

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Peter: Dean, today's guest, Tim Hatlestad, is the 2008 president of the CCIM Institute. He heads an organization with more than 19,000 members in 33 countries around the globe. Known collectively as the Ph.D.s of commercial real estate the CCIM Institute or certified commercial Institute member is a recognized expert in the disciplines of commercial and investment real estate is an invaluable resource to the commercial real estate owner, investor, and user. In fact, right now there are about 10,000 additional professionals across the globe that are pursuing this prestigious designation, the CCIM, certified commercial investment member. Tim is president and chief executive officer of RE/MAX Commercial Investment, a commercial real estate firm in Scottsdale, Arizona and RE/MAX Achievers, a residential real estate firm with 12 offices in the Phoenix metropolitan area. His organization is the eighth largest company in the RE/MAX worldwide organization and is one of the top 100 real estate companies in the country as determined by Realtor Magazine. Tim and his wife Terri of 21 years are parents to their 16-year-old son Griffin and 13-year-old daughter all of whom I've had the pleasure of meeting in San Diego during a CCIM event and Tim and his family have resided in Scottsdale, Arizona for 24 years. For more on Tim, because his biography is a long sheet of accomplishments and achievements, please go to incomepropertyinvestmenttalk.com. Tim, welcome to the program.

Tim: Thank you Peter. Thank you Dean.

Peter: I know I could've gone on and on and on with your accomplishments, and one of the things I want to focus on upfront here is that CCIM Institute recently and we should congratulate Jonathan Salk on his appointment as the new chief executive officer there of the CCIM Institute in Chicago and we wish them the best in managing the day-to-day

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

operations of the Institute, but I also want to recognize the achievements of somebody that I've known for four years, Executive Vice President Emeritus, Susan Groeneveld, who is also with CCIM, who after 20 years of working within the Institute and with the volunteers like you Tim and I'm going to ask you to comment on Susan, she's going to remain with the Institute, the J. Levine Academy which trains leaders in the CCIM Institute. Tim, I would think the Institute in Jonathan's hands and with Susan still there couldn't be better positioned to take the Institute into the 21st century.

Tim: Absolutely. Jonathan himself, he's been there I think 18 years, so he's seen just about every nook and cranny of the CCIM Institute and has had his thumb print on a lot of what the CCIM Institute is today as certainly Susan has. Susan, as you mentioned Peter, had been there 20 years. She's going to still stay on as you noted in the J. W. Levine Leadership Academy and also working with the education foundation, building up scholarships and other research programs to benefit the commercial investment real estate industry. She'll still be around but the Institute is 39 years old, she's been there for more than half of its existence so just about everything that is great about the Institute, Susan has been involved with. She's a phenomenal lady and has done an extraordinary job for us in the industry.

Peter: I couldn't agree with you more. Tim, I think it's about 6% of the 150,000 or so practitioners across just our country hold the CCIM designation which in my humble opinion reflects not only the caliber of the program but wide as one of the most coveted and respected designations in the industry. I did say earlier in the introduction that it is the Ph.D. of commercial real estate and truly that is a designation that is respected

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

throughout the globe. In fact, there are companies right now that work only with CCIM designees. Does that say enough about what the CCIM designation is all about?

Tim: Well, I could go on for half a day about what the CCIM Institute and what the CCIM designation means for an individual practitioner. You hit a couple of the things. Coincidentally, in the late '80s when we were entering a market like we're entering today in the commercial and residential real estate industry, that's when I got my CCIM education because it's times like these, if you will, where you really need to have this education. The margin for error in our industry is a lot narrower than it was say two years ago. One of the things you mentioned, there is maybe 150, 250, 300,000 commercial real estate practitioners, we're really not sure, and that also kind of depends about how broadly you define practitioner, and there's what a million, 3 million, four realtors in the National Association of Realtors. So, one of the things too that the CCIM designation does, in addition to providing the education and confidence to make decisions, one of the things that it does is it really sets you apart from that ocean of agents out there as a person that has the expertise, as a person that is concentrating on commercial real estate, certainly has the experience as designated through that process that you go through to get your CCIM designation. It sets you apart from a lot of other people in addition to providing the wherewithal to make those decisions.

Dean: What does it stand for, for our listening audience, can you tell us a little bit about what it takes to get that designation?

