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Kahr Notes

Vol. 4, No. 2 * February 2, 2006 * Issue #22 * 1,777 active subscribers

"Kahr Notes" is an electronic newsletter from Kahr Real Estate Services LLC that carries interviews, news, and original research.

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In "Kahr Notes" this month:

- "From the Ground Up"
- Course Schedule for 1st Quarter 2006
- Lofts in Suburban Hell – An article by Contributing Editor, Avi Nagel
- Analyst/Associate Job posting: Stonemar Properties

1. "From the Ground Up"

Hello again.

The big mission for this month is finding new office space. Running my business from my kitchen table and my office in southern New Jersey has lost ALL of its charm; I'm looking to centralize my business in a small office in the financial district.

While I'd like to say that I'm picking an office in the financial district because of its proximity to a key client or its relative low price, the truth is that downtown is just a beautiful place to work. Whereas most of midtown is a swamp in the summer, the financial district has the breezes off of the harbour. In addition, downtown is filled with history and I like the overall feeling a lot more than midtown. Finally, as a native New Yorker (what, couldn't you tell?) who grew up with fond memories of watching Milken, Boesky, and the rest of the gang perpwalked in handcuffs, nothing says that you've made it more than an office in the financial district.

In a way, my personal desire for office space downtown is proof of one the central tenets of corporate real estate; in general, companies choose where to place their headquarters based on entirely non-economic reasons (i.e., proximity to the CEO's house and/or a decent golf course). It's nice to have a personal example of this effect in action; heaven knows I've only said it a hundred times while teaching real estate classes.

Other than my adventures in real estate, I have a couple of projects that I'm going to take equity in. The scary thing is that neither of them are real estate deals; both of them are real estate service related projects. This isn't a result of my professional bias towards service related projects; I think it's more an outgrowth of working in a market that thinks a 6% yield on a cash flow deal is acceptable.

When the ink is dry, I'll be sure to make a public announcement of my new ventures; you'll hear from me again in March.

Regards,
Josh Kahr

2. 1st Quarter Training Schedule for Argus and Excel

At this time, we are offering Argus classes in NYC and Boston in the 1st Quarter and Excel classes only in NYC. We will offer classes in other locations as the year progresses. We'll launch one in Chicago in the 2nd quarter and also hold one again in LA; the dates will be announced shortly.

The Argus class covers in two days how to use the software to finance, invest in, and develop real estate. All attendees also receive a copy of my 200 page training manual that is the product of over four years of teaching Argus at leading universities and corporations. It is the only manual of its kind that covers both the software and the important related financial issues.

The Excel class is a one day crash course in using Excel for real estate investment and finance. It assumes minimal knowledge about Excel and shows attendees how to build financial models that include various bells and whistles including the impacts of leverage, taxation, and how to structure partnerships. Partnerships are one of the most complex pieces of building a financial model, and the class spends significant time hammering those issues out. Unlike my Argus class where I teach solo, I'm team teaching the Excel class with a colleague, Scott Robinson. Scott is a fellow real estate professional and accomplished instructor, and he worked closely with me to build a comprehensive and easy to follow Excel model.

The schedule is:

- Argus, New York: March 4th and 5th
- Argus, Boston: March 11th and 12th
- Excel, New York, March 18th

All classes run all day from 9:00 am to 5:00 pm. The Argus classes run on Saturday and Sunday, and the Excel classes run on Saturday only.

The fee is \$575 for the Argus class and \$350 for the Excel class. If 3 or more people from your organization sign up, please contact us in advance and you will receive a 15% discount off the total fee.

More dates will be posted shortly on my web site; the 3/4 and 3/5 class is almost full.

To sign up for an Argus class or read more, go to:
<http://www.kahrrealestate.com/argustraining.shtml>

To sign up for an Excel class or read more, go to:
<http://www.kahrrealestate.com/exceltraining.shtml>

If you're interested in customized on-location training, contact me directly at josh@kahrrealestate.com for more information.

3. Lofts in Suburban Hell

I have an article that may beat my "adopt a goat" program from last month... if you don't know what I'm talking about, go to:

<http://www.localharvest.org/store/item.jsp?id=568>

This month, Avi Nagel, Contributing Editor, has an amusing piece on lofts in suburbia. Feedback is appreciated. Avi's e-mail address is: avi@kahrrealestate.com

Suburban Lofts

Sandwiched in-between articles on socially adept eight year olds and a cookbook focusing on taste associations, suburban lofts found a home in the recent Year in Ideas New York Times Magazine (<http://www.nytimes.com/indexes/2005/12/11/magazine/index.html>). Now there's nothing new about lofts per say. Any city dweller knows at least one person who calls a former warehouse, hospital, or even shoe factory, home. What's novel about this idea is developers are taking the characteristics of loft living, such as open floor plans, exposed beams and ductwork, and high ceilings, to the suburbs. This seems a bit strange since the suburbs aren't the most natural place to find empty factories and warehouses suitable for residential conversion, but this idea has been attracting recent attention. Part of the excitement of the suburban loft is at least partially attributed to confusion; it seems that there are at least two distinct types of lofts being sold in the suburbs.

