

10 Must Reads for the CRE Industry Today (December 12, 2016)

Elaine Misonzhnik Diana Bell December 12, 2016



1. [Economy Watch: Service Industries Enjoy 3Q Revenue Gains](#) “A number of service industries, including some that tend to be commercial-space intensive, saw revenue increases during the third quarter, the Census Bureau recently reported, providing another indication that the economy is improving. All together, revenues were up 1.6 percent for the quarter for the industries that the bureau tracks, and 5.3 percent since last year. Professional, scientific and technical services, as well as the finance and insurance sector, both experienced revenue gains in the third quarter. Their health affects office leasing in a number of markets (such as Boston, San Francisco and **Seattle**), **though it isn’t a direct correlation. Professional, scientific and technical services** saw a revenue increase of 1.2 percent for the quarter and 4.9 percent since third-quarter 2015. The finance and insurance industry enjoyed a revenue bump of 1.3 percent for the quarter and 6.1 percent for the year. Despite headwinds caused by the strength of the dollar and its impact on exports, transportation and warehousing enjoyed a 2.2 percent increase in revenue for the quarter, but a 1.1 percent drop for the year. Health care suffered a decrease of 1.5 percent in revenue for the quarter, but an increase for the year **of 5.4 percent.**” (*Commercial Property Executive*)
2. [3 Big Benefits of Online Investing in Commercial Real Estate](#) “Private equity investing in commercial real estate has undergone a major change in recent years. Prior to 2013, commercial building owners seeking equity partners could not solicit investors **unless they knew the people they were soliciting. This ban on “general solicitation”** was part of the securities regulations. It made CRE investing difficult for most investors because opportunities depended on having industry contacts and were shared mostly by word-of-mouth referrals and in-person meetings. Needless to say, these limitations left

narrow avenues for raising capital and made it difficult for most investors to access investment opportunities and learn about real estate investing. Then came the Jumpstart Our Business Startups Act, known colloquially as the JOBS Act. Part of this legislation lifted the ban on general solicitation, allowing sponsors to broadly advertise investment opportunities to accredited investors. These new rules are helping open the CRE industry to a much broader pool of investors. Online platforms connecting investors with real estate investment opportunities are one way that investors are gaining new access to the CRE industry. These platforms provide the infrastructure for sponsors to both generally solicit accredited investors and, just as important, provide **them with needed information about real estate investing.**” (Equities.com)

3. [Industrial Real Estate Market Gets Boost With Marijuana Legalization](#) “As marijuana legalization spreads across the country, the financial impact has extended throughout some areas of the economy. One sector seeing a big benefit is industrial warehouses. Because large facilities are needed to grow and store marijuana -- and because local laws often limit where such businesses can be located -- industrial warehouse owners have seen rental rates spike in areas where medical and recreational marijuana is legal. The burgeoning marijuana real estate market already has sent ripples through public policy in California, where voters approved legalization of recreational marijuana just last month. In early December, the Lynwood City Council voted to **license up to five cannabis companies to operate in the town’s large cluster of warehouses. Lynwood is in southeast Los Angeles County.**” (Entrepreneur.com)
4. [Could 2017 Bring ‘Knee-Shaking’ Senior Housing M&A Prices?](#) “The highly anticipated start to 2017 is almost here and with a new Presidential administration stepping in, all industries are bound to be impacted, including senior housing. In the new year, many changes are expected to take hold in the industry, specifically around pricing, transaction volume and financing, according to experts who spoke on a Senior Housing News Finance and Investment Outlook webinar Tuesday. Dealmaking will likely be impacted by economic policies pursued by the new president, and early signs indicate big infrastructure projects and other initiatives predicted to create economic **growth. This could spell good news for senior living. ‘If there is some inflation for the right reason, like an improving economic growth outlook, then asset classes that have a strong correlation to CPI [consumer price index] should perform well,’** Justin Hutchens, chief investment officer for HCP, Inc. (NYSE: HCP), said during the webinar. In part to control inflation, the Federal Reserve is expected to increase interest rates in the near-term, and this too could have an impact on senior housing—perhaps an unexpected one. Overall, market conditions suggest that investors are likely to be active in 2017, with **M&A volume increasing and prices reaching potentially “knee-shaking” highs, some on the panel said.**” (Senior Housing News)
5. [Sears Hometown opens inside Heritage Ace Hardware](#) “Among the retail strategies employed by Sears Hometown and Outlet Stores to turn around its business, the store-within-a-store concept might rank as the most inventive. Sears Hometown and Outlet Stores have been cropping up inside existing Ace locations around the country (and in some cases, built from the ground up as a combo store). The latest example of this is taking place in Santa Paula, California, inside the Heritage Ace Hardware located **at 568 Suite C West Main Street. ‘This is an exciting time of year to unveil to our loyal customers the addition of Sears Hometown Store home appliance product lines inside of Heritage Ace Hardware,’** said Ray Padgett, owner of the Sears Hometown Store in Santa Paula. “We’ve improved the shopping experience with in-store kiosks for shopping online and a knowledgeable sales team that is up-to-date on the latest features from the

