

New U.S. Real Estate Crisis threatens Global Economic Condition

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Price Decline and Non-Performing Loans: Investment24 Research Advises Caution

Baech (Switzerland), February 3, 2010 – New doom is threatening after the consequences of the subprime-crisis have hardly been overcome: U.S. commercial property could be the cause for a new sub-prime crisis from 2010 onward. The whole extent can hardly be estimated but also affects European banks.

According to Moody's current CPPI-Index, the prices of U.S. commercial property tumbled by 34.8 percent since 2007. This is reasoned due to numerous insolvencies from 2009, which raised vacancy rate as well. "Of course, this puts a negative impact on rental income and book value of certain real estate," annotates Bernd M. Otto of Investment24 Research. "Many debtors face serious problems because in some cases the home loan's value is higher than the fair value of the real estate. If rental income does not even cover the interest rate of the home loan, it will be difficult to stop the downward spiral," adds the analyst

The Banks, on the other hand, have partly packed these U.S. home loans into securities, so-called Commercial Mortgage Backed Securities (CMBS). This possibility to embellish financial statements draws an analogy to 2007's sub-prime crisis. If future development will continue in a similar manner, a new wave of write-downs would hit banks hard – not only in the U.S.

"At the peak of the boom, some European banks co-financed various major projects. In addition, a lot of investors are invested via U.S. open property funds," warns Bernd M. Otto, CEO of Investment24 AG. According to Kenneth Rosen, professor at the University in Berkeley, the whole extent of the commercial property crisis even threatens the whole financial system. A new write-down wave would tighten the shortage of the credit offer for companies – with serious consequences for the global economic condition. At least a ray of hope appears with recent news from the Fed. The Federal Reserve announced to buy CMBS soon in order to relieve the banks. Nevertheless, the ongoing development in 2010 may show how much the crisis will stress the global economic condition in future.

Investment24 AG, based in Switzerland, provides quality information about interesting opportunities on world stock markets. The company not only demonstrates a positive performance in excess of 350 percent since July 2007, but it also offers a high degree of transparency. This is in sharp contrast to other stock market or financial services newsletters. All transactions are explained in detail, and provided with background information. These results are achieved with professional risk and money management. CEO and editor of the stock market letter is Bernd M. Otto, and he is supported by an experienced staff.

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