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COMMERCIAL INVESTMENT Real Estate

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SEP/OCT.07

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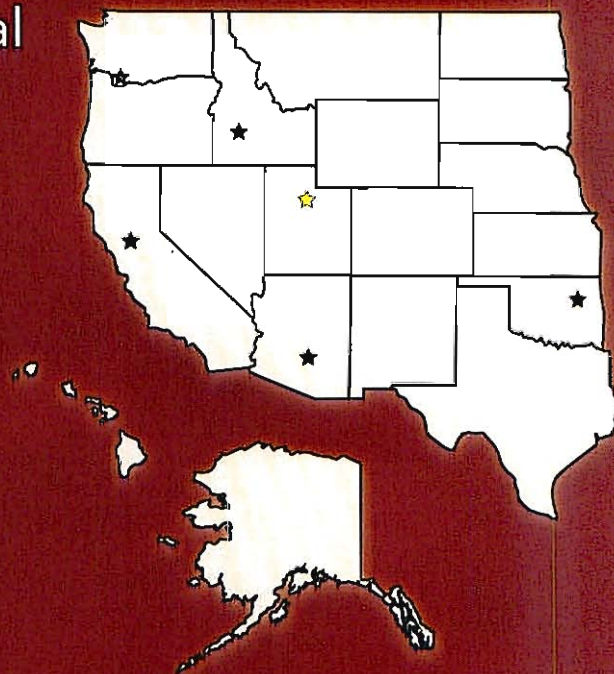
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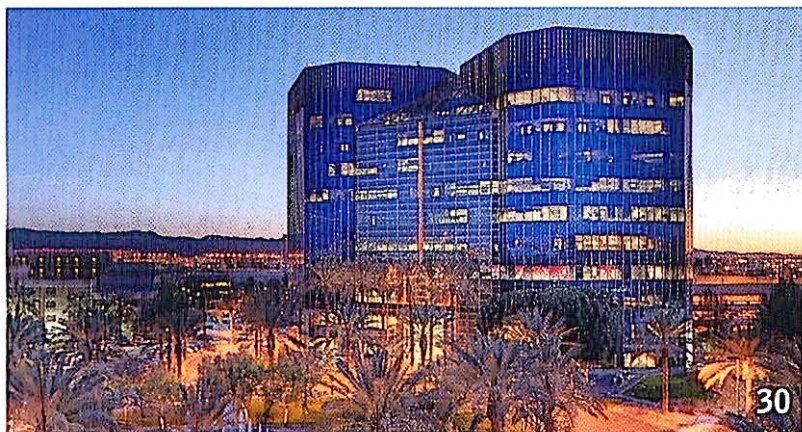
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SEP.OCT.07 VOL. XXVI NO. 5



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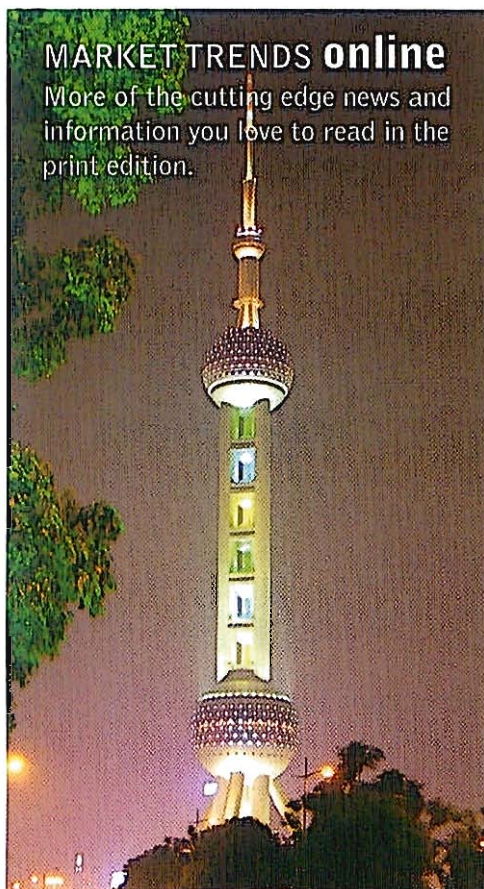
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Jason Siler, CCIM, a real estate analyst for Capmark Finance in San Diego, shares his insights on the different factors affecting the office investment market.



