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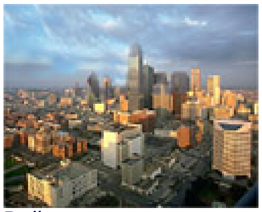
Dallas

RealShare EXCLUSIVE: Real Estate Execs Fault Dallas Leaders

By Connie Gore

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DALLAS-Featured speakers and panels of powerbrokers yesterday sent a message loud and clear to Dallas, chiding politicians for losses like the $650-million Cowboys' stadium project to school district troubles that make it difficult to sell the city to outsiders looking to relocate corporate offices.

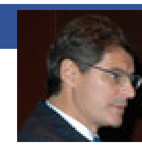
The most oft-dealt blow was leveled against Mayor Laura Miller and council members whose decisions pushed the Dallas Cowboys outside the county line to find a city willing to dig deep into its pockets to partner on a retractable roof stadium with 75,000 seats. "Dallas will survive because of the growth around the core," Ross Perot Jr., chairman of Hillwood and president and CEO of Perot Systems, told the 400 members of the North Texas commercial real estate sector attending the third annual RealShare Dallas in the Westin Galleria. "I told Laura Miller that Dallas needed football. …She was wrong and she burned every bridge."

Perot was far from alone in his assessment of the lost deal, which has Arlington residents lining up for a Nov. 2 referendum vote on hiking four taxes and adding a new one to help cover its capped $325-million share of the stadium cost. If approved, the city of nearly 350,000, tucked midway between Dallas and Fort Worth, will bask in the limelight of having two major league stadiums as side-by-side anchors for an entertainment district that includes Six Flags Over Texas and Hurricane Harbor.

In a traditional town hall setting, the overwhelming call from the prestigious panel was Dallas voters now need to re-examine its political lineup as a result of the loss. Should Arlington voters reject the proposal, Irving is waiting on the sidelines with another proposal and an economic study to convince the team to stay in its bounds, said Dary Stone, vice chairman of Cousins Properties. The team's lease at its 1970s-era Irving stadium is up in 2008.

"This was a great opportunity," Sam Kartalis, president and COO of Henry S. Miller Commercial, said to town hall moderator John Salustri, national online editor of GlobeSt.com, "and I think it's a terrible mistake that we didn't get the Dallas Cowboys. …How could we have not made money off the Dallas Cowboys?"

But, yesterday's talks went far beyond the Cowboys' real estate. Sellers of Dallas properties, like their peers elsewhere, are raking in

UpClose
Jay Cross of The New York Jets

"The notion that there is not enough money in Manhattan to support two or three sports facilities is crazy."

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record-high prices from buyers anteing up some premium for vacancy upside and off-market pickups. It came as no surprise that today's high rollers are tenants-in-common syndicates, a relatively new buying breed with enough capital clout to outbid even pension funds.

TIC talk surfaced repeatedly throughout the day. "These are the new cowboys," Scott Lynn, director and principal of Metropolitan Capital Advisors Ltd., said during the town hall. "Most of the time when a TIC buyer shows up, they're the high bid."

TIC interest is running so high that RealShare's dedicated session played to a standing-room-only crowd with overflow in the hall as all tried to hear a highly specialized panel talk about regulations, stipulations, exit strategies and holding periods. "TIC sponsors and their programs are very much in the eye of the SEC, NASD and almost every state securities system," said Gerald Reihsen III, executive vice president for Behringer Harvard Funds.

The consensus is the red flags for TIC investments are exit strategies and unanimous voting requirements...or a change in the tax laws. Nonetheless, it's widely accepted that TIC buyers are now in the driver's seat. Gary Beynon, chairman and CEO of Omni Brokerage Inc., says 55% of the TIC buys are office buildings followed by retail, multifamily and industrial. Yields are running from 6.5% to 7.5% with the IRR running in the low to mid-teens. Omni's average investor is kicking in $427,500 per deal; Behringer Harvard's is closer to $700,000 per person; and those from Rainier Capital Management and Macfarlan Real Estate Investment Management are right in between the spread.

Industry involvement and dialogue are key to keeping the new kid on the block in line. "Heightened regulation is not a bad thing," said Kevin Thompson, partner in Thompson & Knight.

With capital so free-flowing, regardless of the source, a panel of investment sales executives delved into respective buying preferences, market opportunities and whether or not product is now overpriced based on the risk adjusted basis. "I really don't think it is [overpriced] when you look at the alternative investments," said Thomas Leiser, partner in Bandera Ventures Ltd., "and not when you look at it in terms of replacement costs."

Product probably isn't overpriced, said Ted Klinck, executive director for Morgan Stanley, "but I think it is fully priced."

Two rounds of three concurrent sessions, featuring panels of Dallas/Fort Worth powerbrokers, included discussions about leasing, development, capital markets and structured finance. The picture wasn't always rosy, but the crowd will always love Dallas, even when an attitude adjustment for elected officials is the resounding call of the day.

"If we're going to do business, we're so fortunate to be here," Steve Van Amburgh, CEO of Koll Development Co., told Michael G. Desiato, editor-in-chief of Real Estate Media Inc., publisher of Real Estate Forum and GlobeSt.com, during the RealShare conference's one-on-one trademark session, Inside the Real Estate Mind. Van Amburgh said Dallas residents should "consider changing the captain of the team," but didn't diss the city's future by any means.

"I really feel '05 to '08 will be awesome years...because all these companies have hordes of cash. They did everything to fix the bottom line," Van Amburgh says, adding those measures now free up the focus for "top-line growth."

With RealShare Dallas now put to bed, Jonathan A. Schein, president and CEO of Real Estate Media, Richard Kelley, conference series director, and Desiato now head to Minneapolis, where the curtain rises Thursday for the 11th city on the 2004 circuit.