

RECENTLY SOLD HOMES | G6
Check out the latest residential and vacant land transactions

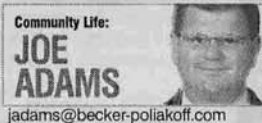
COMMERCIAL CONNECTION | G4
Area CCIM group to present its annual outlook conference

LOCAL NEWS
John R. Wo
Liz Paul gets

Real Estate

SUNDAY, JANUARY 25, 2009

REAL ESTATE VOICES



Community Life:
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Condo reserves come with funding options

Reserves must be set aside for roof replacement, repaving, building painting and other costly things **G13**



Commercial Connection:
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This market's referee is supply and demand

Fixing our local market, and financial system, is like fixing an engine: analyze the problems and try solutions **G10**



Commercial Property:
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Latest commercial purchases and leases

Ear, nose group takes full floor in Fort Myers; Arista Imaging leases space **G17**

REAL ESTATE BRIEFS

Hidden Harbor gets county OK

Lee County has approved a development order for Hidden Harbor, a 54-acre waterfront community being constructed in south Fort Myers. The community will feature 72 estate homes with convenient access to the Gulf of Mexico by way of the Ten Mile Canal and Estero Bay.

Visit hiddenharborliving.com for more information.

Few borrowers can revise mortgage

Many can't afford payments at lower rates

McClatchy News Services

MIAMI — Since defaulting on her mortgage more than a year ago, Marisela Gonzalez has attended foreclosure prevention seminars, spent hours on the phone with her lender, paid a consultant, availed herself of bankruptcy protection — every-

thing in her power to hang onto her home.

"I thought to pack and just get out," recalled the special-education teacher. "Then, I said, 'No ... this is my place. I've been here 15 years and I am not going to give it back to a bank just like that.'"

Yet Gonzalez is giving her Kendall townhouse back to the bank, in this case the federal government, which took over lender IndyMac. Even with an offer to lower her interest rate;

Gonzalez could not afford the payments and owes about \$100,000 more than the house is worth.

Gonzalez's attempts to stay in her home illustrate why regulators are having trouble stemming the flood of foreclosures at the heart of the nation's economic crisis. And why some say it is imperative for the economy that a major chunk of the remaining \$700 billion bailout bonanza go to helping home-

IONA-MCGREGOR: CLOSE TO SANIBEL, FORT MYERS BEACH



David and Lori Pagano own and operate Pagano's Italian Market in the Island Plaza Shopping Center off McGregor neighborhood.

PHOTO:

COMMERCIAL CONNECTION

Fixing our financial system like

Commercial real estate is like a football game. At any given time, you are either playing offense or you are playing defense. In 2005, it seemed like everyone was playing offense. We couldn't buy buildings and rent spaces fast enough just three years ago. Banks were falling all over themselves to lend you money at increasingly better terms. Today, banks are just falling and it feels like everyone else is playing defense.

The referee in commercial real estate is supply and demand.

It determines what you can do and how fair the system will be for you. In 2005, we had more demand than supply. Everyone seemed to do well as prices and rents increased with reckless abandon. People seemed happier in 2005 as we spent money like our bank accounts had an endless supply. It felt like we had just won the Super Bowl and beer flowed freely from every household faucet. Oh, happy days with peaceful slumber nights, we miss you so.

MARK ALEXANDER



In 2008, it seemed like everyone in commercial real estate played defense. Business slowed so layoffs and downsizing occurred. People seemed discontented and suffered through restless nights. Demand for commercial space dropped off precipitously.

Unfortunately, as demand was declining, the supply of space was increasing as the last remnants of 2005 commercial expansion plans played out. What happens when you have more supply than demand? Commercial rents and sale prices drop — and so they did in 2008.

But to quote gravelly voiced Axl Rose from his Guns N' Roses hit song "Sweet Child O' Mine," "Where do we go now?"

2009-2010

Here's where we go. We keep going down until we level off. We level off when commercial demand

catches up with supply.

First we need supply to stop growing. This has occurred. Projects started in 2005-2006 have now been completed by the end of 2008 and no significant projects are on tap for 2009. That is good news. Next, we need demand for space to stabilize and stop decreasing (i.e. tenants downsizing or going out of business) before we can even think about demand increasing to eat up our current excess supply of commercial space. How long will that take? This is the tricky part.

How to pick a commercial bottom? I checked with Barnes & Noble and we are out of luck. There is no book yet titled, "How to Pick a Bottom for Dummies." So we are truly on our own now.

When I used to be an engineer for Exxon on their ocean-going oil tankers, every once in a while we would pick up a bad batch of bunkers that had some water in it. Bunkers are fuel oil to heat in the furnace of the boiler to make steam that propels and lights the ship via

different turbines. If you get a slug of water in the fuel oil being atomized in the furnace, it puts out the fire and you lose the plant. This causes the ship to stop, the lights to go out and the chief engineer to yell at the third assistant engineer. I was the third assistant engineer by the way.

The steam cycle in an engine room is a complicated closed loop system with many variables (36 to be exact) that all have to be working in order to keep the lights on, the ship moving and the chief quiet. When one part of the system fails, it pulls the whole system down eventually — and it takes a long time and a lot of work to get them all working again smoothly. But, the first thing you must do is get the water out of the bunkers so we can light the furnace and start bringing the steam plant back on line.

In the commercial and residential real estate market, the first thing that needs to be done is have capital available for people to borrow so they can buy real estate again when

repairing an engine

supply and demand come back into balance through proper pricing. This is easier said than done, I am sure you know by now. But I am encouraged that our government is actively working toward solutions to make capital available through various programs.

There is no quick fix or single solution to our current financial problems. There will be lots of yelling at our government officials every time they try something and it doesn't seem to work right away to ease our pain. But that is how you fix a complicated system. You analyze it, make your best guess as to what needs to be done, and then you try it quickly. If it doesn't work, you try the next thing on the list and you don't quit until you get the system working again. Any mechanic knows this is how you fix an engine that stopped working. This is exactly what the federal government is doing now with our financial system and I am confident that they will eventually get it right.

We learned from the Great Depression that extended pain on the gen-

eral public can occur when the government does next-to-nothing and lets the free market sort it out completely on its own. My father, like many of your fathers, endured that Great Depression so these hard lessons on what not to do in times like these are not soon forgotten.

The indomitable spirit of America has always risen to the occasion when needed to face its problems and fix them as best as possible for the betterment of its citizens. This is why we have been the envy of the world. I have no doubt we will weather this economic storm in due course. As to the commercial real estate market, I suspect it may stabilize by late 2009 to early 2010. We may be playing defense now, but you just wait until we get that ball back again.

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