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Facing Troubled Commercial Real Estate Loans?

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Several prominent U.S. fund managers are warning of growing problems in the $5.6 trillion U.S. commercial real estate industry that could provide problems for lenders in the coming months. The U.S. commercial property market is encountering headwinds caused by a combination of higher interest rates, falling prices and lagging demand – problems exacerbated by this year's failures of Silicon Valley Bank, Signature Bank, and First Republic Bank.

Last month, Berkshire Hathaway Vice Chair Charlie Munger warned of a brewing storm in the U.S. commercial property market and said that many banks had numerous "bad loans." He stated that "a lot of real estate isn't so good anymore," indicating that many real estate projects that worked at a lower interest rate do not work at higher interest rates. Munger further stated that "we have a lot of troubled office buildings, a lot of troubled shopping centers, and a lot of troubled other properties." While worrisome, Munger did not believe that these problems were on the scale of the 2008 Financial Crisis.

Facing challenges with a troubled commercial real estate loan can be stressful, but exploring your options allows you to evaluate the available alternatives and work towards a resolution that minimizes financial losses and maximizes your ability to move forward. It is advisable to consult with financial and legal professionals to assess the potential outcomes and determine the best course of action for your specific situation.

If you own a troubled commercial real estate loan that needs to be modified, worked out, or foreclosed, please contact the Lowndes' Distressed Real Estate Solutions Practice Group.

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