

D-FW LAND ADVISORY

13th Year! *Street Smarts For Real Estate Speculators*

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Is The New Economy Derailing Real Estate?

We needed "real world" answers to this, we needed them fast. The Discussion Roundtable at Landplayers.com obliged with a fire hose of info...

From:
Las Colinas, Texas
Monday, 9:38 a.m.
September 11, 2000



Dear Subscriber and Fellow Speculator:

Of all the potential boom-busters for real estate, only one do I truly fear.

Us.

The last the thing we need is a healthy yet-to-peak market thrown suddenly into a downhill slide for no other reason than someone said it was going to. Why it is we have such a fondness for letting perceptions become our reality is beyond me, but something should be done about it.

I doubt this letter will have any impact on such foolishness, however some of these views could qualify as debate material for the national election . The comments were harvested from real estate execs and high net worth individuals on our website, Landplayers.com, so that the players, not the spectators, are doing the talking. Here we go:

"In reality, some specific industries and/or services will be affected by the New Economy. For example, I use the internet to make travel arrangements and often find I am able to customize trips and save money in excess of traditional travel agencies. In effect, it is unlikely that this service industry will be affected. The majority of other services will not likely be affected. For example, during a recent purchase of a new vehicle, I used the internet to narrow down my choices. However, I would never consider purchasing a vehicle over the net. I find the internet another method of expanding advertising for business and to let potential clients know and understand the services we provide. Very rarely are we engaged for services using the net. With respect to the future, and real estate in particular, this new method of commerce will have

limited impact on future demand but should be seen as a valuable tool in which prospective clients can 1) find you, 2) use as a tool for narrowing choices, 3) use as a tool for gathering information. Again, the key for real estate will continue to be location, location, location. Demand and feasibility studies should be conducted prior to any major investment and/or developments"-

-D. Sherwood

#1 Best Answer!!

"The new economy won't derail real estate, but like the advent of the automobile, TV, computers and professional sports, it will cause changes; those that adapt and capitalize on the changes will be the winners/survivors. Those that don't will go the way of the movie drive-ins (RIP), but even those owners in many cases made out like bandits because they sold the dirt to some multifamily developer or retail center. While online shopping continues to grow significantly, people are still social animals and like to stroll the air conditioned malls every now and then. People still want to eat out rather than cook at home, and those businesses that use the internet exclusively will still need big distribution centers. There are even ecommerce office complexes wired to the hilt to provide the space for these online businesses. If you look at the meteoric rise and subsequent fall/shakeout of the dot coms recently, you may think that just owning the dirt is safer in the long run anyway. As anyone who's invested in real estate over the last 15 years knows, it can have its ups and painful downs, but in the long run it's still a finite commodity and the population isn't getting any smaller. I just wish I were smart enough to figure out what combination of retail/industrial/ecommerce site will rule the day so I could tell Heatley to go find it and get a group of us in that deal quick! Mike, do you have the crystal ball?? For a more thorough and analytical review of the impact of ecommerce on retail dirt, see www.moodyys.com, then select "structured", then hit "commercial mortgage securities" and scroll down for the article "CMBS: The Impact of the Internet on Retail Real Estate." Moody's is one of 3 national rating agencies that rates, among other things, securities backed by commercial mortgages. The site is a little tough to maneuver through, but the info is pretty sound." --P. Sargent, Dallas

"I agree that the New Economy is our friend and that if speculators do what speculators have always done, there could be a big problem. In the present situation, the best thing to do is keep your eyes open, notice everything, analyze every bit and byte of data that you can find. Of course a prayer might not hurt things either. Jim Rohn said that he knew what the future held and in front of a very large group of people he offered to give them this information. As they all waited with intense concentration and focus, he said..."Gentlemen, things are going to be in the future...the way they have always been." I think that sorta sums it up for me. Thanks for the free newsletter."-- K. Barrett

Why should the new economy derail real estate? It appears that the broad stock market has already been the target of new economy investors as money has flowed out of small cap (and large caps with normal growth rates) markets. While the broad market has actually declined in the past two years carrying the REIT market down also, it does not seem to have stopped the rise of real estate values. There does seem to be a definite trend currently for the hot spots in the real estate market to become overbuilt (look at the S. H. 121/ Preston Road area for example). Dot com startups are not going to disappear (at least for a while) even though the pace may slow down. They will need space. Even more so is that the suppliers to the internet will need additional space. The internet will never go away though dot coms will come and go. Last time I looked the population was growing (just not as fast as it used to). Land is not. Business is growing—Land availability is not. People do not have to have stocks—there will always be a need for land. The market is finally beginning to rise for REIT stocks. The new economy will only help.--R Hunter, Dallas

Better yet, go to www.FI.com

Sign of things to come

"I see this new economy as very exciting. The new opportunities being created seem to me to be developing more needs for space than are being phased out. For example, we have a retail building in which a major regional telecommunications company is actually leasing expensive retail space for a switching station. No people, no traffic, no parking used up, maximum rent from a credit tenant — I love it! Bring me more! Thanks for your newsletter." -- **G Johnson**

"Excessive Government and Fed Interventionist policies are tanking the new economy. On interest rates alone, does it make sense to suddenly increase interest rates, amidst new cries of inflation fears, after decades of trade deficits and low inflation, when we have an aging consumer population that will begin to decrease demand by the year 2007 (DENT 93)? Increasing unemployment and putting people out of work is unconscionable. Redistribution of wealth from the high tech e-commerce sector back to the old economy investors is changing rules in the middle of the stream... un-American... similar to the Tax Reform Act of 1986. The trade gap will widen... higher U.S. interest rates are keeping the dollar strong versus other currencies, good for U.S. imports, but very hard on recovering economies as their interest rates rise and their imports are more and more expensive. Even U.S. consumption is slowing with respect to domestic goods, consumption of foreign goods is also curtailed, jeopardizing the already weak recovery." *Investment House.Com; 06/07/00.* We have anything but a stable economy due to higher interest rates.

