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Commercial Corp Finance,  
d/b/a of Gary Meyers Realty, Inc., founded 1977.  
Provides Real Estate Consulting and Lending Service.

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## THE MEYERS REPORT Economic Notes

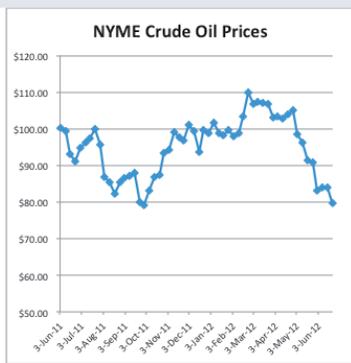
### Where does the USA stand in the world?

GDP in US Dollars		GDP/Capita in US Dollars	
1 USA	\$14,527	1 Qatar	\$102,943
2 China	\$5,878	2 Luxembourg	\$80,119
3 Japan	\$5,459	3 Singapore	\$59,711
4 Germany	\$3,286	4 Norway	\$53,471
5 France	\$2,563	5 Brunei	\$49,384
6 UK	\$2,250	6 USA	\$48,387
7 Brazil	\$2,090	7 UAE	\$48,158
8 Italy	\$2,055	8 Switzerland	\$43,370
9 India	\$1,632	9 Netherlands	\$42,183
10 Canada	\$1,577	10 Austria	\$41,822

Population		Area in Square Miles	
1 China	1,336,717,952	1 Russia	6,592,769
2 India	1,189,172,864	2 Canada	3,851,808
3 USA	313,232,032	3 USA	3,717,811
4 Indonesia	245,613,040	4 China	3,705,405
5 Brazil	203,429,776	5 Brazil	3,286,487
6 Pakistan	187,342,720	6 Australia	2,967,908
7 Bangladesh	158,570,528	7 India	1,269,345
8 Nigeria	155,215,568	8 Argentina	1,068,302
9 Russia	138,739,888	9 Kazakhstan	1,049,155
10 Japan	126,475,664	10 Sudan	967,498

Oil Production 2011 in Barrels/Day	
1 Russia	10,120,000
2 Saudi Arabia	9,764,000
3 USA	9,056,000
4 Iran	4,172,000
5 China	3,991,000
6 Canada	3,289,000
7 Mexico	3,001,000
8 UAE	2,798,000
9 Brazil	2,572,000
10 Kuwait	2,494,000

Data Sources: CIA World Factbook, and other public domain resources



**H** How long do you think it would take to solve a rubik's cube if you were color blind?

**U** Have you ever had a fly or small bug land on your computer screen and your first reaction is to try and scare it with the cursor?

### Blood pressure too high with your commercial real estate in trouble?



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# THE MEYERS REPORT

by Gary S. Meyers and Robert Genetski, Ph. D.

## Challenges for "Non-Recourse" in Loans

A major shift is now here in commercial real estate loans and their traditional "non-recourse" status is under attack. These loans coming from the CMBS markets, insurance companies and the GSEs. Many of these "non-recourse" loans actually have the potential of becoming "full recourse" when loan defaults arise. Everyone knows about the "bad boy" carve outs; these used to be structured and signed without anyone really paying attention.

"But those days are over," said Chicago-based real estate attorney Tom Jaros. "You need to pay very close attention as to how they are written. Today, when properties get into trouble, lenders are looking for a way out and the carve-outs may be the easiest way out—and the courts have sided with them in many cases."

For example, the typical bankruptcy carve-out provision requires that you, or the borrowing entity file for bankruptcy to trigger personal liability. Now if you or another entity for which you have made any guaranties goes BK, it could trigger your personal guaranty on a property that is otherwise not in default. It also might give the lender the option of calling your loan before it is due. This could be a significant risk, if the lender is in trouble and wants out of your loan, or simply wants to invoke its rights to collect a default interest rate.

