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RealShare EXCLUSIVE: Net Lease World Is Turning

By Bob Howard

Last updated: November 11, 2004 09:05am

LOS ANGELES-The once sleepy world of net lease investing is drawing more types of investors, generating the same intense competition for deals as other investment products, and Southern California buyers are a major driver of the net lease market nationwide.

These were some of the conclusions at the day-long RealShare Net Lease West conference Thursday at the Omni Hotel Downtown, where industry leaders focused on national issues and regional trends impacting the net lease, sale-leaseback, 1031 and TIC businesses.

Panelists at a Town Hall Meeting who examined the changing dynamics of the net lease investment world agreed that competition for properties has grown intense, especially since the advent of new groups of buyers who are pursuing net lease deals, including 1031 exchange buyers and tenant-in-common sponsors who often assemble groups of 1031 exchange buyers capable of acquiring assets worth tens of millions of dollars.

Southern California buyers who compete for properties throughout the country are often willing to pay higher prices than buyers from other parts of the US, the panelists pointed out, and in doing so the Southland buyers help to drive up prices throughout the country. One concern expressed by panelists was that, with such feverish demand for net-leased properties, some deals are being done at prices that aren't justified by the underlying real estate fundamentals.

Thursday's conference began with a keynote by Lee Saltzman, SVP and chief information officer at publicly held American Financial Realty Trust, who was introduced by Jonathan Schein, president and CEO of Real Estate Media Inc., which presents the annual nationwide series of RealShare conferences. American Financial is one of the most active investors in single-tenant net lease deals and specializes in acquiring and operating properties leased to banks and financial institutions. Saltzman pointed out how this specialty within a specialty offers considerable potential for stability and profit for a company that wants to invest the time and effort to become a specialist focusing on a single industry. The company does not view investments with a view to exiting in three, five or seven years as is the case with many investors, he noted, but instead American Financial is "happy to buy and hold an asset forever" because the company is focused on relationships that will produce more business in the future.

Other sessions at Thursday's event explored every facet of the net lease industry, from spotlights on local markets to the likely effects of interest rate changes, credit questions surrounding some net lease offerings, the availability of debt and equity capital, the qualified intermediary business, the future of the tenant-in-common phenomenon, Thursday's conference was the third in a series of RealShare events this week in Southern California, beginning with a San Diego forecast on Tuesday and RealShare Orange County on Wednesday in Irvine.

The three events were spearheaded by Schein, editor-in-chief Michael Desiato of Real Estate Media Inc. and Richard Kelley, conference series director. The Southern California series of events drew more than 250 registrants for Tuesday's RealShare, 350 for the Orange County event

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Koll's Steve Van Amburgh

"You don't lie and you don't cheat and you don't tolerate those that do. Trust is a good thing."

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