

# BUSINESS

MONDAY  
June 22, 2009



THE SAN DIEGO  
UNION-TRIBUNE

## ON THE MOVE

**Chris Jones** has been named general manager of Hotel Indigo. The boutique hotel is



scheduled to open next month in the Gaslamp Quarter.

**John Maguire** has been promoted to president and chief operating officer of Torrey Pines Bank, which operates seven locations in San Diego County. Maguire formerly was executive vice president and division manager. He has been with the bank since 2003.

**Bryant Reiff** has joined Wachovia Dealer Services as regional banking manager in San Diego. The 55-member San Diego team handles indirect auto lending. Reiff has worked in auto finance for 22 years.

**Paul Gargan** has been promoted to senior vice president of business development for Gen-Probe, a San Diego biotechnology firm.

**Leticia Aguillar** has been named by Union Bank as market president of San Diego retail banking. Her appointment represents Union Bank's expansion from three retail markets to five. Before joining Union Bank, Aguillar worked for Bank of America in Los Angeles.

**Aaron Bove** has been promoted to vice president of investments at Marcus & Millichap in San Diego. Bove is a member of the board of directors of the Commercial Realtor Association. He has been with Marcus & Millichap since 2001.

## 'Vultures' circling commercial properties

Real estate investors anticipating skid in nonresidential sector

By Mike Freeman  
STAFF WRITER

Now that the housing crash appears to be nearing bottom, all eyes have turned to offices, hotels and other commercial real estate as the next properties that might be poised to collapse.

So-called vulture investors

have begun popping up in search of troubled commercial buildings, which they hope to acquire at steep discounts.

In San Diego, the latest of these investors is Cypress Realty Advisors LLC, founded by commercial real estate veterans Ron Lack and Mark Wayne.

They say they have commitments from wealthy investors — they wouldn't disclose the amount — to help fund the purchases of offices and other distressed commercial properties in San Diego County, Orange

County and Silicon Valley.

"Look at anybody who purchased commercial real estate in the last three years, 2005 to 2008. They're upside down," said Wayne, a former broker with Cushman & Wakefield. "Their equity has evaporated, their occupancy has evaporated, and their debt is maturing."

Cypress isn't alone. Pathfinder Partners of San Diego has been buying troubled mortgages backed by multifamily projects and office buildings for more than a year.

It initially raised \$5 million to get started. Last month, it raised a \$50 million fund to purchase additional mortgages. Recent acquisitions include the first mortgage on the 62 remaining units in the 102-unit Mer Soleil condo project in Otay Ranch. It also bought the mortgage on a 44,000-square-foot office building in Sorrento Valley.

"We're seeing deals," said Lorne Polger, a real estate lawyer and co-founder of Pathfinder Partners. "But we haven't

seen the pricing that is attractive to us. That's starting to change."

Cypress and Pathfinder say they're early to the market for distressed commercial property. Steps by the federal government to shore up banks and loosen credit markets may help rescue commercial landlords — leaving vulture funds with slim pickings.

But firms like Cypress and Pathfinder are betting that the

SEE Properties, C2

## Street View hits the sidewalk

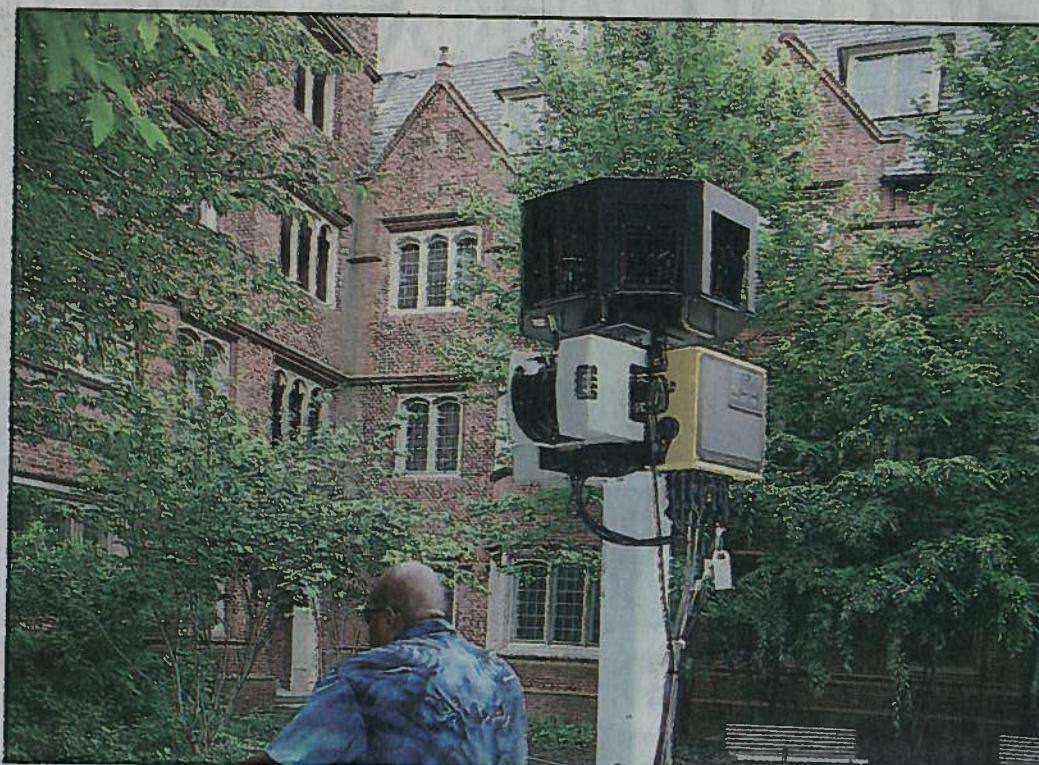
Mapping service begins capturing pedestrian areas