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Smart Selections

Discover the
business
books that
motivate
and inspire
commercial
real estate
professionals.

by Sara Drummond

of the five exceptions under Section 363(f) apply, the bankruptcy courts generally will authorize the sale of real property to a purchaser free and clear, with those liens, claims, and encumbrances instead attaching to the proceeds of the sale.

Single-Asset Real Estate Cases

Many real estate projects are owned by special purpose, bankruptcy-remote limited liability companies. Such single-asset real estate cases typically include apartment buildings, office buildings, shopping centers, warehouses, land, residential subdivisions, and condominiums; however, marinas, full-service hotels, golf courses, and ski resorts are not considered single-asset real estate cases.

Although single-asset borrowers are not precluded from

filing bankruptcy, under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, they are subject to accelerated procedures for purposes of lifting the automatic stay, thus taking away former advantages that debtors had under bankruptcy.

Under Chapter 11, Section 101(51B), a single-asset real estate debtor is one whose real property constitutes a single property or project, other than residential property with fewer than four residential units; generates substantially all of the debtor's gross income; and on which no substantial business is being conducted other than operating the real property.

Under Chapter 11, Section 362(d)(3), in single-asset real estate cases, the automatic stay imposed by the Bankruptcy Code against creditors will ter-

minate either 90 days after the bankruptcy filing or 30 days after the court determines that the debtor is a single-asset debtor unless the debtor files a plan with a reasonable possibility of being confirmed or starts to make monthly interest payments to secured creditors at the applicable nondefault contract rate of interest. Additionally, secured creditors can try to terminate the automatic stay.

Finally, secured creditors can try to dismiss the bankruptcy case, and the courts will look at certain factors to determine if the single-asset debtor filed bankruptcy in bad faith. These factors include:

- the debtor has only one asset;
- the debtor has few unsecured creditors whose claims are small in relation to the claims of secured creditors;

• the debtor has few employees;

• the property is the subject of a foreclosure action as a result of arrearages on the debt;

• the debtor's financial problems involve a dispute between the debtor and secured creditors that can be resolved in the pending state court action; and

• the timing of debtor's bankruptcy filing shows intent to delay or frustrate the legitimate rights of the debtor's secured creditors to enforce their rights.

While most single-asset cases typically meet these criteria, the cases are almost always subject to a motion to dismiss or to allow the secured creditor relief from the automatic stay.



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Business books are like potato chips: You can't really stop after just one. And for business book junkies, there is certainly no dearth of material. Nearly 5,000 business-related titles were published last year, according to R.R. Bowker, which tracks book sales information. Add those to the more than 10,000 titles published the previous two years and you have, well, rows of book jackets featuring successful-looking people lining the aisles of your local bookstore.

Of course no one really peruses the business section just for fun. Everyone goes looking for a specific title recommended by a business associate or a friend. For those in need of something to read, a recent survey of commercial real estate professionals produced a bounty of recommendations, ranging from industry-related titles to classic business books of the last decade to today's best-sellers that cover personal investment, innovative thinking, and the emerging global marketplace.

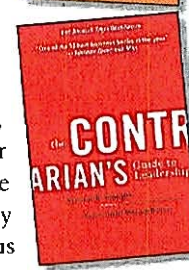
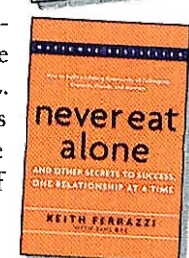
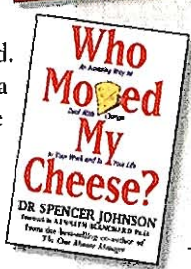
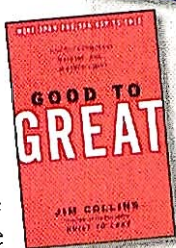
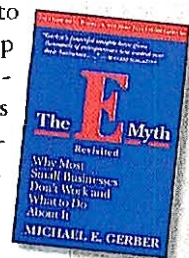
From Page to Practice

Even more interesting than the titles recommended are the ways that industry professionals put into practice the theories and ideas presented in business books. Many, in fact, hand out favorite titles to clients and associates. "We swear by *Raving Fans*," says Lauri L. Greenblatt, CCIM, president of Promus Management in San Diego. "Everyone in my company has received a copy of this book, and we all have contributed at least three ideas learned from the book."