Tim: Sure. CCIM stands for certified commercial investment member and in order to get the designation there is a kind of an arduous process and that's why Peter mentioned that some people consider it the Ph.D. of commercial investment real estate. Here's the

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

process. There's core concepts that are taught through four courses, four weeklong courses and certainly there's a lot of great education out there in commercial investment real estate but the CCIM education is a little bit different. It's really focused particularly of course on commercial investment real estate but also an adult learning and the first course is Financial Analysis. Just to give you a snapshot on the Financial Analysis course rather than getting book smart on internal rate return or cap rates or gross rent multiplier or capital accumulation, any of the financial investment measures, there's also case studies and group projects so that these concepts are brought to life through some real-life practical applications. So that's the first course, Financial Analysis. The second course, also a weeklong course is Market Analysis. So, supply/demand, being able to take a look at the indicators that are in the market today and determine whether or not it's a good time to buy or a good time to sell, good location, bad location, feasibility analysis on sites, sites looking for a user, users looking for a site, so Market Analysis is the 102 course.

Peter: Tim, if I can, quickly, within that CI102 course, I believe that's gone through some significant rewriting recently because of all the technological advances in the industry, so that's a big part of it also that you have all these instructors and these professionals who stay on top of these courses to make sure that they apply to the current state of the profession, right?

Tim: That's a great point, Peter and we have, of course, one of the top member benefits being the sites to do business which is an online site where you can grab demographics, maps, crime statistics, traffic counts, aerial photography, all kinds of resources and that 102 course, as you point out, takes a lot of those resources and teaches the students how to actually interpret those, and use that data to make decisions. Good point. The 103 class

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

is called User Decision Analysis. That frames around the decisions that a user makes, whether they buy, whether they lease, what location might be better for them. Sometimes in commercial real estate we think price is the main mantra, but certainly location, location, location is another mantra so we actually teach in the 103 class from a users perspective, what does cost of occupancy mean and what does location mean. We do some negotiations; we do some practical applications and case studies in the 103 course as well. And then, the 104 course is Investor Decision Analysis, actually taking an investor's perspective on the buying decision, applying risk, applying what's going on in the capital markets, before and after tax decisions and so forth. So, the students go through those four core courses. The 101 is the only prerequisite, so they marched through those four courses and typically over a year and a half, two and a half year period there is a few elective courses out there that they can also take and then they submit a resume. This resume, what this is intended to do is demonstrate not only that this individual is in commercial investment real estate but also that this individual has applied what they've learned in these particular transactions that they submit. As an example, we have about 250 people sitting for an exam in a few weeks that submitted their resumes that a group of CCIMs went through and poured over and analyzed to make sure that these people are qualified to sit for the exam, which is the last step. After they submit the resume and they are accepted, they sit for a two-day review and a full day exam. This full day exam is, I guess you might say ratifies what all of the concepts were presented over the four courses.

Dean: How can somebody, if they want to be able to get a hold of the CCIM agent or broker, what is the best way to do that?

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Tim: Dean, we have a real strong online presence on CCIM.com and there's a function there search for a CCIM and certainly there's a lot of different resources like that out there on different franchise organizations. I'm a RE/MAX franchisee and we have all of our RE/MAX agents on RE/MAX.com. Similarly, CCIM has their CCIMs, but what they have are some resources and tools where you can read testimonials, you can map the agents so if you want to see where they are in relationship to your property that you're thinking about buying or thinking about selling, those types of resources as well.

Peter: So Tim, real quick, you sit through the education, we have about two minutes before the break, you sit through the education but then there's more to it. Like you said you actually have to show that you have experience in the field. You have this portfolio of closed transactions I'm assuming and then you go through the examination process.

Tim: Right. All of this Peter is not considered to be a herd cutting exercise. What it's intended to be as an educational exercise. As an example, the full day final exam; probably 15% or so of the students that sit for that exam won't pass it but that evening of that exam we have instructors that will sit down with those people that didn't pass it and go through those concepts that they didn't get correct and tutor them. Then, the following day they take the exam again. So, after that retake there is maybe one or two or 3% that don't pass. It's really education at its core is the whole purpose of the courses and then the resume and then lastly the exam.

