in from corporate headquarters in Boston to address the Boise crowd, was especially optimistic.

"I think we have turned a corner," Executive Vice President and Director of Market and Economic Research Ross Moore said. "I think we are at the bottom, and if not at the bottom, we're near the bottom."

He showed charts illustrating positive national trends, including a shallowing decline in gross domestic product, dropping mass layoffs, rising existing-home sales, rising consumer confidence, a bettering retail stock market and more.

Local speakers, however, were troubled by Idaho's high unemployment (most recently reported at 8.8 percent, not including the workers who have given up the search for employment).

Mike Greene, office brokerage specialist, estimated that with every job loss, 200 square feet of office space is no longer needed.

Due in part to that factor, the buyers' market will continue, with transactions settling at 65 to 70 percent of the falling asking rates.

The bright spots, Greene said, are relatively healthy office markets in downtown Boise and at the intersection of Eagle and Overland roads.

He expressed confidence in the Boise Valley Economic Partnership's ability to attract new employers to the area, especially small- and medium-sized technology and energy companies.

Retail broker Brook Blakeslee said rising unemployment has had similar effects on retail space as retailers have gone out of business, vacating large buildings.

"I believe you can't have a jobless recovery," he said. "We may have seen the worst of the recession, but we won't start to recover until we see positive job growth."

Steve Foster, an industrial broker, summed up the feeling of caution in search of hope that dominated the conference.

"We're hoping the proverbial fat lady starts singing sometime soon," he said.



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