

Smart investing

How to take advantage of opportunities in a softening real estate market

Long-stated forecasts by the pundits as to a softening of residential real estate activity, especially in the condo market, have finally started to come true. Residential real estate prices have softened considerably in certain sectors of the market. And some real estate developments have recently filed for bankruptcy.

Yet opportunities still exist.

“As cruel as it may sound, the distress of others can be an opportunity for those who are disciplined, creative developers/investors,” says Robert Barron, a real estate lawyer at Berger Singerman recognized for his deep understanding of the local real estate market. “There will be fortunes made by astute investors who are thoughtful in buying distressed real estate projects at opportunistic prices.”

Smart Business interviewed Barron in an effort to understand the local impact and potential opportunities that will exist with a softening real estate market.

What is your view of the South Florida real estate market?

People must always remember that the real estate market is extremely broad. It ranges from residential to commercial property and within each of these classes is a number of sub-markets. And South Florida encompasses a broad and diverse geography.

Each sub market, by type and location, is impacted by its own supply-and-demand characteristics. Bottom line is that certain segments of the market have seen some significant price adjustments, while other segments have continued to be relatively strong.

What segments have been hardest hit?

Everyone knows that residential real estate, as a general class, is experiencing some significant price adjustments as speculative excesses are worked out of the system. There has been some



Robert Barron
Real estate attorney
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spillover impact on other classes, such as commercial property of the kind that was being used for residential building. A growing number of condo conversion projects are being delayed or even cancelled.

Are there bright spots?

Absolutely. People must never lose sight of the fact that the long-term prospects for our region are extremely bright overall. Our area continues to be a very desirable place to live and vacation. As such, long term, the housing market and all of the real estate uses that support a growing population of residents and visitors have strong fundamentals.

That being said, there is current pain in certain segments of the market. Savvy investors are looking for ways to take advantage of the situation.

What advice do you have for CEOs of companies where real estate is not their primary business?

They should re-examine all real estate strategies in connection with their planning cycle for the business. And they

should do so with counsel from a competent, trusted real estate consultant adviser. Every real estate asset, whether owned or leased, should be evaluated in light of changing market conditions, no matter where it's located.

What advice do you have for executives whose primary business is real estate?

Now, more than ever, is a time for being very close to the market. Rules of thumb that have developed over recent times are no longer necessarily valid. This is a time to stay very close to professionals who are active in the market every day and can bring updated information on the opportunities and pitfalls in the market.

Successful real estate investing in the distressed space requires not only sound technical real estate expertise but also competency in distressed investing and the legal ramifications of distressed investing.

What final words of advice, on this subject, would you give to a business executive?

Now is the time to be brutally objective; they should be careful of being unduly attached to any real estate asset. Every asset should be looked at in the light of new market data. Just because a given property is being offered at a 10 percent discount from what it was six or nine months ago hardly means that it is a good deal.

This is a time where deep real estate expertise will be rewarded. In a down market, there will always be a select few who have the wisdom and discipline to take advantage of a softening market. Tread carefully.

ROBERT BARRON is a real estate attorney who focuses on commercial transactions and other business matters. Read more about how Barron and his colleagues at Berger Singerman are helping real estate owners adjust for changing economic conditions online at www.bergersingerman.com.

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