Peter: We're talking with Tim Hatlestad, 2008 president of the CCIM Institute. Right now we've been talking about the designation process. When we get back from this short break, by the way if you have any questions of Tim give him a call 1-866-472-5790. Tim when we get back from this short break I want to talk to you more about the CCIM

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Institute, how it's constructed, what it means for the regions and the chapters, how important it is to stay abreast of what's happening in the industry and then talk to you about some of the particulars of commercial real estate investing, the principals and the fundamentals, when we get back with President, Tim Hatlestad.

BREAK

Thanks for tuning in today to Income Property Investment Talk. If you have a question for Peter or Dean call now, listener lines are open. The toll free number is 1-866-472-5790. That number again is 1-866-472-5790. Now back to Peter and Dean.

Peter: Welcome back, we're here with Tim Hatlestad, 2008 president of the CCIM Institute and president and chief executive officer of RE/MAX commercial investment in Scottsdale. Tim, before we left we were talking about the designation process. It's all about education but it's also about theory as well. So you're proficient in theory and in practice because you have to show that you've actually implemented what you've learned on a day-to-day basis.

Tim: That's right. Certainly education is probably the foundation of the Institute but we also certainly, I guess you might say that one of our biggest asset is each other so the networking in order to connect with each other is certainly a big part of it. We have conferences and regional events around the country and I mentioned also another big part of the Institute, which is technology, the sites to do business, CCIM Net and other assets that we have at the local level through chapters and the regional level. There's just a lot of different moving parts beyond the education. I don't want to give you the idea that education is the only thing. Yeah, that's a big part of it certainly.

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Peter: We'll definitely get into that, but we do have a caller, a Randy from Salt Lake City.

Randy are you there?

Randy: Yes, I'm here. Can you hear me?

Peter: Yes we can Randy, how are you today?

Randy: Great, this is Randy Atkins in Salt Lake City and I got my designation, my CCIM pin in 1997 and as you mentioned there's been quite a bit of technology change and business practice change and tax law change since then and I'm wondering what the opportunities for current designees are for keeping up with the new trends.

Tim: Well, thanks Randy and how are you doing?

Randy: Great. How are you Tim?

Tim: Great. We just last fall, last October, created a new entity within the CCIM Institute and it's called The Robert L. Ward Center for Real Estate Studies and a lot of CCIMs have had the benefit of Bob Ward's great mind and just phenomenal intellect. A lot of the core content in our courses have been authored by Bob, the spreadsheets that we use have been authored by Bob. So specific to your question Randy, we created this entity to create current courses. For example, there is a current course that's been offered around the country since October on negotiation and another one just offered last week at a Prudential Conference on cost segregation. Tenant in common interest is coming up, so there is about a dozen different real timely, topical courses that are intended to just hit exactly what you mentioned Randy in keeping ahead of the curve and on top of technology and current tax and current issues.

Randy: Are there any classes or programs where we can get up to speed on the current content of the core classes?

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Tim: Coincidentally, about two or three weeks ago there was some discussion of taking the information from the two-day review and final exam, it's what we call the CCR, core concepts review which is a two-day review class in advance of the final exam and taking that information Randy and kind of re-purposing it so that designees like you, you said you were designated in '97?

Randy: Yes.

Tim: So, in 11 years we've brought in technology tools into the classroom and spreadsheets as well as some online resources so with this re-purposed CCR it's a way for designees to calm in and refresh and also see some of the new content on a two-day delivery.

Dean: Randy mentioned Tim that he got the CCIM pin. Is there any way I could buy the pin from another fellow without taking the classes?

Tim: You'd have to go through about 17,000 people in order to get that.

Dean: Because I know you can get degrees online you just pay for them.

Tim: It's interesting, I was in France a few weeks ago at a conference called MIPIM, which is an international commercial real estate conference of about 27,000 paid attendees and probably another 10,000 carpetbaggers as they call them. It's just amazing internationally people coming up and recognizing the CCIM pin on my lapel. We had a presence there with a stand, a booth and the people coming up from Greece and Italy and the Middle East saying we want you over here. It's really encouraging just to see what kind of impact this information and education has around the world as well.

Dean: You're in 33 countries aren't you?

Tim: That's correct, right now, yes. And growing.

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Peter: Randy, we thank you for the call.

