

# Winnipeg Free Press

January 14, 2010

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Winnipeg Free Press  
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Winnipeg, MB  
January 14, 2010

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## BUSINESS

Winnipeg Free Press - PRINT EDITION

# U.S. commercial property values crumble

By: Staff Writer  
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OTTAWA -- Crumbling property values in U.S. commercial real estate could derail economic recovery and send North America into a double-dip recession, warns the chief executive of real-estate services company Avison Young. Mark Rose makes clear he expects employment growth and expansion of the North American economy to lay these worries to rest. His 2010 National Forecast, released Wednesday, calls for another depressed year for North American markets, but an eventual recovery in commercial real estate.

One exception might be Winnipeg, which weathered the recession better than most cities and still boasts low office, industrial and retail vacancy rates, the realty firm said.

It pegged the city's office vacancy rate at less than five per cent, the retail vacancy rate at a 19-year low of 3.4 per cent, and the industrial rate at a meagre 2.6 per cent at the end of 2009.

It said the demand for investment properties also remains strong, and that commercial vacancy rates should remain low through 2010. Avison Young said although North American commercial real estate market should eventually rebound, if companies aren't hiring more people to occupy U.S. office, industrial and retail space that's burdened by double-digit vacancy rates, the issue "could be explosive."

"I absolutely believe that there could be a very, very serious problem," Rose said in an interview.

The issue is that these properties, selling at peak values in 2007 and often purchased with large amounts of debt, have now fallen in value by 40 to 50 per cent. It is a situation similar to the U.S. residential real estate market, in which subprime lending eventually left property owners with much more debt than equity in their homes.

In a normal market, those commercial properties would likely have been foreclosed on, Rose said.

But due to government intervention, the concept of distressed selling and buying did not materialize anywhere in North America. The U.S. government put money into the major banks, which in turn extended every loan they could to avoid realizing losses.

-- Canwest News Service

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