- Steel orders... down
- Automobile sales... down
- Retail sales... down -- Dillards, Albertsons, Proctor & Gamble
- The capital market is disappearing
- IPO's and tech stocks are out of favor with the Fed
- Housing starts... down (6% in April)

From a multifamily perspective, according to *Steve Brown - Dallas Morning News* - construction permits are down 50% in Dallas since the first of the year 2000.

Dallas/Ft. Worth is No. 1 because of the New Economy: 100,000 people have moved into the Dallas area for four consecutive years - 160,748 in 1999. Dallas is No. 1 in new jobs created in 1999 - 82,000 plus. The Dallas/Fort Worth metro area is number 1 nationally in the number of new jobs from 1996 - 1999 with 313,000 new jobs. The new economy represents new jobs, prosperity and an opportunity to retain world economic leadership and viability for our country. According to a new University of Texas study, the Internet economy created 650,000 new jobs and they have been responsible for a third of the nation's economic growth for the last 5 years according to *Jim Landers, World View. Dallas Morning News; 06/12/00.*

Aren't we the lucky ones!

Whipsaw Economy: Excessive Government, Fed and political intervention, along with poor policies seem to be the real enemy of real estate. More and more of our noted investment advisors are questioning the course being followed by our esteemed leaders. Since real estate activities represent more than 50% of gross national product, seemingly our future is in the hands of the enemy. Wasn't it POGO who said, 'I have found the enemy and it is us.' --**K. McGovern**

“Economy threats-NAH! The economy here [in southeastern Virginia] is not slowing down in the least regardless of the increasing threat of higher interest rates and an oversupply of retail and office space. However, with the boom of computer and software companies, government contractors, and technical training centers EVERYWHERE there will certainly be a need for more and more high tech professional office space. Also, many folks here in the medical fields are able to purchase properties in order to expand out on their own with the advancement of laser surgery, MRI facilities, and outpatient surgery rooms (more than one location). Doctors/dentists here and other medical specialists are expanding rapidly (mostly purchasing) but have more than one satellite office which they usually lease.” -- **R. Potter**

Well, there you have it, the battle lines report straight from those in the thick of it, the ones “doing the doing.” But did we *learn* anything? Howzabout this: Nothing is ever as good as it seems, nor is it ever as bad as it seems. Except when it comes to the DFW economy where, praise heaven and earth, things sometimes have a way of turning out *better* than they seem.

Sincerely,



Mike Heatley

“Just another street fighter who says it like it is.”

JV UPDATES

LAND: Two Letters of Intent are working on **Coppell/Freeport Parkway**, and for backup two other parties have expressed serious interest in a ground lease. Freeport Exemption, by the way, finally passed. The **Illinois Avenue/Mountain View** contract tanked, another we like better has replaced it. The **Southlake/Stone Bridge** contract is mashing forward, a zoning application was filed last week. Should all of the extensions be executed on **Richardson/Breckinridge**, it closes in April. All of the escrow dollars are nonrefundable on that one, plus all escrow received from November on will be *nonapplicable* to the purchase price as well. The contract on the 3.93-acre **Riverbend/Loop 820** site is still going back and forth. Light at the end of the tunnel for **Lewisville/Valley Ridge**: the property at the southeast corner of this intersection is under contract, and the property owner bordering our eastern boundary has come to us for a price. Last, if you are as fed up as we are over the absence of action on **Lewisville/S. H. 121**, relief may be at hand. Not a nibble, but a serious bite just last week on 35,000 s.f. at the north end, wait and pray. **Just this minute received a Letter of Intent for part of 8.8-acre lot in **Wylie/Century Business Park**.**

DEVELOPMENT: Lots have been staked for Phase II in **Harbour View Estates**, a Realtor bash is scheduled for Oct 15th. In all 59 lots are closed, another half dozen should put us on distribution. **Las Colinas/Premier Center** is 11.6% leased, the second lease currently being negotiated would make it 15%. The developer expects 75% leased by Christmas. no less. The Sept 15th broker event has been scrapped in favor of a revamped promotion. **Park Glen Market Center (a/k/a Basswood)** is within a few weeks of starting Building #3 (pegged for retail) fronting Basswood Boulevard, the main east west drag. Part of the building is preleased to a cleaners... considering the rash of new retail at this intersection, this should fill fast. Building #2 of the **Colleyville Square Expansion Phase** is now complete, no tenants signed yet, but no shortage of leads either. The Phase I 2.08-acre corner of **Colleyville Crossroads** has been released to make way for a restaurant pad sale, several proposals are in the works... ###