Randy: Thank you very much, Tim. Thanks Peter.

Peter: Tim, one of the other things I believe that is out there and I believe you alluded to when we first got back from the break is that you do have regions and chapters across North America where members are able to gather, get together, exchange ideas, even talk about different types of investment opportunities that they might have. I think ultimately it's a great way for those local chapters and regions to keep their CCIM members and those looking to obtain the designation abreast of what's happening in terms of trends, rules and regulations, all those things that are happening in the industry right now.

Tim: That's well put and I would say when the Institute was founded 39 years ago the individuals that created what is now the CCIM Institute had that concept in mind that we have some information and some knowledge and some experience, let's share it. Let's bring some people together formally in a classroom, informally at a breakfast or lunch in our local markets and let's just talk about what's going on in the real estate market and learn from each other. That's kind of the foundation I think of what the CCIM Institute is and it's sharing information, sharing knowledge, mentoring people, empowering individuals through education and confidence in making decisions and a lot of that is done at the regional and local level.

Dean: In 2005 when the market was so hot, you really didn't have to understand the market in order to make money. There was very little marketing needed, the market dictated the price. Now we're in a situation where real estate is one of the largest investments most people will make and how do you determine that value of understanding the underlying economics on an investment?

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Tim: Dean, I couldn't agree with you more that in years like 2005 there were a lot of people in our business, a lot of properties developed in our business that were successful in spite of themselves just because of the velocity of the marketplace, the feeding frenzy of the marketplace where if you made a bad location decision the inexpensive capital would overcome that ill if you will. So, what the CCIM Institute education does is it really focuses in on those fundamental investment analytics or location analytics or user decision analytics and brings them back to a point of really, I guess you might say, reality. There are quite a few of us that saw back in 2006 when for example, here in Phoenix, when residential pricing was going up at 55% clips that this is not credible. Similarly, when we had multifamily lender's lending at a one to one debt service coverage ratio we knew well that's just not credible and even though you might get, I guess greedy might not be the word but hungry to do a deal a lot of people knew that that just doesn't make sense. If you don't know what investment fundamentals are it's hard to make that decision. A lot of investors have been buying based on cash on cash return for example and a fundamental piece of cash on cash return is financing so to the extent the capital markets are fluctuating weakens those investment decisions. Those are the kinds of things at the Institute education provides.

Peter: And Tim, one of the things that we consistently say whether it's weekly or biweekly, monthly, whatever the case may be we encourage anyone listening to the program to maybe put aside the I'm going to do it on my own, the DIY do it yourself attitude when it comes to investing especially in a marketplace that's a little more challenging and a little more dynamic like it is today.

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Tim: Absolutely. As Dean was saying, this is a big decision people are making and this is not necessarily one you want to make on your own. There are people in residential real estate for example, just like in commercial real estate, that are very good at relationships. There is also residential real estate agents just like in commercial real estate that are very good at marketing and packaging a property and presenting it to the marketplace. There is also people in residential and commercial real estate that are very good at analytics and so depending on what your need is you really want to get connected up with a CCIM practitioner that can really provide you that, I keep coming back to the same word, provide you that confidence in making decisions. Will they know exactly what's going to happen in five years or three years? No. But they can provide enough background and analytics to give you a higher level of confidence that the decision you're making is a better one than an alternative.

Peter: I think too it's important to note that the membership within CCIM really mirrors the changing nature of the industry like we're talking about because you have brokers, leasing professionals, investment counselors, asset managers, appraisers, property managers, developers, institutional investors, I can go on and on and on and that's important, is it not?

Tim: Absolutely and we have them in small markets, big markets, small companies, independent companies, one person shops and as you mentioned in 33 countries around the world. It's not a one-size-fits-all situation with CCIM; it's a pretty broad base of membership with a lot of different capabilities and characteristics.

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Peter: And to get right down to the bare tactics when you're looking at it, the membership was responsible for or represented about \$200 billion this past year. Is that correct? Is that a number that I...

Tim: That's correct. It's hard to exactly quantify that but based on our best analytic that's a pretty good number.

Dean: I read something recently about some connection you have now with LoopNet.

