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Lane Gorman Trubitt, L.L.P.
Accountants & Advisors

Your Accounting for a New Economy

Top Five Challenges Facing Commercial Real Estate

The Commercial Real Estate industry is more than valuable segment of the business community; it is the veritable life-blood of the economy. With many economic pundits speculating that 2010 may be the most challenging year for commercial real estate investors, the trusted advisors of Lane Gorman Trubitt's Real Estate Group have compiled a list of what they see as the top five challenges facing the vulnerable industry in North Texas.

5. **Energy Costs** – Over the last several years global economic and political instability has lead to fluctuating energy costs. With the price of oil, gas, and other natural resources swinging wildly out of control it's difficult for investors to budget for the future.
4. **Unstable Pricing** – Fluctuating pricing in the marketplace is normally kept in check by stable demand. However, the challenges presented by the current economic downturn, tightening credit, depressed stock market, and lessening cash flow to name a few, have led to an ebb and flow of demand that has in turn impacted pricing and made real estate investment an even riskier proposition.
3. **Deteriorating Infrastructure** – Aging cities, poor planning, and a struggling economy has led to a breakdown in the struggling infrastructure of many North Texas cities which is sure to have an impact on the already struggling real estate industry. In an attempt to curb the erosion of our cities' infrastructure by time and neglect the Metroplex is currently undergoing unprecedented highway construction and expansion. However, poor planning, restricted budgets, tightened credit, and the time necessary to build will make it difficult for investors to develop these areas.
2. **Economic Fluctuation** – Nothing provokes more fear and uncertainty in any civilization than a tentative economy. In fact if history has taught us anything, from the Egyptian Empire to the Soviet Union, it's that economic instability has always preceded a civilization's inevitable fall. Despite being

brought on by perception, rather than reality an unstable economy has a devastating impact on every industry supported by its civilization, and there remains some uncertainty over our own economic outlook. Until the stock market finds its eventual footing it will be difficult for any industry to be unaffected.

- 1. Unavailable Credit** – With many lenders withering on the vine of a starved marketplace, real estate investors will find it increasingly difficult obtaining loans for their ventures in 2010. As seen over the last two years the global economic certainty has led to a locking down of the credit available to real estate investors. Lenders are requiring larger down payments and more guarantees from potential borrowers to secure their investments, which has made it difficult to fund future projects.

If you have any questions or would like additional information on LGT's Real Estate Niche, contact your trusted advisor at Lane Gorman Trubitt, L.L.P. or Richard Trubitt, the partner-in-charge of the Real Estate Group at (214) 461-1433 or by email at rtrubitt@lgt-cpa.com.