

D/FW LAND ADVISORY

11th Year! Street Smarts For Cleaning Up In Real Estate

(972) 550-0700 2108 Hurd, Suite 200 Irving, TX 75038 FAX (972) 580-1989

D/FW market experts forecast fair weather, but not for everybody...

Seminar Intelligence: Private Investors Could See Gain-Without-Pain Year in '99

Last week I went to the 26th annual MIPF Research outlook seminar. Decided it was time to put an ear to the ground and learn how seriously I should be taking everything I've read lately, maybe even detect a danger signal worthy of alerting my charges to. I should've hit the snooze button and slept in...

From:
Las Colinas, Texas
Friday, 12:24 p.m.
November 20, 1998

Dear Subscriber and Fellow Speculator:

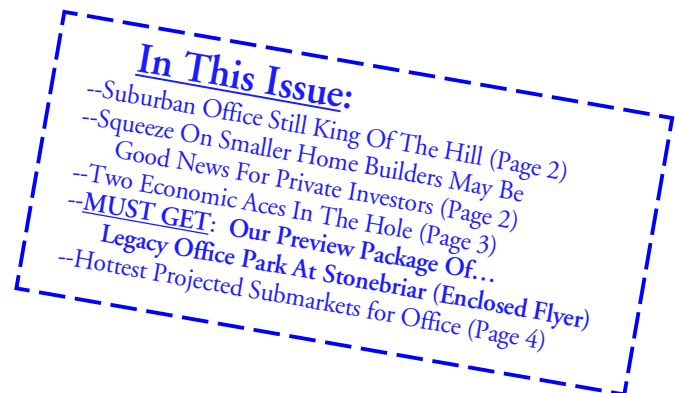
I have an attitude about seminars.

I keep hoping I'll come away smarter, or with a tip that might lead to a discovery of sunken treasure before the rest of the world gets there. Truth is, real players that do real deals never learn anything at these events they don't already know or haven't read about in the papers. What they get is something akin to three parts confirmation, one part speculation, and the feeling they have somehow graduated to an inner circle of forward-thinking individuals. But for all the slick slides and laser beams, this year's outlook could've just as well have been summed up as so:

"Next Year Won't Be As Good As This Year."

For three years now they've predicted this, and by glory this time I think they've hit it.

OK, some ground rules for this issue. First, it's short... only four pages. If you were expecting a synopsis of the seminar, sorry to disappoint you. I've better things to do than insult your intelligence with a repeat of what everyone already knows. In an industry famous for self denial, what you need is a Fearless Fodstick not afraid to say it like it is, to lay out the raw, the *unsanitized* version of how they really feel about things. Herein I've separated wheat from chaff: talked it up with other



attendees, sifted through the B.S., researched the manual, extrapolated relevant info and reconnected some dots... all so you don't have to. Here we go, in fast forward...

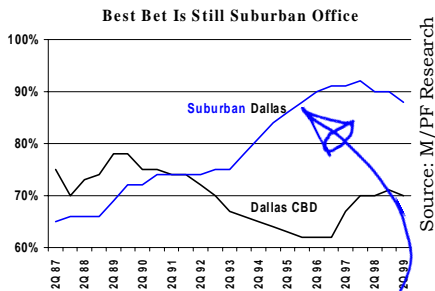
1. Credit Crunch? For Who?

For all the negative drivel we've been hearing about a capital crisis, the banker who spoke seemed more concerned over remembering where in the parking garage he had left his car. For sure there'll be some tightening of credit standards, and the number of customers on the A-List won't be what it was in May. If banks don't know your name, for sure they're not going to any trouble learning it now. As for new standards, 25% seems to be the number in equity, as if the old standards were all that much less. I say 30% up, plus neighborhood-feel projects in A-1 locations--those get the ribbon.

2. What Good Is There In Having A 2.4 Million Square Feet Office Space Overhang?

Actually, this: It's going away.

Now that the emergency brake is on, the speedometer needle for new construction will soon be heading back towards zero, giving absorption ('99 forecast=4.5 million feet, '98=3.6 million) a chance to pull even, maybe ahead. Give 'er about six months, eight at most. Just be thankful the tankers responsible for the pileup are no longer running loose on the freeways. For small operators like me, I must admit the competition for a while was a bit scary, especially in markets like Las Colinas. But now it's over, and for private investors not to floorboard it and swing over to the passing lane, that's unthinkable.

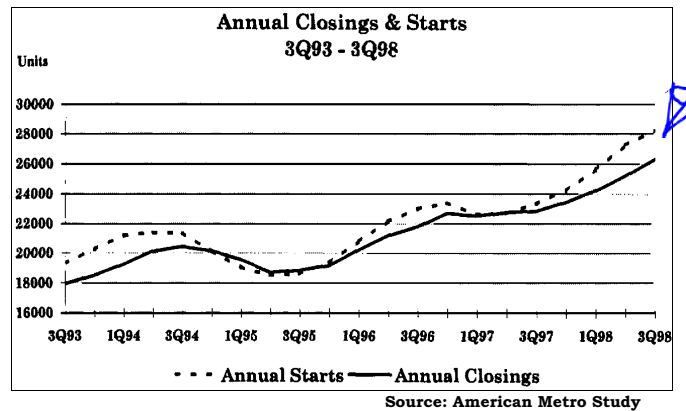


Suburban Rules!