Tim: We've had an online presence called CCIMNet.com for probably 12 or 13 years, which is an online property database. You might say we were on line before online was cool. In fact, if you remember, here's the way back machine as Susan Groeneveld would say, CompuServe, remember CompuServe?

Dean: Oh yes.

Tim: We actually had CCIM e-mail addresses to CompuServe when CompuServe came out. We've had CCIM Net for some time and over the years we've had different vendor partners drive the engine if you will, the database engine, that is CCIM Net.

Peter: Tim, what we get back from this short break what we're going to do is we're going to ask you to go back in time a little bit like you have been and talk about CCIM Net, bring us to where it is today and what you expect in the future. Give Tim a call 1-866-472-5790.

BREAK

Thanks for tuning in today to Income Property Investment Talk. If you have a question for Peter or Dean call now, listener lines are open. The toll free number is 1-866-472-5790. That number again is 1-866-472-5790. Now back to Peter and Dean.

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Peter: Tim, before we left for break you were talking about CCIM Net, where it was, can you talk to us about where it is today and maybe talk about the database itself, how many listings are on there for sale or for lease and where you expect it to be and what's happening in the future.

Tim: Sure. A year ago, actually not even a year ago, last June we had about 37,000 listings on CCIM Net. Today we have close to 90,000 listings on CCIM Net. So it's getting utilized quite a bit by our members and it's a member only database. In other words, only CCIM designees and CCIM candidates may put listings on CCIM Net however, anybody can go to CCIMNet.com and search them and look at them. Where we're going with it? We have identified about 26 different local what are called CIE, commercial information exchange vendors out there in the country. So if you're in Minneapolis you use a company called Xceligent, if you're in Atlanta you use a company called Doorease, and if you're in New Orleans you use Catalyst and on and on. We are developing a platform for our members regardless of what company you use. There is a central safe deposit box if you will where you can load your data and then send it to whatever platforms you want and we're working with a number of companies including LoopNet. LoopNet has been just great working with us to help to design and develop this platform.

Dean: So is it, a couple things, is it safe to say that if we're looking on LoopNet then we're not going to miss a CCIM listing that's on the CCIM site as well? Is it safe at this point or does the agent have to make a conscious effort to upload it to LoopNet or is it automatic, once he uploads it automatically links over?

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Tim: That's a good question, Dean. Yes, it is automatic. We work on a weekly basis with LoopNet so if we have a new member join the Institute then we match our member database with their user database and make sure that they're correctly identified as members.

Dean: This other thing you've mentioned, that's going to be phenomenal. Do we have any kind of timeframe on when that will get accomplished, the regional sites pairing up with the national site?

Tim: We actually have built an illustration called CCIMnext.com and it illustrates what the intent is and we're hoping to have this built before the end of this calendar year. Not only will it be a property database at a safe house, we're calling it Switzerland, at times, where it's neutral and we're calling it neutral because as an institute we don't want to say LoopNet is the answer or Catalyst is the answer because depending on what market you are in determines what the correct avenue is for you to market your properties or search for properties. In addition to being able to funnel, if you will, or periscope your properties to these different platforms, there's also marketing services out there where you can transfer your data from this platform to a postcard provider or e-mail template provider or even forms and so forth. In residential real estate there's a standard called RETS, real estate technology standard, which is a technology standard just for residential real estate. There is a similar one called OSCRE, open standard for commercial real estate and the intent is that using this standard you can transfer this data from one platform to the other. We are excited about what it could mean, going back to your question Peter, down the road where you can enter your data once or take data from public domain on ownership or demographics or floodplains and bring it in and out of this platform real seamlessly.

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Peter: Everything you've talked about up until this point is a definite benefit to the CCIM Institute member but what about the listener out there, what about the client, what about the investor how does all this benefit her?

Tim: The distinction that I want to point out in the mission of the CCIM Institute is that the mission for the CCIM Institute revolves around the commercial investment real estate industry and not the CCIM member. This education is open to the public, this technology is open to the public certainly there's monetary consideration in order to access it but we intend to continue to do networking events that are open to the public, educational events and technology services to better the commercial investment real estate industry. What we hope is that if there is a user out there or an investor out there that they go to CCIM.com or CCIMNet.com and use those tools. Some of them they'll be able to use for free, some of them they'll need to be a member in order to utilize so we can pay for the service.

