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Green

RealShare EXCLUSIVE: Experts Favor Real Estate, but With Caveats

By [Bob Howard](#)

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CENTURY CITY, CA-Experts remain optimistic about the capacity of commercial real estate to continue delivering for investors, but with some caveats having to do with how deals are structured, what product types investors choose and underlying economic factors on which real estate depends. Those were just some of the themes Monday at the day-long Real Estate 2005 conference presented by the Real Estate Conference Group and Real Estate Media's RealShare Conference Series, which presented panels and speakers who offered in-depth discussions on virtually every facet of commercial real estate investing, finance and development. More than 1,200 people were in attendance.

Beginning with the economics panel, the first discussion of the day, speakers repeated the familiar observations about the commercial real estate markets that have been listed for several years now: the wheelbarrows of money chasing deals, investors' preference for real estate over other competing investments, the barriers to entry and relative lack of new construction in Southern California and the steadily rising prices as a consequence of the other factors. But those conditions have also created an environment in which some of the old ways of evaluating deals and investing may not work, at least not for all investors, pointed out Harvey Green, Encino-based president and CEO of Marcus & Millichap. Some investors now are making "contrarian moves" in which standard approaches to evaluating assets "are out the widow," Green said, pointing out that for many investors an "exit strategy is the game right now." The exit strategy, Green explained, often involves converting a property to new uses, bringing in new types of tenants and devising other imaginative ways to turn ordinary properties into extraordinary deals.

Green was a member of a panel of brokers who generally feel optimistic about prospects for commercial real estate in the next 18 to 24 months, but the panel members also emphasized that investors need to examine each individual deal closely. "It's hard to generalize. You have to look at things street by street," said Robert Osbrink, a broker panel member and Orange County-based president of transaction services for Grubb & Ellis.

On an advisors panel moderated by Michael Desiato, editor-in-chief of Real Estate Media Inc., Desiato asked each advisor to list what he considered the biggest risk facing the markets, and the answers ranged from interest rates to government regulation to the huge inflows of capital. Sanford Goodkin, chairman and CEO of Sanford R. Goodkin and Associates, said he worries that with so much money chasing real estate, "Risk is being priced out of the equation."

Besides the brokers and advisor speakers, panelists at the conference included representatives from every realm of the industry, who addressed every facet of the commercial real markets, including lending, development, technology, insurance and emerging trends like the tenant-in-common phenomenon. A separate discussion of the tenant-in-common industry titled, "The Next Big Thing: The Who, What, Where, Why and How of Tenant-in-Common Investing," was one of the new features of Real Estate 2005 this year. Another was a special

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presentation of a Lifetime Achievement Award to George Smith, chairman of George Smith Partners Inc. Smith could not attend the conference to accept in person because he has been ill, but his son James Smith accepted the award for him and assured the audience that his father will be back in the office soon.

In addition to the panelists, the event included a keynote address by Shorenstein Co. chairman and CEO Douglas W. Shorenstein, who was engaged in a Q&A session by Real Estate Media Inc. president and CEO Jonathan A. Schein. During the open conversation, Shorenstein elaborated about his firm's shift in philosophy. "In the past we were looking for assets. Now, we're looking for relationships."

Monday marked the first time that the annual conference and networking event has been jointly produced by Real Estate Media Inc.'s RealShare organization, which acquired the 20-year-old RECG in November, and Schein opened the gathering by praising RECG founder Marty Stolzoff and declaring that RealShare will continue the 20-year tradition of "superb conferences" that Stolzoff has established. Following Schein's kickoff, the conference began with a panel of economists who all described themselves as optimistic about the national and California economies, but with some reservations about the likely impact of rising interest rates, the possibility of a cooling California housing market and only moderate job growth. Their outlook set the tone for the day, with most speakers throughout the event voicing confidence in the market but with some reservations.

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