

Commerical Real Estate will hit Banks Hard said Financial Expert Robin Trehan

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Robin Trehan said we are not out of woods. We are only 40% in the crisis. The rest of 60% will affect more. He said consider a situation. If you own a commercial real estate for \$10 M, and you had 20% down in it. So, the loan on it was for \$8 M. Now the present value of the property is only \$6M. Owner has already lost the equity in the deal.

If the owner goes to the bank and even able to renegotiate the loan at \$5.5 M. Think over what is actually happening and how the banks will suffer. On a loan of \$8 M bank took a hit of 31% when the reduced the loan from \$8M to \$5.5 M. Remember, bank has approx. only 8.5 in Tier 1 capital at best. If the bank has concentration of commercial loans and even if 20% of them will default it will bring down lots of commercial banks in next 6 months.

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