Dean: From a selfish standpoint I would love to be able to ask you questions and mostly on behalf of our listening audience to try to get a couple jewels or nuggets from you which we've done every time we've had you on the air and out of a thousand questions I don't know where to start but due diligence. I remember reading something or hearing on an interview that you mentioned that a lot of people spent a lot of time on due diligence going in on the acquisition side and miss the due diligence on the selling side and how important it is to capitalize on different line items to determine value. Can you comment on that?

Tim: The phrase I like to use on that Dean when I'm a seller or when I'm representing a seller is I want to eliminate the discounts for the unknown. In other words, if I don't have

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

all of my facts, all of the information together to present to prospective purchasers they're natural reaction is to discount my price because it's an unknown. If I don't go through the, depending on the property, the \$2500 or \$5,000 investment to get a phase 1 environmental study done, a prudent buyer not only will get one done because their lender is going to require it but they're probably going to discount the price because it's an unknown.

Dean: So the point being for every line item has a value that's going to be much greater in most cases than the value of what you spend to get the line items. For example, you pay for environmental and it's going to cost you \$3800, you may be able to increase the value of the property by 50 grand because of it.

Tim: Yes. Absolutely. The more confident the buyer is in making decisions the higher the price.

Dean: Especially because time is money. If I'm a developer, I'm coming in and I have to go through the entitlement process. If my sellers have already gone through the entitlement process sometimes a developer will be willing to pay an extra million dollars hypothetically for the property if they don't have to go spend six months going through the entitlement process.

Tim: Exactly. They call it an interest ticker. I think it's more like an interest thumper.

Dean: It explodes in your mind.

Tim: Time is money, absolutely. I agree with you 100%. We're working on a transaction where we're selling a small industrial building in Tempe, Arizona. It may be 11,000 ft.² and it's one of those buildings that was added on to so about 5500 ft.², about half of it, is new and half of it is old. The old half looks like it needs a new roof. What we could do is

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

just wait for a buyer to come in, do an inspection, and say it needs a new roof or my counsel to my client was let's go out and get three roofing bids so when they start saying we want to deduct \$35,000 for the price because we think it needs a new roof we can say we have the bids right here. We have three bids and they range from 17,000 to 25,000.

Dean: The ideal thing is to have them actually do the capital improvement but sometimes a seller just doesn't have the money at that point so the next best thing is to go ahead and get the bids and have it cocked and loaded.

Tim: Exactly right.

Dean: What about a practical example? I am struggling right now because I represent a client that wants to relocate a recycling facility from the Midwest over here to the Valley and they want 35 feet or greater ceilings. I've been having a hard time on every commercial site that I'm looking at to try to determine with the exception of going through one by one and reading the ceiling height, is there a way to search anywhere based upon ceiling right? That's a hard ceiling height to get. It's easy to get 24 feet, 26 feet clearance.

Tim: That's a great point and unfortunately I think up just about every database out there, whether it's LoopNet or Catalyst or anybody else, they have a field in their database for clear height however it's an optional field for a broker to fill in or a researcher to fill in so, I hate to break it to everybody but we brokers generally speaking are pretty lazy sometimes so many times those fields don't get filled in. So consequently, you can't search on those, unfortunately.

Dean: One by one.

Tim: That's right. I hate to tell you.

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Dean: I'm putting in a request for you to do something about that in the next 10 years.

Tim: I hear you. I had a similar situation with rail service and even though rail service is on just about every database out there, not everybody includes it.

Dean: That's critical in manufacturing and most industrial they want that container.

Peter: Ultimately, Tim I would think that especially what's happening and again we talked about the market being dynamic and how it's a little bit more challenging today but I would think in my humble opinion that commercial real estate will continue to outperform other investments not only in 2008 but beyond. What is your take on that? Do you see certain sectors within commercial real estate doing better than others? There are surveys that have come out. We have a couple minutes before the break maybe we can touch on it now and then talk about it a little after the break.

