



**Successfully Navigating the
Maryland
Commercial Real Estate Market in 2009**
an executive white paper by
**Brent C. Miller, CCIM, CPM, Managing Director
Sperry Van Ness/Miller Commercial Real Estate**



The Brent Miller Team

Overview

The Big Picture

Even the most astute commercial real estate investors are no doubt perplexed as to what strategies and tactics will best serve them in 2009...So, what makes 2009 different than any other year for real estate managers and investors? A recession, a capital and credit crisis, a new administration, an unfavorable public opinion of the real estate market, and perhaps what is the toughest competitive environment in decades. Will 2009 be a banner year for principals and sponsors or will it be a total bust?

I suspect that for many who read this paper, that the poor economic outlook and the severe disruption in capital and credit markets might seem to indicate that it's a good time to stand pat until there is clear evidence that economic and financial markets have stabilized. However it is precisely this type of cautious behavior that keeps downward pressure on markets, creates no value for investors, and most importantly gates your ability to catalyze wealth creation.

“Commercial real estate investors ready to take advantage of once in a generation opportunities will do well in the Maryland in 2009...”
- Brent C. Miller, CCIM, CPM
Managing Director
Sperry Van Ness - Maryland

Although many things can be learned as a result of analyzing other down market cycles from the past, history clearly tells us two things about falling market conditions: 1.) that the more severe the downturn, the greater the opportunities for those who are prepared to execute, and: 2.) More lasting and substantial wealth is created in down markets than in bull markets due to shifting equilibrium and the resultant transfer of assets which always occurs.

It has been said that *“adversity breeds opportunity,”* and so the fundamental question you must ask of yourself is this: will you take a defensive posture and stay on the sidelines managing risk, or will you get in the game and play offense by seeking out and exploiting opportunities? In this white paper, you'll find a business case for developing an investment strategy that positions you to take what the market is willing to give. You'll have the opportunity to read about how to create a blueprint that will prove a business case for identifying investment opportunities not despite market uncertainties, but because of them...

I hope that you find the information contained herein to be beneficial and I look forward to serving your commercial real estate investment needs in the Maryland market in 2009. Thank you for your consideration.

Brent C. Miller

Introduction

Successfully Navigating the Down Market

Unique market circumstances require extraordinary planning and execution. While there is no doubt that commercial real estate is a very special business, it is nonetheless still a business, and as such, deserves to be treated as one. Those commercial real estate managers and investors who don't have a sound business model delivered with a certainty of execution in 2009 will find the market to present what appear to be almost insurmountable barriers, obstacles, and challenges. The six pillars of any good business model are as follows:

1. A clearly articulated vision;
2. A sound strategic plan;
3. Great tactical execution;
4. Properly acquiring and leveraging talent and resources;
5. The creation of a strong brand, and;
6. The development and protection of competitive advantages.

You'll notice that when reviewing the Sperry Van Ness brand that there exists a subtle, yet all important distinction in how we approach business...We are not just commercial real estate "**brokers**" schlepping deals, but rather we are skilled commercial real estate "**advisors**" who take great care to add significant value to our client's business initiatives.



While many "brokers" tend to lead with deals hoping that if they throw enough of them up against the wall, something will eventually stick, Sperry Van Ness advisors take the time to align your goals and objectives with current market conditions so that while your competitors' business plans have stalled, yours has increased velocity and momentum.



I will personally commit not only to understanding your investment guidelines, return hurdles, acquisition and disposition models, etc., but also to do everything in my power to help you align them with current market opportunities and to execute your strategy as seamlessly as possible.

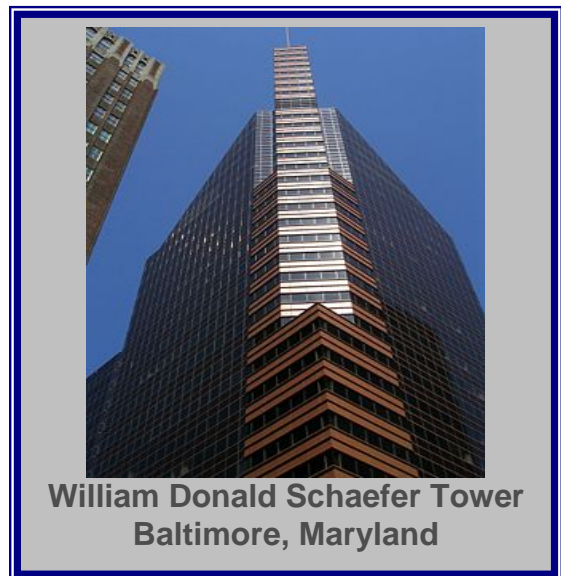
The difference between an "advisor" and "broker" is that the advisor is interested in the client first and the deal second...not the other way around.

