

# Editor's Note

BY PETER C. BURLEY, CRE

## "And finally, start at the beginning!"



THIS VERY PUBLICATION WAS MY FIRST exposure to The Counselors of Real Estate. I have been citing and referencing its authors and articles in my own work for years. OK, make that decades...but, long before I was honored with the distinction of becoming a Counselor, I

was more than impressed with the range of expertise represented in this organization, with the breadth of experience, the depth of knowledge and with the keen talent that exists within this incredible assembly. I may have dreamt it, but I never expected to be editor in chief of this prestigious journal, much less even to participate in assembling the thoughts, observations, experiences, applied skills—the professional leadership—that Counselors represent. But, here I am. Honored. Humbled. Exhausted. Thrilled.

This is a particularly interesting time to be presiding over *Real Estate Issues*. With the economy and financial markets in continued turmoil, and with that turmoil nipping aggressively at the heels of the commercial real estate industry, this organization is uniquely qualified to show us not only where we have been (and the troubles we've seen) but also to show us a number of routes to safety (or redemption). *Real Estate Issues* is a most suitable forum from which to refine standard viewpoints, to rethink long held assumptions, to offer up new and different perspectives and new approaches to the issues we face. Right here, in these pages, is where Counselors do some of their best work and lead the industry to new, better, higher ground.

This issue of *Real Estate Issues* begins with Peter Holland's Roundtable conversation with CREs Buck Moody, Michele Flynn, Martha O'Mara and consultant Barbara Hampton on the role of corporate real estate and the challenges confronting corporate real estate executives in today's uncertain environment. As Buck Moody says, "A lot of strategic thinking and assumptions and policies...have completely changed" when it comes to managing the corporate real estate portfolio. There are important roles for Counselors to play in this arena.

We note, with deep sorrow, the passing of Roland Dean Nelson in March. He did not leave us without passing along

his wisdom and expertise, however. "And finally," he says in discussing how we might pin down the Business Enterprise Value (BEV) of a property, "start at the beginning!" While appraisers "have spent considerable time and effort on various thoughts and methods...more than one method can be applicable." Nelson covers the topic and offers an approach to the process—a creative and innovative approach—as only a CRE could do. Goodbye, Dean, and thank you.

Assessing the market and the financial environment are undertaken with particular skill by Counselors on a regular basis. Professors Joseph Rabianski, CRE, and Karen Gibler, along with doctoral students J. Sherwood Clements and O. Alan Tidwell, offer a comprehensive review of the literature covering factors that influence the success of mixed-use development. While mixed-use development has enjoyed growing popularity in recent years, and the "...synergy and appeal..." of various uses "... can increase office and retail prices, rents and occupancy rates," not all locations are particularly well-suited, and the financial feasibility of a project should be carefully considered. As the authors put it, "Mixed-use development generally moves the industry away from specialization in a property type to a more sophisticated consortium of planning and development." The authors offer some new ideas and insights to a complex arena.

Just in case it has slipped our minds, the current economic/financial/credit crisis is not confined to the U.S. The whole mess has spread across the rest of the globe. As Simon Rubinsohn tells us, "No longer is there any hiding place, even if a country's banks have been largely untouched." Rubinsohn tells us that developments in global commercial real estate markets are clearly reflecting the wider macroeconomic forces at work and no part of the property market, apparently, is immune. Rubinsohn cites the latest *RICS Global Commercial Property Survey*. But, look for opportunities in some international markets as repricing begins to attract capital.

Could we have averted the current financial crisis? I don't know. Sometimes, I wonder how things could have been different. Marc Thompson, CRE, suggests there may be a way to avert it in the future. Thompson proposes new Basel II regulations that he says will "significantly reduce the risk

of another real estate boom-bust cycle threatening the viability of the U.S. financial system.” He identifies speculation risk and ways to manage portfolio risk within regulated financial institutions. He further suggests that his methodology could be applied to Commercial Mortgage-Backed Securities.

Illustrating the depth and breadth of interests represented in *Real Estate Issues*, Keith Varian and Jennifer Rockwell offer a very different view of property finance in their discussion of Islamic Financing and Foreclosure. The United States has seen considerable growth in financing according to *Shariah*, yet few of us understand the underlying principles or its relationship with federal, state or local laws. The authors discuss common forms of Islamic financings and compare them to traditional (U.S.) mortgages to help us understand some of the issues facing the legal community, particularly with respect to foreclosure actions.

With the economy taking a huge toll on the banking system, and visa versa, it was probably only a matter of time before we began to face an interesting question: What happens to all of those bank branches out there? Bradley Carter, CRE, J. Tyler Leard, and Matthew H. Jackson offer a study intended to help those among us who counsel the banks as they struggle with the acquisition and disposition of bank branches in an evolving market. While the number of financial institutions has decreased, they tell us, the number of bank branches has continued to increase. The demise of some banks (and the absorption of others into larger institutions) leaves us with a number of questions, including: What bank branches will sell? Who is most likely to buy them? How will they be valued? What other options are out there for former branch properties? Given the volatility in the banking industry, they tell us, “good advice has never been in greater demand.” We concur.

Legislation designed to assist economic recovery, in the form of the Housing and Economic Recovery Act of 2008, may indeed help us recover from the recession. But the new law, passed last July, and other government actions, including the Emergency Economic Stabilization of 2008, the American Recovery and Reinvestment Tax Act of 2009, change certain tax provisions for homeowners and investors. J. Russell Hardin, Ph.D., offers a look at some of those implications. Hardin also spells out some of the latest tax effects for REITs and REIT investors.

To many analysts, the Miami condominium market has been ground zero for overdevelopment and the foreclosure crisis. From their up-close vantage point, Miami CREs

Richard Langhorne and John Blazejack offer commentary on past and current circumstance, as well as a possible outcome. As Langhorne and Blazejack say, “the ebb and flow of the public-private struggle for saving or developing pristine waterfront parcels is emblematic of each real estate cycle, whether it be a frenzied run of overbuilding or the aftermath of a complete market collapse.” As Counselors, we are often in the middle of the struggle, as we should be, hoping to bring about the best possible solutions.

In my view, that is where we all are. We struggle at times, but we continue to learn and to apply our experience and our knowledge to increasingly complex situations. And we hope, in the end, to bring about the best possible solutions. Examples of our continuing effort to learn and to apply what we have learned are three resource reviews. Mary Bujold, CRE, reviews *Navigating the Redevelopment Maze*, by Brian Blaesser and Thomas Cody, while Daniel Swango, CRE, looks at *A Practical Guide to Commercial Real Estate Transactions* by Gregory Stein, Morton Fisher and Marjorie Fisher. And Buzz McCoy gives us his unique—and sage—CRE view of *Enough. True Measures of Money, Business and Life* by John C Bogle.

I’d like to take a moment to thank Maura Cochran for her several years of skillful, expert editorial leadership of *Real Estate Issues*. Maura’s careful hand steered this journal to an honored place within The Counselors of Real Estate and beyond. Thank you, Maura. I hope I don’t wreck it.

Also, I am honored to have Marc Louargand as associate editor. Marc’s experience and expertise in putting together a journal like *Real Estate Issues* is indispensable. He’s really smart, too, and great to work with. We are thrilled that Carol Scherf continues with us as managing editor, keeping us honest and, mostly, on track and on time.

As Dean Nelson said, “And finally, start at the beginning!” I continue to read *Real Estate Issues* as I always have. I continue to learn from it. And, I continue to reference the authors and articles. That I am a part of it makes me more than a little proud. ■



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