The first type is often found near major mass transit systems. An example can be found at Orenco Station in Hillsborough, Oregon, a suburb of Portland (<http://www.orencostation.com>). Developments like Orenco Station sell loft-style units in a New Urbanist context; the lofts are located either by a town center or mass transit system that allows easy access to the city. In this case there is nothing surprising about loft-style living; it's an aesthetic that is likely to appeal to certain buyers, especially the young first time home buyer or empty-nester looking to downsize.

The second type of suburban loft is more novel. In 2004, the National Association of Home Builders chose to preview a loft-style single family detached home totaling over 5,100 square feet. Shortly thereafter Cornerstone Homes built Ironworks Lofts in Frederick, Colorado. Frederick is about thirty miles north of Denver. These lofts feature high ceilings, brick and cinder block walls, and complete faux factory exteriors. Both products were examples of a city type product (lofts) geared towards the suburban family.

To view the Ironworks Lofts, go the architect's web site:

<http://www.terraverdearch.com/projects/residential/plains/Ironworks/Ironworks2.htm>

While developers market the suburban loft as city living with all the amenities of the suburbs, there doesn't seem to be anything "city" about the idea of living in fake factories. Are buyers really attracted to the thought of living in the "Disney" district of their subdivision?

The interiors of single-family lofts are much more aesthetically appealing. The open floor plans are allowing homebuyers to define their own spaces. We already see undefined open "great rooms" popular in larger homes, and many are choosing to replace their downstairs office for a guest room.

As someone who saw his parents spending no more than a few evenings a year in their oversized formal living and dining area (the big portion of the house), I don't see the lack of definition as such a great loss. What seems important is allowing enough flexibility for the homebuyer to make changes if they wish and clearly being able to stamp their own individualities. Besides, open floor plans make for great party homes for both adults and children! Lofts are certainly here to stay and will

definitely be an attractive product type for both buyers and homebuilders.

4. Stonemar Properties Job Announcement

While I generally don't run job ads, a personal friend asked me to, and it's a good group... sharp, aggressive, and a small team.

THE ORGANIZATION

Stonemar Properties, LLC (www.stonemarproperties.com), is a real estate investment and acquisitions company, with offices in New York City, NY and Montecito, CA. As an active player in the commercial real estate market throughout the United States, Stonemar has participated in equity transactions worth more than \$700 Million and involving over 11 Million Square Feet during the past two years. In addition, its principals have been responsible for over \$2 Billion of equity investments in the multifamily, office, retail and industrial sectors.

POSITION SUMMARY

We are looking for a full-time candidate to support the Chief Investment Officer in an Acquisitions and Investment Management role. Candidates should have finance and investment analysis experience and, most importantly, an aggressive desire to integrate themselves into the real estate industry. Responsibilities will include:

Acquisitions

- Underwrite potential acquisition, development and joint-venture opportunities.
- Prepare investment recommendations for senior management.
- Manage acquisition timeline, due diligence and data collection efforts.
- Author financing and joint-venture offering materials.
- Support deal team to negotiate and close transactions.
- Provide overall support for acquisition initiatives.
- Financial Modeling in Argus and Excel
- Partnership Structuring
- General Assistance to the Chief Investment Officer in both the pre-and post-acquisition phases.

Investment Management

- Develop and maintain property cash flow projections.
- Analyze projections in context of existing and potential capital structures.
- Evaluate potential capital investments and major lease transactions.
- Prepare recommendations for senior management and joint-venture partners.
- Participate in strategic business planning.
- Track property performance to underwriting.
- Provide overall support for investment management initiatives.

QUALIFICATIONS

- Finance, Engineering, or Economics degree from a top-tier university.
- 3 years of professional work experience at an investment bank or acquisitions company with emphasis on finance and investment analysis.
- Computer proficiency with Excel, Powerpoint, and Argus.
- Technologically savvy
- Ability to multi-task.
- Meticulous attention to detail.
- Excellent communications and organizational skills.

COMPENSATION Commensurate with experience

POSITION AVAILABLE IMMEDIATELY

E-mail resume to:

Susan Iannello

susan.iannello@stonemarproperties.com

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