Even if none of the above occurs, your property may suffer a devaluation because of market conditions. If

the value decreases below the mortgage amount, your lender may technically declare the borrowing entity to be insolvent, even if the property is cash-flowing and the lender is receiving all of the loan payments on time.

While most lenders will not pull the trigger, if you are paying and you still have time left on your mortgage, some will.

"This new reality is a major paradigm shift for commercial real estate," said attorney David Schwalb, President of Schwalb Realty Group, Inc. in Chicago. "Deal sponsors will be forced to recognize considerably greater risk of personal liability when they are undertaking in CMBS-financed deals, which will probably translate into more conservative pricing on a number of deals going forward."

"The long ignored carve-outs need to be taken seriously," said Jaros. "You can and must have legal counsel and negotiate the language of your commercial loan docs. Failure to do so, could start a cascade effect that can set up a series of defaults on many properties and create tremendous harm for any real estate portfolio."

And, if your property does get in trouble, then you had better play nice. Playing games to prevent a foreclosure could get the most benign lenders to pursue personal liability against you, in which case they will try taking a bite out of your other assets—all of them.

### Changes in Home Values



#### Changes in Home Values

According to data provided by CoreLogic, there is an improvement in the housing market, at least through the end of April of this year. However, seasonal trends are such that increases in value are "normal" for the first four or five months of the year, which are then followed by a summer slowdown.

The data shown at right is through April 30th and is the latest data available. It also represents more than 93% of all residential transaction for the U.S. As such, it is far more than an economic model.

Single Family Combined (SFC)				
Date	1mo	3mo	6mo	12mo
Apr-12	2.2%	2.8%	-0.3%	1.1%
Mar-12	1.1%	-0.4%	-3.7%	0.2%
Feb-12	-0.5%	-2.4%	-5.4%	-1.4%
Jan-12	-0.9%	-3.0%	-5.1%	-2.5%
Dec-11	-1.0%	-3.3%	-3.4%	-3.6%

SFC-Excluding Distressed Properties				
Date	1mo	3mo	6mo	12mo
Apr-12	2.6%	4.5%	2.5%	1.9%
Mar-12	1.8%	1.8%	-1.2%	-0.0%
Feb-12	0.1%	-0.8%	-3.6%	-2.3%
Jan-12	-0.1%	-1.9%	-4.1%	-3.4%
Dec-11	-0.8%	-2.9%	-3.7%	-4.3%

Data Source: CoreLogic

### Robert Genetski's Weekly Financial Update & Stock Impact Gauge

	Fundamental	Actual	Immediate Outlook
Fixed-income: 10-yr Treas.	5.0	1.62	neutral
Equities: S&P 500	2000	1326	negative
Equities: Dow Jones	16,000	12,574	negative

After almost a year of roughly a 15% increase in bank reserves there has been essentially no sign of a boost in current dollar spending. Data showing elevated unemployment claims in early June suggest the modest pace of growth continues through the middle of the year.

**Market Outlook** The run up in stock prices in June hit a road block Thursday as the bears took the upper hand. For the week as a whole the markets were mixed with the NASDAQ and Russell 2000 showing a slight advance and the Dow and S&P 500 showing a modest loss.

The market's technical indicators had improved during the run up. All of the most popular indexes moved above their 50-day moving averages. The sole exception is the less watched Vectorvest Composite. This index is an equal-weighted measure of over 8,000 stocks. I have found its behavior to be somewhat more reliable than the more popular indexes. It is the only index that ran into resistance right at its 50-day moving average.

Thursday's downturn brought all major indexes below both their 10 and 50-day averages. The declines all came on above-average volume.

As noted below, I expect the Supreme Court to rule all of the healthcare law unconstitutional. If I'm right, stocks should respond favorably. However, given the uncertainty over just how the Court will rule, I would wait for the ruling and the market's response before recommitting to stocks.

Long-term interest rates have remained relatively stable in recent weeks. With the Fed extending its efforts to keep long-term rates low through the end of the year, these rates should remain relatively stable.

