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## Business

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### Investors boosting office market

By Tim Lemke  
THE WASHINGTON TIMES

Heavy investment in office and retail buildings is a sign that commercial real estate markets are on the rebound, the National Association of Realtors said.

More than \$99 billion of commercial space was sold during the first eight months of this year, up from \$54.6 billion during the same period in 2003.

Interest in office buildings was particularly high, with investors posting a 66 percent increase in office sales. The sale of large office buildings made up nearly half of all commercial sales during the period.

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"This optimism by investors says more about the future of the commercial real

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estate sector than anything else," said David Lereah, chief economist for the NAR. "The investment level shows they understand the value of portfolio diversification and the fundamental demand for commercial real estate that occurs in a growing economy."

Real estate fundamentals appear to back up this assertion. Office-vacancy rates are on pace to fall 0.3 percent to 16.3 percent by the end of this year and to 15 percent next year. About 45.3 million square feet are expected to be filled this year, up from 20 million last year.

Meanwhile, office landlords are projected to raise rents 1.4 percent this year and an additional 1.9 percent in 2005.

On the retail side, about 22.1 million square feet will be filled this year, up from 11.8 million square feet last year, the NAR reported.

The group said vacancy rates should hold steady, at 8.1 percent through next year.

### **Saxon goes public**

Saxon REIT Inc. of Glendale, Va., raised \$386.75 million from an initial public offering of 17 million shares on Monday.

Shares began trading at \$22.75 on the Nasdaq Stock Market, but have fallen to close yesterday at \$22.60.

The company originally had planned to sell 18.1 million shares at between \$21 and \$23.

Saxon went public in order to become the holding company of Saxon Capital Inc., which helps borrowers with less-than-perfect credit obtain mortgage loans. The firm managed \$5.26 billion in mortgages as of June 30 and recorded net earnings of \$37.1 million on revenue of \$190.1 million in the first half of 2004.

Saxon likely will qualify as a real estate investment trust, which according to government rules, would allow the company to pay most of its net income out in the form of dividends, rather than pay corporate-income tax.

### **In other news...**

- Four experienced real estate brokers, including three from the Washington area, are teaming up to form their own company, Summit Commercial Real Estate LLC.

Paul DeFilippes and John Duffy, both of Transwestern Commercial Services, will partner with Duke Brannock, former chairman of the board of the Jackson-Cross, now known as Insignia/ESG, and C. Haze McCrary of Prudential Carolina Real Estate.

- L.J. Melody and Co. arranged for \$37.75 million in financing for

- two
- Halliburton to restructure KBR unit
- S&P keeps Halliburton rating unchanged
- U.S. stocks rise on weakening crude prices
- Japan to give more aid to Sudan

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1425 K St. NW, on behalf of Blake Real Estate Inc.

The property, comprising 218,000 square feet, has the largest environmentally friendly "green" roof in the District.

L.J. Melody is the banking arm of real estate services firm CB Richard Ellis.

•*Property Lines runs Fridays. Tim Lemke can be reached at tlemke@washingtontimes.com or 202/636-4836.*

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