

NEWS & VIEWS

August 2013



It's About Growth and Our People

In March, Commonwealth Commercial Partners, LLC moved into larger headquarters in Henrico County as we continue to grow and expand our services. We're now located in the Commonwealth Commercial Building in the Innsbrook Corporate Center in Glen Allen, Virginia.

"The story for us is not the move; it's our growth and our people," Mark Claud, president and founder of Commonwealth Commercial, said in an article published in the Richmond Times-Dispatch. "The growth will come from our clients and whatever markets they take us to," Claud said.

We have 74 associates including 63 in the Richmond area with other employees in the Hampton Roads region and Nashville. The company added 26 employees in Richmond and Nashville, in the past year.

Founded in 1996, Commonwealth Commercial manages over 10 million square feet of property, including 34 shopping centers in Virginia and Tennessee.

Commonwealth Commercial subsidiaries include:

- ◆ Commonwealth Land - Rural land sales for farming/agriculture, timber and development.
- ◆ Comprehensive Development Strategies - Real estate project management.
- ◆ Commonwealth Lodging - Hospitality asset management.
- ◆ StreamCo - Asset management, primarily retail properties in 22 states.

CCP Retail Group

The View from Vegas

The International Council of Shopping Centers (ICSC) held its annual convention in May in Las Vegas. ICSC RECon is a global convention drawing over 30,000 attendees and 1,000 exhibitors. It is the largest industry convention where professionals gather to make deals and talk about issues facing the Shopping Center industry. The CCP Retail Group attended and summarized the key points:

MOOD: Upbeat and better than 2012. Deals are being made. Given the last couple of down years, attendees were optimistic.

FINANCING: Money is available for realistic transactions. The consensus was that business is getting done. CMBS loans are contributing to the increase in the percentage of deals.

SALES: The U.S. dollar is the world choice and thus U.S. = AAA. NNN leased property in AAA locations is in great demand. Institutional investors are hungry for grocery anchored centers in 24 hour cities. Second and third tier markets are getting more interest for good locations.

LEASING: Tenants need new stores and lease deals are picking up. It is still a tenant's market but we are closer to equilibrium.

TRENDS: All retailers are actively trying to squeeze more sales out of current lease space. We expect this trend to continue for the foreseeable future.

Guest Columnist



Real Estate Developer, Sidney Gunst

We caught up with real estate developer, Sidney Gunst, and asked him to share what he sees as the three big trends in commercial real estate in the next five years. Here's what he had to say:

1. More Mixed-Use Development:

- Economic necessity to control costs by sharing infrastructure more efficiently. Utilizes capital 24/7. Parking, sewer, water, roads, utilities, and landscaping are concentrated.
- Offers a lifestyle choice of walkability, convenience, and a strong sense of community. The economic trade is less transportation costs in favor of higher construction costs. Customer decides. It is a real market trend where zoning allows--it does not have to be imposed.
- Addresses the issue of "sprawl," which was government mandated lowering of densities and separation of uses. Instead allows market driven densities to occur by consumer choice.

2. Capital Will Cost More:

- As long as the cost of capital is dependent on government intervention, the real cost of capital cannot be known. As the economy recovers government will have to pull back stimulus if inflation is to be controlled. Either we pay more for capital or we debase currency at a faster rate. Cause and effect still reigns.

3. Decentralization of Infrastructure:

- Technology and biology will allow the historic efficiencies of centralized sewer, water and utilities to be gradually replaced by decentralized solutions. Water collection, purification and reuse will take hold. Operating efficiencies, new materials, and onsite generation of power will accelerate in acceptance. Economics will determine pace.

Commonwealth Land

Commonwealth Land 4th Annual Land Forum – Virginia Real Estate in Transition

Commonwealth Land, a wholly owned subsidiary of Commonwealth Commercial Partners, LLC held its 4th Annual Land Forum on April 30th.

The 250+ attendees heard five different takes on our current state of the real estate market, plus a resounding sixth opinion from the Forum's moderator, Sydney Gunst.

"I am nervous," said Mr. Gunst when prompted about his overview. While the "signs are all good," the continuing federal deficit, European debt levels, and current leadership in the White House left Mr. Gunst and others wondering if The Great Recession was, in fact, coming to an end.

Other panel members included Lawrence Gray, Chief Executive Officer of GrayCo, T. Gaylon Layfield, President and CEO of the newly formed Xenith Bank, Michael Joyce, President of JoycePayne Partners, William G. Homiller, Associate with Troutman Sanders, and our own Bill Barnett.

One of the most telling trends was pointed out by land use attorney, Will Homiller. He observed that 25 years ago, if a rezoning was applied for, the jurisdiction would likely approve the case assuming it made economic and land use sense.