Tiny Gaps = Good Health

3. If Not For This, The Housing Market Would Be In The Pink...

For months I've had the hots for another lot deal, a condition I have brought to the attention of my brokers with monotonous regularity. This graph shows partly why. Supply and demand lines are textbook perfect, meaning the gap between supply and demand is tiny. The only bad news is customer satisfaction. Shortage of labor has stretched build times to four and six months past normal, at the expense of buyer patience. Stepping over that, I doubt anything close to a top has been reached for the money that will be spent on housing in the next five years. If ever a pull-back occurs, it'll have little to do with buyer demand, and a lot to do with bankers and realtors, paralyzed from mistaken beliefs we were headed for a recession. Meanwhile, keep an eye on small bank-dependent builders. Both eyes. Now that the qualifying bar has been raised, they could soon be coming for private money, and coming hard. As in sharing their profits to get the money they need

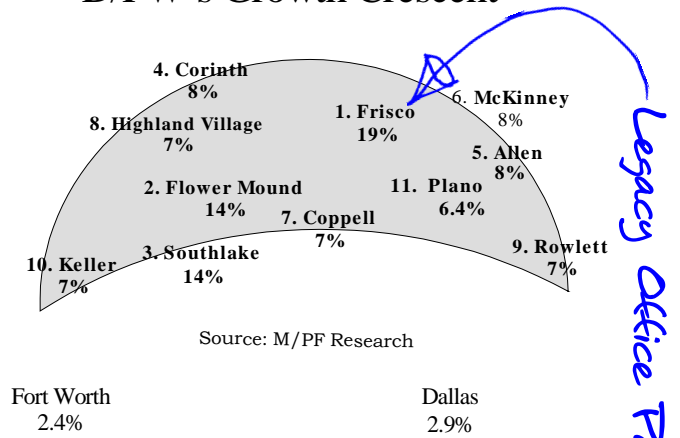


Score another one for the home team when here.

4. Warning! Beyond These Borders, It's As Thin As Spring Ice...

Here I have reproduced probably the most useful graph of the seminar, that for some inexplicable reason was not included in the handouts. This region I previously referred to in my past issues and Urgent Action Reports of the early 90s as the Northern Arc, only now it's taken on sort of a quarter-moon look (they stole my idea; I'm almost certain). Anyway, this could be the nearest thing to a sunken treasure locator available. It's where all the people are going. For quick-turn real estate, it's the jackpot, the prize, the find, the bonanza, the fabled big enchilada. If you insist on straying south, I suggest another line of business unless you've a deep interest in politics and charitable concerns. That much I am sure of.

D/FW's Growth Crescent



Legacy Office Park (see flyer)

5. With Our Present Infrastructure, I'm Not Sure We Could Stand Another 131,000-Job Year Anyway...

A cooling off could be just what the doctor ordered, but if the economy's still got you bugged, howabout this: Somehow, we manage to muddle through the Global Crisis with maybe a ding or two, but no serious trips to the body shop. Then we amble on down to election year which is 2001. Election years are almost always good for the economy, because politicians can't handle the "R" word (recession). Meanwhile, D/FW just finished up as one of the top three job producers in the nation for '98, peaking out at 131,000. (Los Angeles and New York were the other two.) However, next year's estimate has been slashed to 74,000 jobs by M/PF Research. I'd adjust that to the mid-80s, though, because chart makers almost always (purposely) undershoot. And, thanks to info technology, may as well factor in increased productivity as a main contributor to economic potency. Oh, and D/FW Airport. Our anchor. Soon it will claim title to the busiest in the world. As for national, zoom in on exports. They make up 1/7th of the U.S. economy. Considering that just seven years ago it was only half that, you gotta wonder how much healthier one can expect us to get. SO: yougotchur export powerhouse, yougotchur world's busiest airport, you gotchur 80,000+ jobs, and yougotchur election year right around the corner. What else was it you needed help with?

6. For "A" Locations, Don't Bet Against These...

For high octane results, start here: Platinum Corridor, Golden Corridor, Telecom Corridor. The Platinum corridor is a several mile wide strip of real estate along both sides of the Dallas North Tollway, stretching from LBJ Freeway to S.H. 121. Its circle of influence includes Frisco, Allen, West Plano, and far North Dallas. Some 65,000 people moved into this area since '90, which did not escape the attention of General Growth, who broke ground last month on Stonebriar Mall at

the Bridges in Frisco. (Am I the only one who thinks mall names are getting excessively long?) The other two corridors you shouldn't need help with since most of our money has been going there for the last five years, and more'n enough has come back to keep us there.

7. If You've Got The Goods, Put Them In The Window...

As usual, the ones who put more thought into what goods qualify as display material, they will be the go-ahead players. To keep the bankers lined up, better make it fat on equity and certainly nothing requiring serious thought. As for tenant magnets, it's better to look Tiffany's than Service Merchandise. Everything else comes off the shelf.

Right about here I need to stop and pack this up for the printer, so hear me out: we needed a good 25% of the heat taken out of this market, anyway. To regain equilibrium and make up yardage we'll be giving up in jobs next year. Sidelineing the REITs took care of some of the problem, if not all. Meanwhile, banks will be looking for places to put money that they used to loan to REITs which should open huge doors to the not-so-huge players, meaning you and me. It's as if we have suddenly been granted rare privileges. Inherited special powers.

I hope all this suggest something extremely valuable and useful to you. like where, over the next couple of years at least, your money should be going. If it doesn't, I'm going to call 911 and have them come take you away.

Sincerely,



Mike Heatley
"Fearless Fodstick"

P.S. The seminar book listed seven office markets offering the greatest opportunities for '99. Maintaining occupancy levels in the upper 80% range was one criteria. The other was a history of substantial absorption (whatever "substantial" means... a number would have helped). Las Colinas Urban Center and Northeast Tarrant County made the middle of the pack. Not a big deal, really, unless you happen to be among the participants of our last two office ventures, namely... Colleyville Square and Premier Center, both of which are centered in the fairway of these markets. Oh, and this: for all the magpie-yack about a slowing office market, M/PF Research is showing for '99 an occupancy dip for Dallas of...

One Point!

Nerve wracking, isn't it?