

Pleasantville Business Center taking risk in tough times

■ Nationwide surveys show commercial real estate is suffering the same problems as the troubled residential market.

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As many as nine buildings will make up the new Pleasantville Business Center, set to break ground Monday on Route 9 near the Northfield border. Conceptual plans call for warehouses and offices, ideal for building-supply companies or as a distribution site.

Even in a robust real estate market, such a project would be a gamble. But with the current state of the economy, which has brought a surge in job cuts, falling property values and an increase in business bankruptcies, the stakes are becoming higher for commercial ventures.

The owner is "sustaining the cost of carrying the building, and without a doubt, there's a risk involved with it," said Richard Baehrle, vice president of commercial real estate for Vanguard Property Group, which is leasing the Pleasantville project.

Nationwide surveys show a U.S. commercial real estate market buckling under the same pressures that have walloped the residential side:

■ The total value of commercial real estate sales, including office, retail and apartment properties, is projected to be

\$142 billion this year, nearly 70 percent less than last year's \$467 billion in transactions, according to Reis Inc., a New York-based real estate research

See Risk, C2
 firm.

■ Sales of commercial properties this year have fallen 72 percent through October, research firm Real Capital Analytics Inc. reported.

■ Retail vacancy rates totaled 6.6 percent in the third quarter, up 0.5 percent from a year ago, according to the CoStar Group, a Maryland-based provider of commercial real estate data.

Commercial mortgage and real estate experts say next year could bring an increase in delinquencies, defaults and a rash of "distressed" property sales as the credit markets remain tight, company layoffs affect office units and billions of dollars of loans made in 2006 and 2007 come due.

"For 2009, U.S. commercial real estate faces its worst year since the wrenching 1991-1992 industry depression," said a recent PriceWaterhouseCoopers and Urban Land Institute trade report.

For now, Baehrle said, southern New Jersey's commercial real estate market appears stable, without a glut of unfinished or vacant projects sitting untouched. It's difficult to say how many commercial foreclosures there are in southern New Jersey, as it is not specifically tracked by public agencies.

Still, "there isn't any major

panic with the situation," said Baehrle, who also serves as chairman of Atlantic County's Economic Development Advisory Commission. "I don't think we're tremendously overbuilt by any means. People aren't being forced to accept tremendously low sale offers and there aren't any major fire sales where someone has to jump out of a project."

But tougher lending requirements found in the residential market are being mirrored in the commercial markets, said Mark Gerlach, a vice president of Metro Commercial Real Estate in Mount Laurel, Burlington County. He said banks are increasing the percentage of preleases for new projects. Preleasing is when tenants sign leases in advance of a building opening up — seen as a way to ensure a project gets filled.

"Banks just want to feel comfortable lending the money," Gerlach said.

Acquiring tenants now can be tricky, especially in the softening retail market hammered by store closings.

But Gerlach said he has found success at the Waretown Town Center, a nearly 100,000-square-foot shopping center on Route 9 in Ocean Township. ShopRite serves as an anchor, with a GameStop recently opening and leases signed with various restaurants, nail and hair salons, and a chiropractic center.

