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The Commercial Real Estate Tsunami Just Shifted Into Another Gear - LewRockwell

By Michael Snyder

6–7 minutes

What is going to happen to our banking system as trillions of dollars worth of commercial real estate loans go bad? Many months ago, I warned that the greatest commercial real estate crisis in U.S. history was coming. At the time, a lot of people didn't believe me and that was fine. As with so many other things, all I needed to do to be proven right was to wait. Sadly, a commercial real estate tsunami is now here, and it appears to be accelerating even faster than many of the experts had been anticipating. Just within the past few weeks, there have been several more high profile defaults, and San Francisco has become the epicenter of this crisis.

On Monday, we learned that Westfield has decided to purposely default on a 558 million dollar loan on the San Francisco Centre mall…

Shopping center giant Westfield is walking away from its San Francisco Centre mall, becoming the latest major company to leave the California city amid rampant crime problems.

Westfield confirmed to FOX Business Monday that the company and partner Brookfield Properties earlier this month stopped making payments on a $558 million loan securing the San Francisco Centre property.

Do you remember in 2008 when millions of Americans that were underwater on their mortgages simply walked away from them?

Well, now the same thing is happening, except that instead of homes we are talking about shopping malls and office buildings.

The San Francisco Centre mall was the most important retail destination in downtown San Francisco.

But sales have been declining for some time, and just like Park Hotels & Resorts, Westfield is identifying [rapidly deteriorating conditions in the downtown area] as one of the primary reasons for leaving the city…

“Given the challenging operating conditions in downtown San Francisco, which have led to declines in sales, occupancy and foot traffic, we have made the difficult decision to begin the process to transfer management of the shopping center to our lender to allow them to appoint a receiver to operate the property going forward.”

Westfield’s move comes less than a week after Park Hotels & Resorts announced it had handed two prominent hotels back to the bank. The real estate investment trust said it was abandoning the Hilton San Francisco Union Square and Parc 55, saying the city’s streets are unsafe and expressing doubts about the area’s ability to recover.

San Francisco was once such a beautiful city.

But now one of the wealthiest cities in the entire world is being systematically transformed into a hellhole, and it is all thanks to the "progressive" policies of the city's leaders…

Westfield's struggles will pile fresh pressure on city leaders, after multiple retailers and hotels shuttered in downtown San Francisco as it continues to battle soaring crime, open drug use and homelessness.

The famously progressive city has been condemned for its 'harm reduction' policies, which critics say have effectively legalized drug taking. Meanwhile, its police department remains short-staffed after woke lawmakers called for defunding in the wake of George Floyd's murder.

Even Twitter has decided to walk away.

The company has not been paying rent on "Twitter headquarters" for months, and Elon Musk has confirmed that there is no plan to ever restart payments…

Twitter ceased paying its rent in November, the report says, and CEO Elon Musk has said he doesn't intend on restarting payments. Those payments would go to Columbia Property, a REIT that Goldman has lent $1.7 billion to, in a consortium with (of course) Deutsche Bank.

Sadly, this is only just the beginning.

As retailers and businesses leave the downtown areas of our major cities, a lot more defaults will inevitably happen.

In New York City, the office occupancy rate was close to 100 percent before the pandemic.

Now it is hovering around 50 percent.

Of course this commercial real estate tsunami is not the only crisis that we are facing.

The residential real estate bubble has also started to burst, and sales have been falling all over the nation for months.

Higher interest rates will continue to put downward pressure on home prices, and many analysts are extremely concerned that foreclosure filings have begun to surge…

May foreclosure-related filings, which include default notices, scheduled auctions and bank repossessions, were up 7% from April and up 14% from a year ago, to 35,196 properties, according to the real estate data group ATTOM.

Meanwhile, large companies all over America continue to conduct mass layoffs.

As I discussed in a previous article, the number of announced job cuts in the United States during the first five months of this year was 315 percent higher than the number of announced job cuts during the same period last year.

And we are being told that the number of media industry layoffs so far this year is the largest figure ever recorded…

The media industry has announced at least 17,436 job cuts so far this year, marking the highest year-to-date level of cuts on record, according to a new report from Challenger, Gray & Christmas.

Despite everything that I just shared with you, many of the "experts" in the mainstream media continue to insist that the economy is in fine shape.

I honestly do not know how they can say that with a straight face.

But they are saying it.

Just like in 2008, they simply do not want to believe what is happening right in front of their eyes, and they aren't interested in ominous warnings about our long-term future either.

In the short-term, our economic problems are going to continue to intensify in the months ahead.

In the long-term, we are going to have a real nightmare on our hands.

But for now, millions upon millions of Americans continue to trust those that are telling them that brighter days are ahead, and so they are doing nothing to prepare for the great storm that is rapidly approaching.

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