By Ron Todd  
ASSOCIATED PRESS

PHILADELPHIA — Coming soon to a campus near you: the Google tricycle.

A pedicablike vehicle equipped with an 8-foot-high camera has been rolling around the pedestrian walkways of the University of Pennsylvania to collect panoramic images of the campus for Google Maps' Street View feature, which gives users detailed, street-level views of map locations over the Internet.

Google has been using car-mounted cameras to prowl streets in the United States and around the world. The bu-



## Jobless rate is expected to worsen

Obama must deal with grim outlook

By Michael A. Fletcher  
THE WASHINGTON POST

WASHINGTON — Despite signs that the recession may be easing, the U.S. unemployment rate is projected to continue rising for another year before topping out in double digits, a prospect that threatens to slow growth, increase poverty and complicate the Obama administration's

► **PROPERTIES**

CONTINUED FROM C1

**Vacancies up and rents down, adding to woes**

problems in commercial real estate are large enough — and that banking regulators won't let them linger on lender balance sheets — that attractive deals will hit the market within the next year or two.

Driving the predictions of pain for commercial landlords are crumbling business fundamentals and the freezing up of credit markets.

Demand is down in everything from offices to hotels to retail buildings. The result is higher vacancy rates and lower rents. Because commercial buildings are valued on cash flow, they often are worth less today than they were two or three years ago.

Owners of the tony W Hotel in downtown San Diego said this month they would default on a \$65 million mortgage because the hotel's value has plunged below the loan

amount.

On top of that, the credit crunch has dried up the market for commercial mortgage-backed securities. About \$170 billion of commercial mortgages held by nonbank investors come due this year, according to the Mortgage Bankers Association.

That could make it difficult for landlords to refinance. Delinquencies on commercial mortgage-backed securities are at record highs of 1.85 percent in the first quarter, said Jamie Woodwell, the bankers association's vice president of commercial real estate research.

Pathfinder and Cypress are focusing on smaller buildings, in the \$5 million to \$20 million range. They eventually expect to be able to attract larger, institutional investors to their funds to buy bigger commercial buildings.

Others aren't so sure. They wonder if the dire predictions for commercial real estate may be overblown, and they suspect the very low prices that vulture buyers seek won't be as widespread as some experts believe.

"I'm not saying there won't

be opportunities and there won't be very attractive pricing, but it won't come on fast," said Brian Driscoll of Grubb & Ellis/BRE Commercial's Capital Markets Group. "It's going to stretch out for a long period of time."

Alex Zikakis, president of Carlsbad-based real estate investment firm Capstone Advisors, agrees that the timing of a possible commercial real estate bust is tough to predict.

Zikakis compared the dire forecasts for commercial buildings with what has happened in housing construction and land purchases.

Even though the housing market fell apart in 2006, some banks still haven't written off large chunks of residential land and housing development loans they made during the boom, he said.

"The real question to me is, are the banks going to keep extending everybody's debt trying to bridge through this, much like they're trying to bridge through the home-building and land-development industries?" Zikakis said.

**Mike Freeman:** (760) 476-8209; mike.freeman@uniontrib.com

► **OUTLOOK**

CONTINUED FROM C1

**Job growth in U.S. could be weak for years**

and early next year. We have to wait to see what happens with that. If you get to the end of this year or early next year and employment is still limping back, then we have to do some serious thinking about whether there might be special problems in the labor market that require targeted interventions."

Before passage of the stimulus bill, the Obama administration had predicted that unemployment would peak at 8 percent before beginning to abate this fall. But U.S. unemployment has reached 9.4 percent, the highest in a quarter-century. In California, the unemployment rate surged to 11.5 percent last month, the highest level since World War II.

Many economists agree that the job market would be in much worse shape had the stimulus package not been enacted. Some say more stimulus

measures may be needed, even as the government grapples with a huge budget deficit.