Raving Fans: A Revolutionary Approach to Customer Service, by well-known business guru Ken Blanchard, offers a three-part formula for customer relationships. "It's important that we turn customer service from a necessity into an art, and this book is helping us do that," Greenblatt says.

Real estate consultant W. Darrow Fiedler, CCIM, CRS, GRI, with Keller Williams Realty, in Torrance, Calif., has incorporated Robert Kiyosaki's

Sara Drummond is managing editor of *Commercial Investment Real Estate*. All books mentioned in this article can be found on www.Amazon.com.



The Top Three

Titles most often recommended by CCIMs

1. *E-Myth Revisited: Why Most Small Businesses Don't Work and What to Do About It* by Michael Gerber

"E-Myth stands for entrepreneurial myth ... It opened my eyes to ... building a business that sells property by conceiving and implementing a systematic approach." — Stan A. Stouder, CCIM, partner with CB Richard Ellis in Fort Myers, Fla.

2. *Good to Great: Why Some Companies Make the Leap ... And Others Don't* by Jim Collins

"*Good to Great* and *E-Myth* are the best books I ... continually use in my business. Both have great practical advice on business management, strategy, [and] organization." — Richard H. Forsyth, CCIM, CPM, president of Westerra Realty and Management in Salt Lake City

3. *Who Moved My Cheese: An Amazing Way to Deal with Change in Your Work and Your Life* by Spencer Johnson

"[This book] has prompted my decision to have some diversification in real estate. ... I have been determined to structure my activities and efforts in such a way as to be ready to respond to having my cheese moved."

— C. W. Barnhill, CCIM, president of Omega Properties in Mobile, Ala.

Cash Flow Quadrant and Gary Keller's *Millionaire Real Estate Investor* into his client approach, citing them as his "two most influential books. ... [Clients] are handed these books to review before sitting down to design their investment plan, which typically includes 10-year, five-year, and one-year goals, with the emphasis on cash flow and appreciation ... Location, price, terms, and even types of property will be deduced out of the investment plan."

Other real estate professionals have directly applied strategies found in books. "In my business, geared toward ... representing high net-worth owners of multiple real estate properties, Keith Ferrazzi's approach in *Never Eat Alone* and *Other Secrets to Success, One Relationship at a Time* has worked very well," says Susan H. Lawrence, CCIM, vice president/marketing for Real Estate Strategies in Orlando, Fla. "It's not about

using mealtimes to network. He tells people how to network effectively but selectively for a lifetime, based on an attitude of generosity, participation, and bringing friends together to benefit others."

Reading Against the Grain

A popular business topic today is going against convention, as typified by Steven B. Sample's *Contrarian's Guide to Leadership*. "His ideas are radically different," says Robert M. Thornton, CCIM, SIOR, vice president of Thalhimer/Cushman & Wakefield Alliance in Virginia Beach, Va. "After implementing many of them, I found that they do work, especially not thinking in binary terms. Many of his concepts are very freeing."

One of Sample's recommendations is "Read what your competition doesn't read." So if your competition is reading the *Contrarian's Guide*, perhaps you should pick up *The Zurich Axioms* by Max Gunther. "[*Zurich Axioms* is] one of the best business books I have ever read," says James C. Jacob, CCIM, president of Jacob Real Estate Services in Tampa, Fla. "It sets out simple concepts ... that are based on avoiding traps inherent in many accepted investment practices," Jacob says. Promoted as the "investment

secrets of the Swiss bankers," the book's 12 major and 16 minor axioms provide a primer on the art of speculation rather than a technical analysis or method for investment. But Gunther's first axiom sets the tone for less-conventional thinking: "Worry is not a sickness but a sign of health. If you are not worried, you are not risking enough."

