



Successfully Navigating The North & South Carolina Commercial Real Estate Market in 2009

an executive white paper by

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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 Carolinas in 2009...”

**- Mark J. Mayfield
Managing Director
Sperry Van Ness, Rock Hill, SC**

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 North and South Carolina markets in 2009. Thank you for your consideration.

Mark J. Mayfield

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.



Woodridge Center
Charlotte, North Carolina

I will personally commit to not only understanding your investment guidelines, return hurdles, acquisition and disposition models, etc., but to also 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.



Bank of America
Building
Charlotte, NC

Creativity Equals Success

The Carolinas - Operating Outside the Norm is the Norm in 2009

As far as the North and South Carolina 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.



BB&T Center
Charlotte, NC

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 Charlotte 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 Charlotte and surrounding markets in 2009. Best wishes for continued success...

About Mark J. Mayfield

Mark J. Mayfield serves as managing director and principal broker (Broker-In-Charge) of Sperry Van Ness/Southern Commercial Real Estate, LLC, specializing in the sale and leasing of office, industrial, land and retail properties in South Carolina and North Carolina. With 18 years of experience, he has closed more than 400 transactions resulting in a career volume in excess of \$108 million. In 2006, Mayfield was honored as a top producer for retail leasing in the Charlotte region by receiving the CoStar Power Broker Award. Only 2 percent of more than 118,000 eligible brokers nationwide were selected for this highly coveted award.

Prior to affiliating with Sperry Van Ness, Mayfield served as partner and principal broker (Broker-In-Charge) for Southern Commercial Real Estate, LLC where he sold and leased properties in York, Lancaster and Chester counties, South Carolina (suburban Charlotte, North Carolina). Mayfield has completed transactions with companies such as Bank of America, Wal-Mart, Combi International, Baskin-Robbins, Pizza Hut and Ebara International Corporation. Active in the industry, Mayfield is a member of the National Association of Realtors, the South Carolina Association of Realtors and a charter member of the Charlotte Region Commercial Board of Realtors (CRCBR). He is an 11 time recipient of the CRCBR Annual Multi-Million Dollar Club Award. Mayfield is a past board member of the Rotary Club of Rock Hill and past president of the Rock Hill Sertoma Club. Mayfield is currently pursuing his CCIM designation, which is equivalent to a graduate level degree in commercial real estate. Approximately 6% of all commercial brokers nationwide have achieved this designation. Mayfield earned a Bachelor of Business Administration in both Finance and Entrepreneurship from Baylor University in Waco, Texas. He currently resides in Rock Hill, South Carolina.

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