



COLORADO REAL ESTATE JOURNAL

THE COMMUNICATION CHANNEL OF THE COMMERCIAL REAL ESTATE COMMUNITY FEBRUARY 21 – MARCH 6, 2007

Prospects look good in 2007



Brad Neiman
Senior Vice President
Northstar Commercial
Partners, Denver

On the heels of the 2006 banner year for real estate, it is difficult to be anything other than optimistic about the prospects for 2007. By virtually every metric, real estate markets in Denver and across the entire country set records for transaction volume. Continued improvement in the local and national economy accompanied

by stabilization in interest rates fostered a platform that made both users and investors comfortable with commitments to real estate.

Of course, there always are clouds on the horizon, but the market seemed to look past concerns over energy prices, availability of oil, inflation, Federal Reserve-mandated changes to interest rates, changes in the party that controls Congress, rising construction costs, the housing slump and a host of other issues that are discussed regularly in the business-oriented periodicals.

Of particular interest was the huge appetite for real estate that emerged out of Wall Street in the form of both private and public real estate investment companies. Long gone is the day when real estate ownership was a local business requiring local knowledge from the real estate professionals in that community. Now in the information age, the Internet and real estate databases track all the information one might ever want to provide the basis for a decision to enter a new market or expand a position in a market in which one already is established.

Ours is a private equity real estate investment company that seeks to acquire industrial properties with value-add characteristics. Our primary focus is on the metro Denver market, but we are moving to continually expand our real estate investments in other states. In the past we have acquired properties in California, Illinois and Florida. In 2006, we made commitments to properties in Virginia and Tennessee.

Last year was the year the market emerged from a multiyear recession and made significant strides. This year certainly is expected to bear witness to more of the same positive changes in these two areas.

We rejected opportunities in a half-dozen other states due to the market conditions in those locations. We expect 2007 to result in additional out-of-state acquisitions. We seek properties appropriately priced to reflect the physical condition of the property (often it is poor) as well as the income stream or lack thereof. It is our intent to reposition these properties by injecting new capital and market experience. Changing market dynamics and corporate restructuring often result in surplus corporate real estate no longer of operating use to the company that owns the property. This may be caused by mergers and acquisitions or simply changes in the method with which a company manufactures or distributes its products. We see no letup in this dynamic in 2007 and expect our own transaction volume to increase during the coming year.

A significant difference in 2006 from the previous five years was evident in both absorption numbers as well as in rising lease rates. For several years we have watched while these two conditions showed limited signs of improvement. Last year was the year the market emerged from a multiyear recession and made significant strides. This year certainly is expected to bear witness to more of the same positive changes in these two areas. We will place significant bets in the form of property acquisitions as evidence of our own beliefs in the market. As of the printing of this article, Northstar already will have closed two transactions in 2007 and several others are under negotiation.

We are excited about the prospects for 2007.