The Global Approach

New market realities caused by globalization are another popular theme in today's business books, first chronicled in Thomas Friedman's book *The World Is Flat: A Brief History of the Twenty-First Century*. The book's message is that the global marketplace is challenging us to improve or change our skill sets every five to 10 years, says Don R. Scheidt, CCIM, president of Don R. Scheidt & Co. in Indianapolis. "Quality education that will allow one to have a strong foundation to build upon is very important," he says. "Individuals will

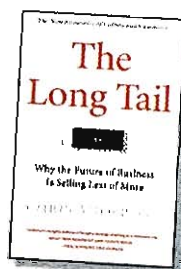
not be certain that current skill sets will be in demand in another eight to 10 years if they don't keep up with what is taking place on a global view."

Other tomes that carry the message of a changing marketplace include *Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets* by Nassim Nicholas Taleb. "[It is] by far my favorite of the dozen business books that I read in 2006," says Robert V. Valleria Jr., CCIM, principal/broker of Commercial Realty Advisors in La Jolla, Calif. "Perhaps you made a few million dollars in the last market cycle. ... Before you buy into the next hand, read what Taleb has to say about much of our success in the market. It might startle or even anger you, but it will definitely make you think, and you'll probably become wealthier for having read it."

Two recommended books explore the field of marketing in a changing world. *Blue Ocean Strategy: How to Create Uncon-*

tested Market Space and Make Competition Irrelevant by W. Chan Kim and Renee Mauborgne offers a look at niche marketing that Rolando Alvarez, CCIM, a senior associate at Coldwell Banker Commercial NRT in Miami, found helpful. "I have used a number of the strategies suggested in this book. Basically the authors argue that tomorrow's successful companies will succeed not by battling the competition, but by creating blue oceans, which are uncontested market space ripe for growth," he says. One example given in the book is the success of the Curves Fitness Centers, which entered the oversaturated fitness market and expanded to more than 6,000 locations with revenues over \$1 billion.

The Long Tail: Why the Future of Business Is Selling Less of More is another marketing title that tells "what happens as items that take up physical space disappear into the digital realm," says Todd Clarke, CCIM,



Real Estate Reading

Real Estate Quick and Easy by Roy T. Maloney

"The book is very clear, humorous, and fully illustrated with particularly good explanations of investment property concepts such as tax-free exchanges, internal rates of return, capitalization rates, and gross rent multipliers. It unlocks, clarifies, and demystifies real estate problems ... My favorite quote: 'You don't wait to buy real estate, you buy real estate and wait.'"

— Corey J. Schneider, CCIM, ALC, principal broker, Corey Schneider Realtors, Passaic, N.J.

Real Estate Exchange and Acquisition Techniques by William T. Tappan

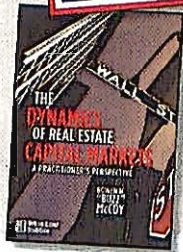
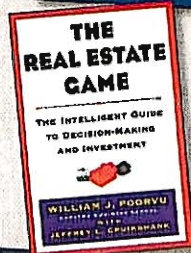
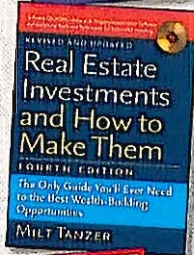
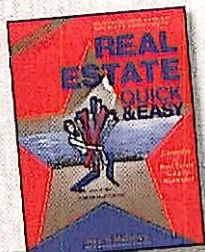
"This is an old book [second edition published in 1989] but it has given me countless ideas and methods of putting real estate deals together. From small deals to large deals on many different types of property, this book has helped me think outside the box."

— Mark Vellinga, CCIM, broker associate, Graham Organization, Sioux Falls, S.D.

Real Estate Investments and How to Make Them by Milt Tanzer

"This how-to book on building real estate investments provided sound advice to me in my early years of real estate investing and sales."

— Dale Beede, CCIM, commercial manager, Coldwell Banker Commercial, Grand Junction, Colo.



