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## **"Keep it simple." - A valuable business lesson**

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"Keep it simple." For many people this is a favorite phrase but it is often a valuable business lesson. In many cases, the most effective solution is a clear, concise and simple answer to a business challenge. While the Counselors of Real Estate have the ability, knowledge and experience to handle the most complex real estate problems, often our most valued advice is a solution that is not hard to understand or implement.

Over the summer, we have been faced with many complex and multifaceted issues facing our economy and potentially influencing the future value of real estate investment portfolios - the timing of the Fed's upcoming "taper", a sluggish business environment and job market, housing starts that are not gaining much traction and the recent political risks and ramifications from events in Syria.

While these are important macro issues, in many cases it makes the most sense to focus on what we can control and look for straightforward, understandable and "simple" factors to guide decisions to buy, renovate, reposition or sell real estate. Following is a sample of some "simple" ideas I would offer to guide you in your real estate investment thinking.

1. **Cash Flow:** Consistent with historical trends, cash flow (both dividends and net income growth) will drive long-term investment performance. Verifying and understanding cash flow will continue to be a key foundational element of every real estate deal.
2. **Apartments:** While apartments have had strong performance over the past several years, they are likely to continue to provide favorable returns given strong future occupancy levels (supported by demographics, household formation and a gradually improving economy), lower capital requirements than other property types and stable fundamentals.
3. **Major Markets Continue to Dominate:** Primary markets will continue to outperform given inherent supply constraints and vibrant, multi-faceted, productive economies that are not found in smaller markets. These factors will continue to support favorable real estate performance. This doesn't mean there isn't money to be made in smaller markets, but major markets will outperform.
4. **Focus on Newer Properties:** In addition to lower capital requirements of newer properties, tenants are more likely to be drawn to contemporary space to meet their changing business needs, desire for efficiency and lower operating costs (provided by efficiencies in today's green buildings) along with fewer choices for newer space given lower construction levels of the past several years.

Does this sound too simple? Maybe it is but it might be worth considering some of these "not complex" underlying factors when evaluating a deal or making a real estate decision.

Don't get caught in the weeds...

Jill Hatton, CRE, is the 2012 New England/Upstate CRE chapter chair, Boston, Mass.

2013 Calendar of Events

\* "Hot Topics" Luncheon - Noon, CB-NE, 33 Arch Street, Boston, September 25.

- \* 2013 Annual Convention, October 20-23 - The Ritz Carlton Hotel - San Francisco
- \* Fall Chapter Event - November, Date TBD
- \* December 12 - Annual Holiday Reception, Algonquin Club, Boston

#### 2013 Chapter Officers

- \* Jill Hatton, TurtleRock Investment Management, chapter chair;
- \* Peter Nichols, NorthStar Ally LLC, vice-chair and board member;
- \* John Baczewski, Real Estate Fiduciary Services, LLC, treasurer and board member;
- \* Don Bouchard, Lincoln Property Company, membership chair and board member;
- \* Robert Costello, Capital Crossing Servicing Co., LLC, board member;
- \* John McLaughlin, McLaughlin Investment, Inc., board member;
- \* Martha O'Mara, Corporate Portfolio Analytics, board member; and
- \* Harris Collins, CBRE - NE Partners, board member.

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