

CRE HOLDS ITS OWN AGAINST UNSTABLE STOCK MARKET

Don't push the panic button just yet. While the stock market may be in a constant state of flux at the moment, the commercial real estate market appears to be holding its own, according to Bob O'Brien, vice chairman and real estate sector leader at Deloitte and Touch, LLP. However, O'Brien believes challenges may lie ahead and only time will tell how the industry will fare as an increasing number of mortgages become due over the next three years.

"This is a positive year for commercial real estate so far," said O'Brien in Deloitte's Commercial Real Estate Outlook report. "It's important to remember that commercial real estate was the first sector to be hit hard by the downturn, so it is further along in rebounding than other businesses. At the same time, the wall of debt maturity that will come due between now and 2015 still may present short and longer term challenges for the remainder of this year and into 2012."

While O'Brien's outlook is positive, the Wall Street Journal is cautiously optimistic. A recent article in the publication stated that commercial real estate could be losing its cachet as a safehaven investment due to concerns about the economy and reduced access to bank financing for landlords. Additionally, the Journal says investors have been snapping up the stocks of REITs (Real Estate Investment Trusts) that were thought to be immune from the turmoil in Europe's debt crisis and unrest in the Middle East.

REITs attracted investors because of their high yields, as well as the prospect that rising employment would lift rents and occupancy for office complexes, apartment buildings and hotels, according to the Journal.

From January through June of this year, the Journal reports the Dow Jones Equity All REIT Index was up 9.9%, compared with a 6% rise in the Standard & Poor's stock Index, on a total return basis. The recent performance caps a two year period in which REITs have been on a hot streak, returning nearly 30%.

"Despite all the market turmoil, U.S. equities

are now in positive territory for the year and investors can enjoy a healthy dividend yield," said Paul Adornato, an analyst at BMO Capital Markets. "REITs have been effective at raising hefty amounts of equity and debt over the past couple of years to repair balance sheets and prep for acquisitions."

Deloitte states in its report that regardless of fluctuations in the stock market, global commercial real estate has benefitted from a rebound in manufacturing activity, increased business spending and higher capital flows into real estate. Researchers at the company say economic growth appears to be on the upswing, despite natural disasters in Japan and political turmoil in the Middle East.

Deloitte expects REITs to dominate commercial property deals this year, particularly in the distressed market. And the company says while investors' favorable assessment of risk versus reward continues to add momentum to investments in the U.S. commercial real estate market, there is growing competition for highquality properties, especially as domestic investors show increased interest.

ICSC CONFERENCE INDICATES POSSIBLE ECONOMIC UPSWING

Taking into consideration the sharp downturn in our nation's economy, GM Properties senior sales associate Ben Greer says the atmosphere at the International Council of Shopping Centers (ICSC) Western Division Conference was more upbeat than he's seen in recent years. The conference, which was held at the San Diego Convention Center from Sept. 7-9, is the one of the largest retail real estate events of its kind on the West Coast.

"Despite the slow economy, it was exciting to see there are many companies looking to expand," Greer said. "Deals are being done and that is a good indicator we are headed in a positive direction."

The aim of ICSC's conference is to provide networking opportunities, as well as education for those who work in the commercial retail real estate industry. Some of its associated groups include Alliance Public/Private Partnerships, Retailers, Developers, Women in Real Estate, Next Generation Leasing Associates and Hispanics Outreach Associates. Attendance has steadily increased throughout the years until the economic set-back of 2008. There has been a steady growth since 2008, with a significant 28% growth this year over last.

Along with featuring keynote speakers, the conference also includes breakout sessions on everything from retailer insights to strategies for success. This year, experts spoke about the need for strong infrastructure, extreme due-diligence in making deals and comprehensive strategic planning.

"No more shooting from the hip," Greer said.

Greer says a great number of businesses and cities hosted booths at the event, including city government agencies in the Western states. According to Greer, the cities attend with the goal of attracting new business.

"Hopefully, the upbeat feeling that dominated the event will help improve our economic conditions and continue to take us in a positive direction from one year to the next," he said.

Q&A WITH GM SALES AGENT HARRY S. LU

Throughout his nine-year career at GM Properties, sales agent Harry S. Lu says he has continually strived to provide the kind of customer service that would keep clients coming back again and again. His dedication has yielded longstanding and impressive results, making the Taiwan native one of the company's most valuable assets.

GM Properties wanted to know a little more about Lu's success strategies, as well as his opinion on the future of CRE. The former chemical engineer was happy to oblige.

GM: As an agent for GM Properties, what is your most important goal when it comes to customer service?

HL: To bring the best value to customers and respond to their needs in a timely manner.

GM: Is there any particular area of your business that you enjoy talking to, and educating others, about?

HL: I am very interested in leasing/selling warehouses to clients planning to manufacture products and bring my experience of engineering and environmental work into the transaction.

GM: What are some of your biggest challenges in our slow economy?

HL: In a slow economy, an additional effort is needed to survey worldwide real estate price/leasing rates and compare those with Southern California and convince our clients to buy properties here.

GM: What do you see for the future of CRE, specifically in the next five years?

HL: I think prices will continue to decline in the next three years, then stabilize in the fourth and fifth years. However, this may not happen if the government starts an incentive program to guarantee a fixed interest rate of 3 percent on 30-year loans in exchange for demolishing old commercial buildings more than 100 years old and rebuilding new ones.



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