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Saturday, January 1st, 2005

LETTERS FROM THE EDITOR

Industry Thoughts

January 01, 2005

RECENT LETTERS

Top executives came together in Palm Beach, Fla., for CPN's Executive Summit with moderately optimistic views of the real estate business to come. During an on-site poll hosted by KPMG L.L.P. national director of real estate Ray Milnes, half of our attendees expressed expectations there would be accelerated job growth in 2005 and 2006, with another 45 percent anticipating moderate job growth. But after that, responses became much more muted.

Almost two-thirds expect the economy to expand only moderately this year, with almost another third seeing low growth; more than half believe the economy will not improve quickly enough so real estate fundamentals and cash flow will outpace rising interest rates; more than two-thirds see only a moderate increase in CBD office occupancies if job growth does accelerate; more than half see capital allocated to real estate remaining relatively constant; and 83 percent expect cap rates to either remain generally unchanged or increase moderately.

Given that outlook, executives offered some interesting ideas for achieving as the market recovers. During the development panel, Hillwood Investments CEO Todd Platt suggested looking beyond the space to help companies solve their transportation needs, while Richard Gatto, executive vice president of The Alter Group, pointed to opportunities in governmental work—primarily defense—and some educational business.

The panel on "Building an Effective Organization" largely agreed that hiring from within can often be more beneficial—unless you are in search of new ideas and perspectives, as Cushman & Wakefield Inc. president & CEO Bruce Mosler was when he hired Tony Marano from Lucent Corp. They also discussed the importance of the right combination of compensation, including incentives for non-transactional employees, especially managers. (For more on the industry's hiring and compensation plans, see our annual survey with FPL Advisory Group, starting on page 34.)

Also interesting were the number of ideas that were brought up during the "Building of the Future" panel, which I had the pleasure of moderating. The technologies that are being developed, the benefits of improved approaches to developing and operating buildings, and the changing needs of users will be coming together in some very different ways.

There were also some warnings: "When doctors and dentists are back in the business, we know we're in trouble," quipped Jerry Rappaport Jr., president of New Boston Fund Inc., moderating the development panel. And both Harvey Green, president & CEO of Marcus & Millichap Real Estate Investment Brokerage Co., during his opening keynote and Michael Higgins, managing director & head of CIBC World Markets' real estate finance group, during the Wall Street panel issued cautions about exit strategies in the tenant-in-common business.

Hopefully, further coverage of the event in the magazine and on our Web site will give you ideas for the new year. And if you want to take part in the discussion, we welcome you to attend this year's event.

Suzann D. Silverman

Editor-in-Chief



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