The Real Estate Game: The Intelligent Guide to Decision-Making and Investment by William J. Poorvu and Jeffrey L. Cruikshank

"Poorvu's use of case studies to help readers understand concepts they can apply to their own deals is excellent. His back-of-envelope method to quickly assess a potential opportunity is something I use on every deal."

— Kevin G. Lenze, CCIM, president, Century-Lenze Development LLC, Peachtree City, Ga.

Trump Strategies for Real Estate: Billionaire Lessons for the Small Investor by George Ross

"Trump's attorney and the deal maker behind the scenes, George was on 'The Apprentice,' sitting on The Donald's left at the big conference table. The book goes into very interesting negotiating strategies for individual investors to employ in their own deal making." — Stephen A. Raub, CCIM, executive vice president, Investment Realty Co. L.C., San Antonio

The Dynamics of Real Estate Capital Markets: A Practitioner's Perspective by Bowen H. "Buzz" McCoy

"This witty and colorful view of commercial real estate is a pleasure to read. You will learn about real estate capital markets, the institutions and people that shaped these markets, and gain an understanding about what it takes to be successful in our industry." — Kenneth P. Riggs Jr., CCIM, president and chief executive officer of Real Estate Research Corp., Chicago

What the Gurus Read

Michael Gerber and Jim Collins top the list of CCIMs' most-read business gurus. But what are they reading in their spare time?

Gerber pegs *Marketing for Business Growth* by Theodore Levitt as his favorite business book of all time. "Levitt defines marketing ... it is not a function in a company; it is the entire being of the company," Gerber says. *I Am That* by Nisradgardatta Maharaj is the "most powerful book I've ever read ... a stunning book that blows people's minds."

Collins chose *In Love and War: The Story of a Family's Sacrifice During the Vietnam Years* by Jim and Sybil Stockdale. "As the highest-ranking military officer in prison camp ... [Stockdale] figures out how to still exercise leadership," Collins says. His other top reads include Winston Churchill's *The Second World War*, *Personal History* by Katharine Graham, *Diffusion of Innovations* by Everett Rogers, and *The Panda's Thumb: More Reflections in Natural History* by Stephen J. Gould.

Sources: *Management Consulting News* and *U.S. News & World Report*

chief executive officer of NM Apartment Advisors in Albuquerque, N.M., who hands out this title along with the *Undercover Economist* to agents and consultants. For example, "Once CDs went digital ... since music no longer occupies physical space, online music venues can carry as many tunes as they want. If you graph it out, the top tunes sell millions, but the lesser-known tunes sell hundreds and the long tail is the graph of that relationship. The music companies are finding the most profit in the tunes that have an audience of one, 100, or 1,000."

Clarke and his associates applied the idea to commercial real estate. "We incorporated the concept into a business model to roll out a national franchise to do apartment brokerage focusing on the 'long tail' of the apartment world that most large national firms miss — two to 99 units."

Of course no book list would be complete without at least one title from left field — literally. *Moneyball: The Art of Winning an Unfair Game* by Michael Lewis, looks at the business of our national pas-

time, specifically how general manager Billy Beane turned the 2002 Oakland Athletics into a winning team while maintaining the smallest player payroll in Major League Baseball.

"I use *Moneyball* in a [real estate investing] class I teach at the University of California, Berkeley extension," says William P. Mohr, CCIM, principal of Mohr Financial in Oakland, Calif. "The students read the book and then [pick out] five insights about what they have learned."



Can you learn about real estate from baseball? Apparently so. "The naked eye was an inadequate tool for learning what you needed to know to evaluate baseball players and baseball games," author Lewis says in *Moneyball*.