But with no significant constituency mobilized to push for more government investment in jobs, the political prospects for further stimulus legislation seem slim.

Obama tersely acknowledged in an interview with Bloomberg Television last week that unemployment is likely to peak above 10 percent. That prediction is in line with a growing number of respected forecasts, including those of private economists and the Congressional Budget Office, which projects that the unemployment rate will continue to rise into the second half of next year.

"This really speaks to the severity of the job losses that have been absorbed by the economy," said Mark Zandi, chief economist for Moody's Economy.com. "They were massive."

Since the recession took hold in December 2007, the U.S. economy has lost 5.7 million jobs, a rapid decline that caught administration and other economists off guard. In

recent months, the velocity of job losses has slowed substantially, which, combined with a rising stock market and increases in consumer spending, has offered hope that a recovery is beginning to take hold.

But employers still cut 345,000 jobs last month, while the nation's growing working-age population requires the job market to expand by 125,000 to 150,000 a month just to keep the unemployment rate stable.

The dynamics of the modern economy further dim the employment picture. Job growth was weak for years after the past two recessions, in 1991 and 2001. Employers have grown increasingly slow to rehire workers, and steady advances in technology have allowed businesses to do more with fewer workers.

Although the recession has touched workers across the spectrum, "many of the job losses are in manufacturing and construction, affecting less-educated workers and immigrants," Zandi said. "It is going to be hard for them to find their way back into the work force quickly."

**sdmarketplace.com**  
by the Union-Tribune

To order your ad, call (866) 411-4140 or visit [sdmarketplace.com](http://sdmarketplace.com)

San Diego's #1 Classifieds

📷 = Photos on [sdmarketplace.com](http://sdmarketplace.com)

|                         |   |   |  |  |  |   |  |   |  |
|-------------------------|---|---|--|--|--|---|--|---|--|
| merchandise             | <b>Items Found</b><br>Get cold cash out of your refrigerator. Sell it in the Classifieds. Call Us. 866-411-4140 | <b>LOOKING FOR A LOST PET?</b> Turn to our Pets-Found category, at the end of the petplace section. | <b>FOUND</b> Wetsuit On PB street Tuesday. Call to identify. (858) 205-7787        | <b>LEVEL</b> (yellow) found last week. leave your phone # on voice mail (619) 309-9276 | <b>Items Lost</b>  | <b>LOST DOG</b> Maltese male lost in Cortez Hill 6/17. \$500 REWARD. (619) 977-1511                                 | <b>People Place</b>  | <b>LORNA W.</b> who lived at 3416 Willow Tree Ct in Oceanside between 1992-95, call Ken M. (760) 458-7449 | Come Where The Hottest Singles Play! TRY FREE w/code 5986. Call 858-713-7265 |
| <b>Notices/Services</b> | <b>FOUND</b> man's wedding band Lindo Park playgrnd Lakeside 619-277-6974                                       | <b>FOUND</b> man's wedding band Lindo Park playgrnd Lakeside 619-277-6974                           | <b>KEYS</b> toyota keys found call and leave message w your phone # (619) 309-9276 | <b>PHOTO ALBUM FROM THE 1ST IRAQ WAR</b> (619) 501-6494                                | <b>CLASS RING</b> HOOVER HIGH '81 RED STONE (619) 501-6494                             | <b>LOST</b> gold handclasp ring 6/15 Jimmy's Rest. or park lng lot, Santee. (619) 443-3298                          | <b>FUN LOCAL SINGLES</b> Browse & Respond FREE! San Diego 619-295-5550 Alternative 619-308-0800 North County 760-405-0899 Alternative 760-405-0005 Use FREE Code 7169, 18+ | Talk in cheap-and-dirty! FREE w/code 954 Call 619-308-3000  | <b>MEET</b> Hot Latino Singles Now! FREE w/ code 2725 Call (858) 713-7264    |
|                         | <b>Sell your Rolex</b> in no time. In the Classifieds. Call us. 866-411-4140                                    |   | <b>Say clao</b> to your Ferrari. Sell it in the Classifieds. Call us. 866-411-4140 | <b>PURPLE HEART MEDAL FOUND IN OREGON</b> (619) 501-6494                               | <b>WARMET BAG</b> - Lost on 1st Street. Black clothing. reward \$100 Jeff 760-799-5014 | <b>LOST</b> Wedding rings (2). Sun night 6/14 at Jake's Del Mar left in bathroom 760-918-0009 760-271-7814. Reward! | <b>Cast off your fishing gear</b> Union-Tribune Classifieds Call 866-411-4140  | <b>Say clao</b> to your Ferrari. Sell it in the Classifieds. Call us. 866-411-4140                        |  |

**sdmarketplace.com**

**services directory**

**NEW FORMAT**  
low starting price  
of **\$236**  
per month