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Reuters Summit-Private investors' love for property grows

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NEW YORK, June 25 (Reuters) - Billions of dollars are chasing commercial real estate, making 2006 look like it has a strong chance to be another record year for acquisitions of apartments, office buildings and other income-producing properties.

As the competition for high quality U.S. real estate becomes more intense, U.S. dollars are going overseas, searching for the higher returns that riskier deals provide.

Meanwhile, overseas dollars and private buyers, loaded with capital and able to use more debt to finance transactions, have pushed out the publicly traded U.S. real estate investment trusts, or REITs, on many deals. Competitors have become prey as private equity and fund buyers have snapped up REITs.

At the same time, real estate fundamentals -- rents and occupancy rates -- are finally improving.

Top executives from the real estate industry will discuss how they are handling these trends at the Reuters Real Estate Summit on June 26 and 27.

Apollo Real Estate Advisors, which partnered up with National Realty & Development Corp. to buy department store chain Lord & Taylor from Federated Department Stores Inc., will kick off the Summit on Monday morning.

Other private real estate buyers expected at the Summit include Tishman Speyer, Jones Lang LaSalle Inc. , Equity Office Properties Trust , Equity Residential and General Electric Co. .

As interest rates rise, financing deals are getting more expensive. At the same time, real estate is often seen as a hedge against inflation, keeping the market hot.

"It seems hard for me that real estate pricing as we have seen it is going to materially change by year end and through next year," Maury Tognarelli, president and chief executive of real estate investment company Heitman.

Still, dollars are fleeing the U.S. home building industry, as the halcyon days for home buying have waned in 2006. Share prices for U.S. home building companies have been halved over the past year, and consolidation and stock buybacks are on investors' minds.

"We're now in a state of oversupply with affordability seriously weakened because of the combination of very high price increases and 100-basis-points-higher interest rates," Avondale Partners LLC analyst Barbara Allen said. "I think the stocks have farther down to go. I don't think there's any hurry to buy these stocks."

Luxury home builder Toll Brothers Inc. and Beazer Homes USA Inc. , which caters to first-time buyers, are also scheduled to be at the Summit.