Tim: There are geographic sectors and there are product type sectors. Geographically there's a number of markets that are really strong. Wichita, Kansas, for example is just pinning on all cylinders and it's a market that if I were mobile investor I'd call a CCIM in Kansas and say tell me what's going on there. Here's the general concept that a lot of I think our listening public, and I know the investor public has a hard time getting an arm around, that is buy low, sell high. Even though the market's tough in many segments that's the time you should be in there rolling up your sleeve and saying this is a product I can buy today and then improve, stabilize, and then 3, 4, 5 years sell. It's a hard concept for people to really understand that buy low is really the right thing to do. It may sound crazy, it maybe even sounds trite, maybe it's overly simplistic but that's really the message that needs to get out this is a great time to be buying.

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Dean: When I used to invest in the market, stock market, I used to buy high and sell low but I tried to make it up on volume.

Tim: How did that work for you?

Dean: It didn't come out too good.

Peter: Well, we're coming up on our third and last break of the program. When we get back we'll talk to Tim Hatlestad, 2008 president of the CCIM Institute more about markets, market timing, what's happening out there, what property types are working well, maybe another market or two. Tim what you just gave us was golden. I'm not sure if everybody really understands what you just told them is golden information that they can act on but when we get back we'll talk to Tim more about commercial real estate.

BREAK

Thanks for tuning in today to Income Property Investment Talk. If you have a question for Peter or Dean call now, listener lines are open. The toll free number is 1-866-472-5790. That number again is 1-866-472-5790. Now back to Peter and Dean.

Dean: I think Tim is bouncing to the music. I don't know if you'd admit it or not but I think he's bouncing over there. It could be that or the caffeine.

Peter: Or a combination of both. Tim, before we left for break we were talking about what's happening in the markets. You left our viewers with a golden nugget. I believe that Wichita, Kansas is doing quite well right now and will be for the coming months. I was looking at a survey that came out of CCIM with the Real Estate Research Corporation, the 2008 first quarter Investment Trend Survey and according to them right now the study found that regionally the East topped all the regions with what they give as a 6.5 economic performance rating. You know about the survey and they looked at the East,

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

the South, the West and different areas of the countries. They looked at capitalization rates and property types. There was some concern with overpricing. Any comment on this survey?

Tim: There is a CCIM by the name of Ken Riggs who heads up RERC, Real Estate Research Corporation. Coincidentally, Randy Atkins, who was on the phone earlier, Salt Lake City for an office market is one that Ken Riggs' organization says that's one to watch. Austin, Texas for office is another, Sacramento is another and then he breaks it down by office, industrial, retail, multifamily; I shouldn't say he, his organization does. For industrial, Kansas City, Kansas, I mentioned Wichita already that's high on the list, my list anyway, but he also has Sacramento and Seattle high on the list for industrial. One of the benefits of the membership of CCIM Institute is we have a partnership with RERC putting out these quarterly reports called Investment Trends Quarterly where specifically that organization on our behalf looks at these different market segments office, industrial, retail and multifamily and points out some indicators, points out some reasoning behind why you might want to look at Portland, Oregon for example in multifamily today or also in multifamily Austin, Texas. It's an invaluable tool.

Peter: It seems that the survey as I'm reading through it prior to the program and right now, it points out that multifamily apartments are the bright spots in 2008 and beyond.

Tim: The challenge we have to recognize with any research is that, NAR harps on this quite a bit as well, and that is real estate is local and certainly multifamily is localized probably more so than any other commercial real estate product segment. Multifamily I agree is a good product to look at. There are some markets for example; Phoenix, Las Vegas, Nevada, Florida, California that you want to be real cautious and you're working

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

with somebody really strong in that multifamily segment before you make any buying decisions.

Peter: It goes back to those relationships that we talked about and having the very best professionals working for you and to make sure that they're looking out for your best interests.

Tim: Another big part of that too is today more so than any other time in the last 20 years buying a property also means financing the property and so when you're working with a strong individual you want to make sure that they also can help you with the financing package and have a number of resources to get some good capital for that acquisition. As upset, if you will, as the capital markets are today you really want to make sure you that you have the financing backend if you will.

Dean: I understand that a lot of large corporations even Fortune 500 only use CCIM designees for their land acquisitions. For example, I understand that McDonald's...

Tim: We have kind of a who's who when you go to our courses and a natural assumption is that when you think of CCIM you might think of a broker with Grubb and Ellis or Marcus and Millichap or RE/MAX or CBRE or whomever but if you're going to a course if 50% of the students in the class are brokers the balance are people that work for GSA or accounting firms like Ernst & Young or even the site selection departments for McDonald's or Walgreen's or fast food organizations as well as retailers.

