

COMMERCIAL FORECLOSURES TAKING BIG TOLL ON BANKING INDUSTRY

The residential housing market has without a doubt gone down the tubes. And it seems as though the commercial market isn't far behind. According to statistics, commercial foreclosures have increased 20 to 40 percent since 2007.

In light of that, Commercial Beat was curious to know how bank executives feel about the situation and also find out some of the ways they are dealing with ever-changing climate in the marketplace. We caught up with Dawn F. Stille, Senior Vice President/Manager of Pacific Mercantile Bank in La Habra, who was more-than-happy to shed some light.

CB: What is a bank's biggest obstacle in handling commercial properties that go into foreclosure?

DS: In addition to frequently being a long and costly process from a legal perspective for all parties, the major obstacles surrounding commercial properties that go into foreclosure is the lack of communication from the borrower. The longer the borrower waits to have a meaningful discussion on the issues that have caused the default, the fewer the options that may be available to potentially resolve the default.

CB: What do you feel is the number one reason that a commercial property might foreclose?

DS: Obviously the primary reason a commercial loan goes into foreclosure is the result of economic or business reasons and is also influenced by the ownerships structure of the project. Owner occupied property defaults are generally driven by business failure. Investor owned property defaults are generally driven by increased

tenant vacancies and declining cash flow that becomes insufficient to service the debt.

CB: Looking down the road, how long do you estimate it will take the market to recover from all of the foreclosures?

DS: Recovery is a function of the strength and duration of the economic recovery, geography and product type. In certain states like Nevada, Florida, Arizona and California it has been reported that recovery on the residential side will take substantially longer than on the commercial side, which may be attributable to the number of foreclosures from loans originated in the Sub Prime market and the impact that recently enacted legislation may have on residential lending.

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REAL ESTATE ASSOCIATION MEETS THE GROWING NEEDS OF CALIFORNIA BROKERS

More than 50 years of hard work and dedication have propelled AIR Commercial Real Estate Association into one of the country's largest and most respected organizations of its kind. It was founded by industry leaders in 1960 with a strong vision to help brokers succeed by providing them with crucial data about commercial real estate. Its member base consists of more than 1,600 brokers in 415 brokerage offices, mostly in the Los Angeles metropolitan area and surrounding counties.

AIR Executive Director Tim Hayes says his organization is committed to delivering unparalleled data to its members to assist them in buying and selling properties.

"The data we collect and deliver is without a doubt the most impressive thing about what we do," said Hayes. "That, coupled with our high level of ethics, sets us apart from all the other

companies out there who do what we do. "At the end of the day, our main concern is that the brokerage community has access to the data they need so they can continue to do deals and be relevant."

According to AIR President Joseph M. Vargas, the organization's on-going focus is to continually improve the market data it provides through today's most cutting edge technology tailored specifically for brokers.

"While the market is clearly improving, as reflected in increased transaction volume and stabilizing vacancy rates, notably in the industrial sector, the ability to have quality data at the click of a mouse is more vital today than ever," said Vargas. "That's because caution continues to be the watchword among the clients we serve."

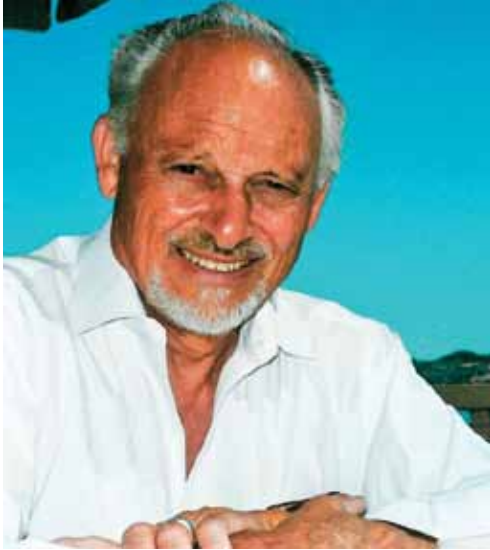
To further serve its clients' need, AIR offers a variety of memberships. They include: firm membership, broker/agent membership, appraiser membership and affiliate business membership.

The benefits of becoming a member range from having access to electronic forms and the CDX property data system to networking events to AirWARE, a free professional site planning service. Additionally, AIR members receive a monthly electronic newsletter, as well as the option to purchase health, life, dental, vision and disability insurance through the organization's authorized agent.

Along with servicing brokers, AIR also helps to facilitate the goals of aspiring commercial real estate brokers through the Jules B. Altemus Scholarship Fund. It was started in the 1960s by Altemus, AIR's first president. Altemus died in 1971 but Hayes says his legacy lives on through the fund, which awards scholarships worth \$2,500 to \$25,000.

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IN MEMORIAM – GM PROPERTIES CO-FOUNDER MEL GILMAN PASSES AWAY



Mel Gilman – July 1926 to March 2011 – Co-founder of Gilman Associates and GM Properties in Whittier, passed away March 30, 2011. A gentleman with a big heart; beloved brother, father of two daughters, grandfather of five and great grandfather, cherished soulmate to his love Kathy Saylor, uncle, Papa Mel to his adopted family members, mentor, businessman, master mason, real estate developer and humanitarian. Mel Gilman touched the lives of so many in his 84 years.

Mel leaves a tremendous legacy in Whittier, Santa Fe Springs and surrounding communities with the many skillfully designed and hand crafted buildings, using his magnificent masonry skills to add wonderfully crafted brick designs into the buildings. A businessman with a penchant

for learning and educating, he was a mentor and friend to many in the commercial real estate arena in the Whittier area.

“We will miss Mel and all his wisdom,” explains Jason Jamison, owner of GM Properties. “He was a loving and gracious man with an amazing understanding for business. I am honored and fortunate to have worked with him these past 14 years. He had an everlasting impact as a mentor, partner and friend.”

A family man and believer of the arts, Mel left a collection of poems, photos and memories of the life he lived, and live he did. He imparted the love of family and the belief of family-time in those he loved and worked with; a complex man, with a heart of gold.

Currently Leasing:

Carmenita Business Park

14606 Carmenita Rd & 13417 Pumice St., Norwalk, CA

Unit Sizes: 500 sf to 5,000 sf

Competitively priced Class A property.

For additional information about this site or others, please refer to
www.gmpropertiesinc.com/available.html



Poll from last issue:

How was 2010 for your business?

Best Year Ever 16%
Slightly Improved 48%
The Same 16%
Slightly Decreased 8%
Substantially Decreased 12%

Team GM PROPERTIES



Jason



Marcy



Harry



Ben



Dustin



Matt



Brent