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**Wall Street Still Bullish on Real Estate**

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By Suzann D. Silverman, Editor-in-Chief

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"Location, location, location is probably being replaced by yield, yield, yield," observed Mark Landau during the final session of CPN's Executive Summit yesterday. And that is a significant driver of the real estate investment market today, said the managing director at Merrill Lynch & Co., who is responsible for the bank's North American real estate and lodging advisory efforts.

Landau and colleagues Robert Lieber, managing director responsible for coordinating Lehman Brothers' global real estate investment banking practice, and Michael Higgins, managing director & head of CIBC World Markets' real estate finance group, delivered the Wall Street view of the real estate equity, debt and M&A/advisory markets. In doing so, they offered attendees insights into what to expect from investment groups and the capital markets and who should be going public or merging.

In addition to yield, investors that came over from the stock market were attracted because "real estate looked like good, honest, straightforward people" given the scandals taking place in corporate America, Lieber noted. He believes there will be departures once the next big thing comes along, but he and his colleagues agreed there is enough money in closed-end funds now that the real estate industry won't suffer that much from loss of investors.

More of a concern, warned Higgins, are the syndications, especially the tenant-in-common structures. Having done a lot of workouts in the early '90s, he asked of the TIC investors, "Who will be the first to pay up" when capital is needed.

The other speakers, though, were less concerned because the size of the TIC market will prevent it from having a major impact on the broader real estate market.

Generally, all three were favorable about the CMBS market, noting that the small number of B-piece buyers, the rating agencies and the large amount of information available are helping keep the market disciplined. Even buyers cannot take too many risks despite putting so little of their own capital into deals because there is so much information available on who is delinquent, Higgins noted. And no matter what happens, the risk does get priced into the deals, Lieber noted.

On the corporate front, Lieber predicted companies going public in the foreseeable future are likely to be in new niches rather than property areas that already sport a large number of players.

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