Creativity Equals Success

Maryland - Operating Outside the Norm is the Norm in 2009

As far as the Maryland commercial real estate market is concerned, keep in mind the statement mentioned earlier that “adversity breeds opportunity.” While our markets certainly don’t resemble the frothy climate of 2005, we are nonetheless better off than many markets around the country. The difference today is not that opportunities don’t exist, but that it takes more effort to identify them, and more savvy and sophistication to close them.

There is little doubt that we are currently experiencing one of the toughest markets in recent history. Today's investment sales market has been reduced to an environment of the “haves” and the “have-nots.” Many will point to the economic woes, tight credit, and the constrained flow of funds in the commercial capital markets as being the main reasons for the tough commercial market. However while there is an element of truth surrounding the logic contained in the previous sentence, I believe it is simply easier for many buyers and sellers to blame the market and follow the crowd rather than adapt their acquisitions and dispositions plans.



As an example, the real opportunities in today's market are not found by following the herd mentality but can be found in the application of any of the following strategies:

1. **"Off-market" transactions:** I routinely help my buy-side clients seek out assets that are not listed by retail brokerage firms. Going the extra mile in approaching principal owners on a direct basis negotiating with them on assets that are not publicly for sale pay big dividends for clients.
2. **Change Market Focus:** Both buyers and sellers alike are benefiting from focusing on secondary and tertiary markets where there will be less competition for assets. Many of the Baltimore sub-markets have particular appeal during economic downturns.
3. **Change Asset Class Focus:** Be open to asset class rotation to take advantage of market opportunities as they arise. Diversification has never been more important than it is in today's market. Look across multifamily, retail, office, industrial, hospitality, self-storage, net-leased, and raw-land asset classes.
4. **Think Trophy Assets:** Only a few years ago, many trophy assets were simply not affordable. Take advantage of higher vacancies, lease roll-over risks, and financing issues to acquire a trophy property at less than premium pricing.

5. **Look for Joint Venture or Recapitalization Opportunities:** Many of the best opportunities in today's market are not found in out-right acquisitions. Explore joint ventures that will allow you to co-invest with existing owners of assets in a fashion that will allow them to free up trapped equity or fund new developments.
6. **Renegotiate with your Lenders:** If your debt is non-CMBS debt, but is portfolio debt still on the balance sheet of your lender, don't hesitate to inquire about buying the debt out at a steep discount. It is sometimes possible in today's market to buy-out the debt for only a fraction of the outstanding loan balance. This not only improves your balance sheet and your cash flow, but it frees you up to acquire other assets.
7. **Change Your Acquisition Process:** Traditional acquisition time frames that were competitive 12 months ago will leave you on the outside looking in with today's bottom feeding environment. Be willing to make unsolicited offers, put up meaningful earnest money deposits and close quickly where it make sense to do so.

Bottom line...There is no better time to shed the herd mentality instinct to wait-out the market. True portfolio growth, enhanced return on assets, and increases in personal net worth are rarely achieved by sticking your head in the sand, and waiting for better times. I invite you to contact me to schedule an appointment to review your current portfolio and discuss strategies for maximizing opportunities in Baltimore and surrounding submarkets in 2009. Best wishes for continued success...

About The Author

Brent C. Miller, CCIM, CPM serves as **Managing Director and Senior Advisor** for **Sperry Van Ness - Miller Commercial Real Estate** in **Salisbury, Maryland**. Miller specializes in the sale, lease and management of retail, office and industrial property. His primary market is the Delmarva Peninsula, Chesapeake Bay east to the Atlantic Ocean. With more than 20 years of real estate experience, Miller has closed more than 750 transactions resulting in a career brokerage volume in excess of \$150 million.

Prior to joining Sperry Van Ness, Miller gained experience as an Associate Broker for Long and Foster Commercial where he specialized in commercial sales and leasing. While at Long and Foster, Miller was recognized with the Top Producer award multiple times. Brent Miller is a member of the Greater Salisbury Committee, Wicomico County Rotary Club and serves on the Salisbury- Ocean City Wicomico Regional Airport Commission. Miller also serves as member of the Board of Directors for Urban Salisbury and Shore Bank.

Miller holds the prestigious Certified Commercial Investment Member designation (CCIM), is a Certified Property Manager (CPM) and is also involved with the International Council of Shopping Centers (ICSC). In addition to his experience with office and industrial transactions, Miller brings special experience in medical properties, shopping centers and NNN retail property.

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