Dean: I heard you guys recently, In and Out Burger started using you.

Tim: In and Out Burger, and I mentioned that one of our Robert L. Ward Center for Real Estate Studies courses is a negotiation workshop and it's a two-day and also a half-day

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

workshop and recently the State Department had about 35 of their people go through that negotiation workshop.

Dean: You know what realtors in Arizona call In and Out Burger, we call it egress, egress Burger.

Tim: My son calls it in and in and in and in and in.

Dean: Never out.

Peter: I would think, just to go back to the financing concerns or comments that you were making earlier whether you're a large multinational or an individual investor lending is a specialty as well is it not in commercial real estate? Aren't there some lenders who specialize in tenant in common investments, specialize in apartments, specialize in office?

Tim: Well, here's another great piece of news for the small and medium-size investor. It used to be up until two or three quarters ago that a lot of the commercial real estate financing was done through commercial mortgage backed securities and it seem like as a small and medium-size investor that was kind of out of reach because of cost and third-party reports and thresholds of borrowing capacity. The cost for commercial mortgage backed securities financing or what are sometimes called conduit loans has gotten more expensive because of what's going on in capital markets with liquidity and spreads. The effect to that is that bank financing, your typical corner community bank is a great source for small and medium-size investments, say up to \$8 million from \$200,000-\$8,000,000. In fact yesterday you probably heard that the Fed lowered the target rate another three-quarter points, 75 basis points and not all banks tie their financing to prime but many do but the moral of the story is commercial real estate financing is very specialized but a

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

good place to start with your broker is to knock on your local banker's door and say I'm looking at buying this apartment building or office building, what kind of financing terms can you provide me.

Peter: That's a great point Tim. We appreciate that and we have about two to 2 1/2 minutes left in the program. We really didn't focus on the fact, and I apologize for this perhaps maybe I should of focused more on what you do at RE/MAX Commercial Investment in the Scottsdale/Phoenix Valley area. I know you focus on representing investment acquisitions, dispositions, group investments. Do you want to spend the next minute and a half minute, minute 45 seconds talking about your company and what you do there?

Tim: Of course right now, this year, as I know you can really appreciate Peter, about half of my time is spent working with the CCIM Institute and talking to people around the world about what that means but as a company we've got about 45 agents. So we cover about every food group if you will of commercial real estate. Personally as you noted, I work with investors particularly and acquisition and disposition, kind of a wealth building perspective, if you will. I work with my clients on more of a longer-term basis in a strategy to build up their wealth whether it's a family trust or husband-and-wife or kids, it doesn't matter, that's kind of our focus. I still do some site selection for some clients that I've done that for over the years whether its gasoline, convenience or banks as an example.

Peter: Tim Hatlestad, 2008 president of the CCIM Institute, we thank you for coming on Income Property Investment Talk. It's always a pleasure to have someone from the CCIM

Episode 24 March 19, 2008
The CCIM Institute: The PhD's of Commercial Real Estate

Institute on and we've known each other for several years now and I thank you for spending this hour with us.

Tim: I really appreciate it guys. I enjoy it all the time.

Peter: Excellent, thank you Tim. On next weeks program we do have Scott R. Saunders, senior vice president with Asset Preservation Inc. who's going to be talking about how your money can make money. So join us next week here on Income Property Investment Talk.

Filename: d031908_transcript.doc
Directory: C:\Documents and Settings\Ken\My
Documents\BAKComm\transcripts
Template: C:\Documents and Settings\Ken\Application
Data\Microsoft\Templates\Normal.dotm
Title: Good Morning and welcome to Income property investment talk
with host Peter Mosca and co-host Dean Essa
Subject:
Author: Progapps
Keywords:
Comments:
Creation Date: 3/26/2008 8:51:00 PM
Change Number: 3
Last Saved On: 3/26/2008 8:52:00 PM
Last Saved By: Ken Butler
Total Editing Time: 6 Minutes
Last Printed On: 3/26/2008 8:56:00 PM
As of Last Complete Printing
Number of Pages: 25
Number of Words: 6,430 (approx.)
Number of Characters: 36,653 (approx.)