

# Commercial foreclosures in New Jersey on track with last year

**Wednesday, August 25, 2010**

LAST UPDATED: WEDNESDAY AUGUST 25, 2010, 10:02 AM

BY ANDREW TANGEL

THE RECORD  
STAFF WRITER

Lenders and loan servicers continue to foreclose on commercial properties in New Jersey at the same pace as last year, a sign of continuing financial distress, according to second-quarter state foreclosure data.

There were 754 commercial foreclosures filed in New Jersey in the first six months of this year, roughly half of the 1,471 such actions in the state in all of 2009. New Jersey tracked just 173 commercial foreclosures in 2006, the year before the recession officially began.

Among the properties that lenders and loan servicers went to court to seize in the second quarter were: an office building in Maywood; a onetime child-care center in Closter; and a former lumber company in Hackensack.

Scott Tross, an attorney who represents lenders and loan servicers at the firm Herrick Feinstein LLP, expects what he calls a "wave" of commercial foreclosures to continue for at least two years.

"We're probably in the middle of it," he said.

"The economy's going to have to get better," he added. "The banking system is going to have to heal, and it's going to take a while."

Owners of office buildings, shopping centers and apartment buildings will continue to have difficulty paying their commercial mortgages if business and residential tenants can't pay their rent because of their own financial worries, he said.

Some borrowers continue to have trouble refinancing commercial mortgages made during boom years of five to seven years ago because of declining property values. Commercial

mortgages, unlike residential mortgages, typically require refinancing within shorter terms, such as five to seven years.

"They can't refinance in many cases because nobody will make them the loan," Tross said.

Relatively high rates of commercial foreclosures may reflect added attention from regulators, who have prodded banks to reduce their exposure to the troubled sector of the economy, said Nicholas Ketcha, executive managing director of FinPro Inc., a bank consulting firm in Liberty Corner.

"There's regulatory pressure for them to accurately reflect on their books what is the condition of the loans that are there," Ketcha said. "Once you do that, and you're recognizing the loss of the loans, you're going to move forward" to foreclose.

While foreclosures in New Jersey can take two years to conclude, the cases do not always end with lenders becoming landlords.

TD Bank, for example, foreclosed on the former home of Fairmount Coal and Lumber Co. at 60 Burlews Court in Hackensack in April. But the delinquent borrower sold the building while in foreclosure, said the bank's attorney, Bill Fiore of the firm Meyner and Landis LLP in Newark.

Gerber RV Truck & Bus Inc. paid \$1.8 million for the nearly 29,000-square-foot building in early July and plans to move in this fall, said Scott Gerber, the business owner's son.

Fiore said he moved to dismiss the foreclosure as the sale proceeds satisfied the mortgage.

"It worked out the way it should," he said.

E-mail: [tangel@northjersey.com](mailto:tangel@northjersey.com)