Now, if a rezoning is approved, the jurisdiction will not only dictate the zoning, but materials used, fencing designs and other potentially expensive architectural and design proffers.

Timber also emerged as an underlying yet major component of the discussions, as three out of the five panel members all had extensive timber holdings or was involved in timber transactions.

"Timber in general has been an attractive asset class over the last 25 years. It's not a get-rich scheme, but it's steady and not very complicated," said Layfield, whose family has been in the timber business for years.

In closing, the Land Forum attendees and panel members all seemed to be cautiously optimistic about our emergence from the Great Recession.

Mark Your Calendars for
**Commonwealth Land's
5th Annual
Virginia Land Forum**

Tuesday, April 29, 2014
Westin Hotel ♦ Richmond, Virginia

Commonwealth Lodging Management, LLC

Commonwealth Lodging is a hospitality management and consulting firm with experience in management of nationally franchised hotel assets as well as hotel operations, franchise relations, development, hotel finance, receivership and lender services.

Recently Commonwealth Lodging was appointed as Receiver for the Washington, North Carolina Quality Inn hotel. The hotel is currently being marketed for sale. Other recent projects include:

- ♦ Assumed the management of Comfort Inn in Virginia Beach. This 104 room all-suites, oceanfront hotel will undergo a major renovation this winter and will be re-branded as Comfort Suites.
- ♦ Assumed the management of Comfort Inn Newport News which is owned by an affiliate of Harbor Group International. Commonwealth Lodging has implemented a turnaround strategy for this asset and will complete a soft goods renovation.
- ♦ Appointed as post-foreclosure management and bank disposition advisor for the Hyatt Place Richmond Airport Hotel which was sold to an affiliate of Shamin Hotels for \$11.5 million.
- ♦ Appointed as the Receiver for a hotel on the Eastern Shore in Cape Charles, Virginia that has been sold.
- ♦ Advised a lender client on resolution strategy for a portfolio of eight defaulted loans, including six hotels and two multifamily properties.

Comprehensive Development Strategies, LLC

CDS provides clients with custom solutions and expert consulting and project management with the goal of providing property owners and developers opportunities to control costs, minimize risk and improve the efficiency of any project during any phase of development.

CDS is working with Lingerfelt Development as Owner's representative for the Health Diagnostic Laboratories 100,000 square foot expansion at the Richmond Biotech Park in Richmond, VA.

We recently finished development of a Value Place Hotel in Manassas, VA. Currently we're acting as project manager for another Value Place under construction in the Greenbrier area of Chesapeake which is slated to open September 2013. Check out the video from our construction camera and watch the hotel being built! <http://oxblue.com/open/lingerfeltco/valueplacegreenbrier>

Office Group

Condo Market Coming Alive

The office/medical condo market is slowly coming back to life. As the leader in representation of condo projects in the Richmond market we are seeing a noticeable uptick in sales and general activity. The uptick is due in part to buyer's confidence in the recovering economy and banks willingness to lend; particularly to well-qualified owner/occupants. Second generation space is going to play a factor in pricing moving forward as many buyers of condos from 2002-2007 are now selling. We expect pricing to increase as construction costs begin to rise for first generation space making second generation condos built in the last 10 years a hot commodity.



Commercial Property Management

Commonwealth Commercial provides a proactive and hands on approach to the property management process to enhance long-term value of our clients' commercial real estate assets. We are experienced in the management of a variety of commercial real estate properties including shopping centers, office, and retail, medical, industrial and multifamily. We currently manage over 10 million square feet in Virginia and Tennessee.

Since the first of the year we've added several properties to our asset management portfolio including the 64-unit Ocean Trace Apartments in Virginia Beach, VA and the Medical Society of Virginia, a 45,000 square foot class A office building in Richmond, VA. Recently we were awarded the property management of five assets in Nashville, TN. The Bank of America building, a 435,525 square foot class A office high rise; two retail centers – Two Rivers Plaza and Donelson Plaza; and two office buildings – Airways Plaza and Oaks Tower and Gardens Office building – the four properties totaling approximately 750,000 square feet.

Continuing our commitment to hands-on property management, we've recently added five associates to our property management team.

StreamCo, LLC

StreamCo is a vertically integrated real estate services company whose core business is turnkey asset management of commercial real estate.

StreamCo continues to grow its asset and investment management footprint across the country through the efforts of its great people. Most recently, StreamCo sourced the \$42 million acquisition of the Bank of America Plaza in Nashville from Parkway Properties. The 435,525 square foot, 20-story office building is located in the heart of Nashville's financial district. StreamCo will be the asset manager for this property, bringing its Nashville portfolio to nearly 1,000,000 square feet. As a result of its growth, StreamCo is continuing to add more great people, recently hiring two new employees.