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LOSING THE LUNA-TIC FRINGE

Only the strong TIC sponsors will survive to once again thrive in western commercial real estate investment.

Michael Franklin

The past year has undoubtedly been the most challenging in recent memory for those involved in commercial real estate. Tenant-in-common (TIC) sponsors have felt the same pressures and, in some high-profile cases, have succumbed to the rapid changes in our economy.

As in all areas of the commercial real estate sector, however, there are TIC sponsors that are reacting proactively to the challenges facing us and there are those who will not survive this downturn. The question then becomes what are the major issues facing TIC sponsors in 2009 — and who will live to see another deal?

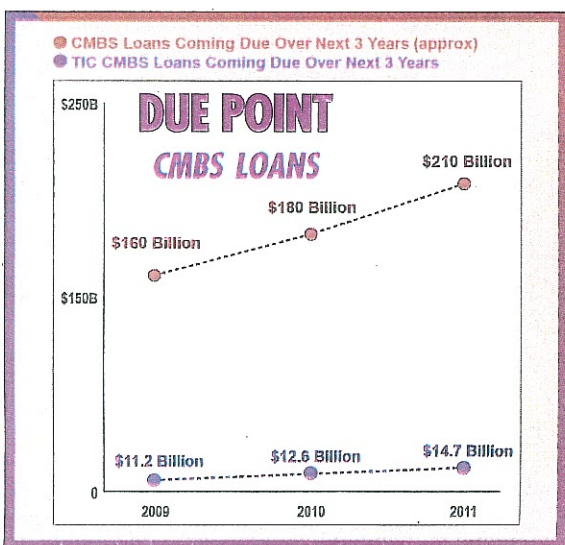
A BUSINESS MODEL ISSUE, NOT AN INDUSTRY ISSUE

The past year saw a few high-profile TIC sponsors fail completely or take to the sidelines. While it may be expedient to view this as an indictment of the entire industry, those familiar with these firms recognize the reality — the stresses on this sector have magnified the fault lines of companies whose business models work only in the best of times.

For example, there were firms that guaranteed a high return on investment. Real estate, however, holds few guarantees. The only way this firm could honor its commitment to investors was to subsidize existing obligations with new deals. When the firm could no longer finance new deals due to economic conditions — and the returns guaranteed on the firm's existing assets were completely out of line with the investment's true yield — thousands of investors were left in a chaotic financial position.

The lesson in this situation mirrors that of the financial industry as a whole: transparency and skin in the game

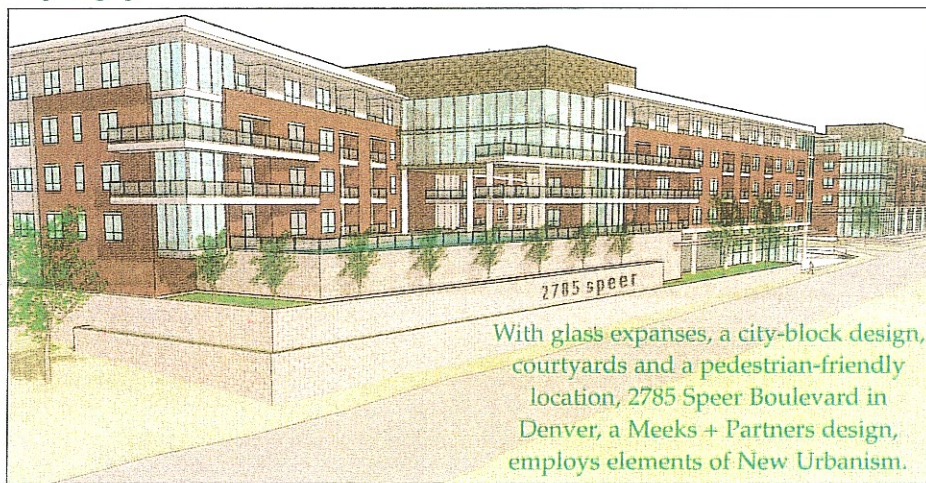
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DESIGN IN THE TIMES

Four trends are making a mark on architectural design during the economic down cycle.

Amy Bigley



With glass expanses, a city-block design, courtyards and a pedestrian-friendly location, 2785 Speer Boulevard in Denver, a Meeks + Partners design, employs elements of New Urbanism.

During tough economic times, companies are more willing to embrace alternative, cost-saving options. Architectural and design firms are seeing a variety of trends that employ green, sustainable, lean and inexpensive design elements, which help companies reduce costs, revitalize communities and highlight positive aspects of buildings and developments.

LEAN DESIGN

Representing a new wave of design innovation, Lean Design is part of the cultural shift from the manufacturing delivery method to a knowledge-based economy.

First popularized by Toyota in the

1960s, Lean Design is a production management-based approach to project design and delivery. The principles of Lean Design have moved away from a mass-production assembly line to a decentralized manufacturing design, supply and assembly process, explains Stan Chiu, vice president of Los Angeles-based HGA Architects and Engineers.

"In design, lean applies to a series of organizational principles to the built environment with the objectives of maximizing value and minimizing waste," says Chiu.

Each aspect of Lean Design has its own set of benefits, which combine to create the overall effect. Knowledge-based design benefits include

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