Critical Issues Associated with Los Angeles commercial real estate by Aldrich Wise

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In the last few months, one of the continually and frequently debated topics in the industry, posed by both sellers and buyers alike, is if we have really hit market bottom in pricing? While numerous factors need to be considered when determining future value and demand, the following are important areas that will provide insight in the months to come.

1. The Los Angeles commercial real estate market performance is a derivative of what happens with the larger economy. Without clear recovery in the job sector, the ability to fill many vacancies remains questionable.

2. Then, growing concern surrounding commercial lenders leaving their non-performing loans at bay instead of bringing them in and recognizing the loss causes uncertainty. The truth is that until these properties hit the market, investors are unsure how to analyze pricing, thus leaving many of them on the sidelines with a wait and see approach.

3. Today's financial challenges are aggravated by frozen credit markets and billions of dollars in commercial loans maturing this year with little to no refinancing capital available.

4. Yes, the downward pressures on lease and sale rates have yet to stabilize to overcome the situation. Most of the owners continue to aggressively pursue tenants with large incentives - rent concessions, tenant improvement allowances in addition to graduated lease rates continue to drive activity. Disparity in asking rates or prices on lease or sale offerings doesnâ€™t instill confidence yet that values have or are close to balancing out.

Although a plethora of economists are predicting slow growth with the worst now behind us, the waters for Los Angeles commercial real estate remains unclear overall. Buyers in a strong financial position recognize they have time on their side to make smart, strategic acquisitions in alignment with their goals. Having stated this, these same buyers are concerned about making a less than favorable purchase relative to what pricing may be in six or twelve months.

As optimism returns to the real estate marketplace, we anticipate clarity on pricing and value trends for the Los Angeles market. Many industry experts describe a shift in attitude as well, with an overall belief of owners and investors adopting a focus of "getting back to business." But, until meaningful and noticeable growth emerges for a sustained period of time, the path to a stronger market remains uncertain.

Regardless of whether property values are at or near the bottom, existing Los Angeles commercial real estate market conditions still offer numerous opportunities for tenants and investors alike to position or reposition their businesses and assets. This positioning of product types and location can benefit a growing business as well as portfolio, so seek a qualified Los Angeles real estate advisor to assist your one year to long term financial goals.

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