After reading that quote, one of Mohr's students wrote: "Just looking at a property does not give you the tools you need to evaluate the investment opportunity. Due diligence through mathematical measurements does." ■

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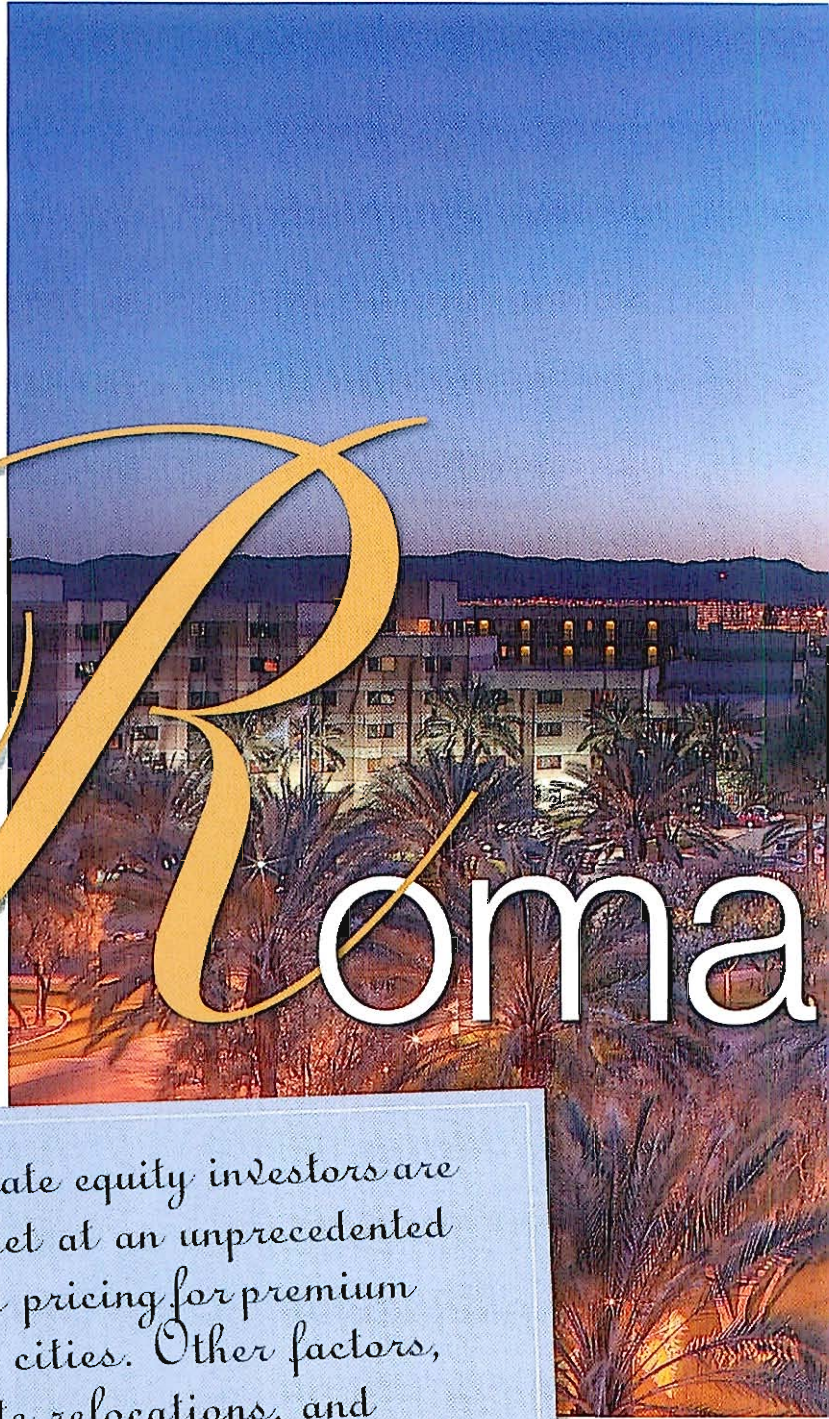
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Office

Private equity longs for trophy properties while smaller investors keep their options open.



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At the national level, private equity investors are entering the office market at an unprecedented pace, escalating competition and pricing for premium assets in major and secondary cities. Other factors, such as interest rates, corporate relocations, and population shifts, are driving office activity in suburban and small markets.

Although it continues to attract investors, how long can the sector's strong performance last? This outlook includes perspectives from national industry experts and local commercial real estate professionals on factors influencing the current office market.