most popular home appliance brands. We hope that the community will stop by the new store for their holiday shopping needs.” (*Chain Store Age*)

6. [Manhattan Office Leasing Activity Dives in November](#) “According to CBRE, Manhattan’s office market leasing activity totaled 1.51 million sq. ft. in November 2016, 29% below its five-year monthly average of 2.14 million sq. ft. The availability rate rose 10 basis points (bps) over the past month and 90 bps from one year ago. Net absorption was negative 693,000 sq. ft. in November, bringing the year-to-date total to negative 4.32 million sq. ft. The average asking rent was virtually unchanged over the past month and up 3% from November 2015. Sublease availability was 2.1%, unchanged from the past month and up 40 bps from one year ago.” (*World Property Journal*)
7. [FCP Sells 5-Community Portfolio for \\$328M](#) “Federal Capital Partners has completed the largest D.C.-area multifamily transaction in 2016 with the sale of five apartment communities totaling \$328 million. Utilizing its Funds I and II, the portfolio sale includes 2,490 units in the suburbs of Washington, D.C., consisting of Cypress Creek and Toledo Plaza in Hyattsville, Md., Penn Landing in Forestville, Md., Cambridge Apartments in New Carrollton, Md. and Summerlyn Place in Laurel, Md. CB Richard Ellis handled the marketing and sale of the portfolio on behalf of FCP. FCP acquired these five properties throughout the last eight years, using two of its funds. The company has made significant improvements to each of the properties including amenities, common areas, apartment interiors and systems.” (*MultiHousing News*)
8. [Why Are The World's Top Real Estate Investors Risking Billions On Miami's Riverfront Renaissance?](#) “Inevitably it seems that rivers are one of two things to a city: either a vital, vibrant artery stitching it historically together (think the Seine through Paris, the Sumida through Tokyo, or the Chicago River through the downtown Windy City), or an industrial, black water pipeline which, decade after decade, sacrifices a thriving, walkable waterfront for a persistent no man’s land of warehouses, ports, power plants, and sewage treatment facilities (think the Delaware River in Philadelphia). For years, the Miami River flowing through downtown Miami (yes, Miami does have a river, not just beaches) has been a classic example of the latter—a “working river” rather than a modern “waterfront”. Few people know this better, and the potential it represents from a real estate development standpoint, than Shahab Karmely, the Founder and Principal of New York-based KAR Properties, a global real estate investment and development firm that is betting its future in part on the Miami riverfront’s current renaissance.” (*Forbes*)
9. [Sterling Bay completes deal for massive Finkl Steel site](#) “Real estate developer Sterling Bay has wrapped up its long-expected purchase of the former A. Finkl & Sons steel property, taking a major step toward what could be one of the largest North Side real estate developments in generations. Chicago-based Sterling Bay and its investment partner in the deal, Dallas-based private equity firm Lone Star Funds, completed the acquisition of the demolished steel plant in Lincoln Park last week, according to people familiar with the deal. An exact price could not yet be found in Cook County property records, but it is believed to be well above \$100 million. The approximately 22-acre site is along Cortland Street and the eastern edge of the Chicago River.” (*Crain’s Chicago Business*)
10. [Times Mirror Square could get two tall towers and 1,127 residential units](#) “Vancouver-based developer Onni filed plans Thursday with the city planning department to get the ball rolling on demolishing two buildings at Times Mirror Square, the longtime home of the *Los Angeles Times* building in Downtown. One of those buildings would be the 1970s-era William Pereira addition to the *Times* building. Razing

it would make way for two new high-rise towers with 1,127 housing units and more than 34,000 square feet of commercial space. Pereira was a prolific modernist architect whose works include the original LACMA campus. It had been reported in June that some structures in Times Mirror Square, including that Pereira addition, would be demolished in order to make way for new residential and retail elements on the site. **The new filings also indicate that three buildings would be preserved.**” (*Los Angeles Curbed*)



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