

A Reprint from *Tierra Grande*

# Zell's Brave New World

Those who attended the Texas Commercial Real Estate Outlook Conference in College Station on Dec. 2 heard Sam Zell describe what he termed a "revolution" in the commercial real estate industry that began with the "mother of all recessions" in 1990.

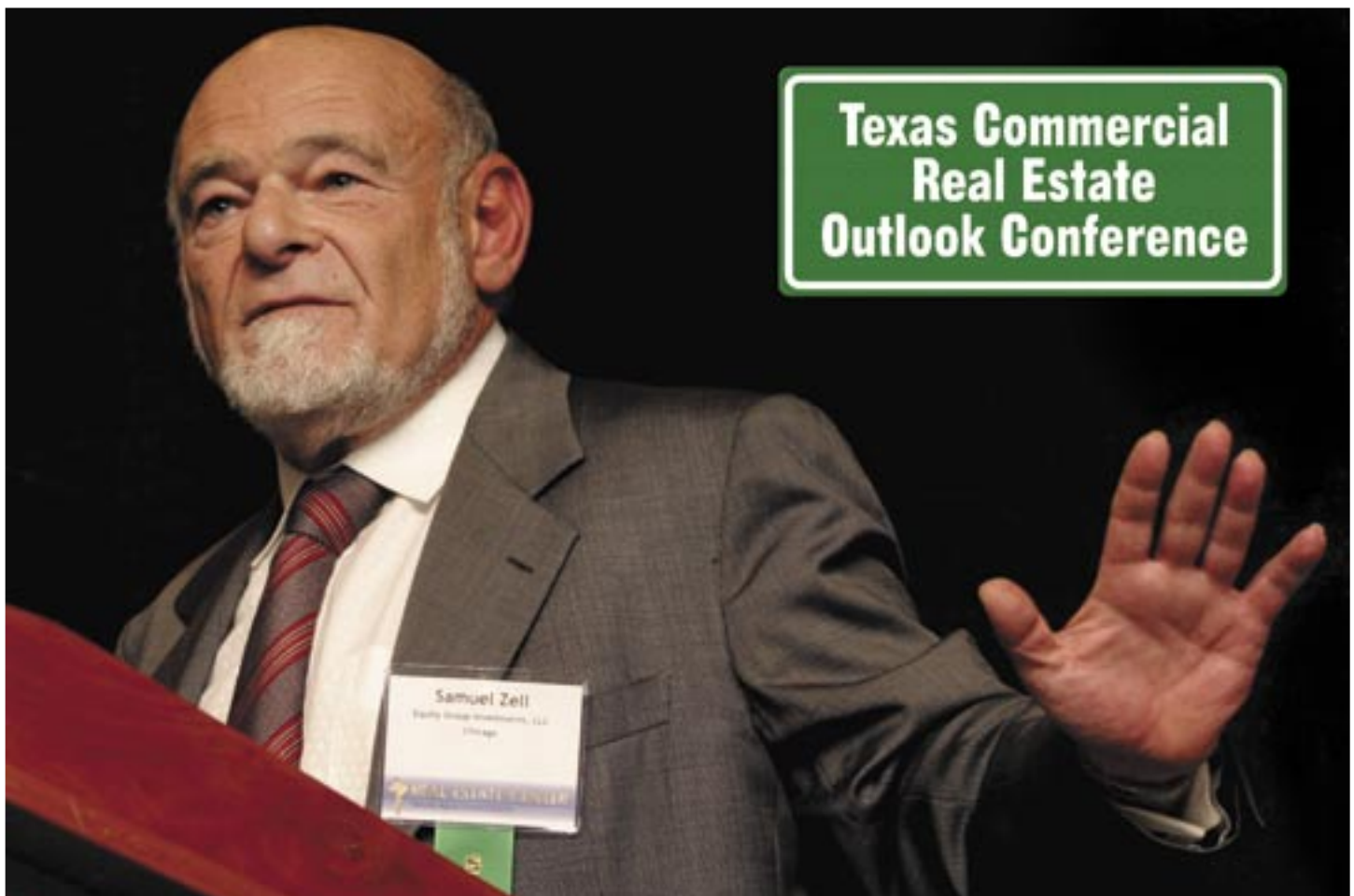
"Real estate has lost its independence," said Zell. "Now we must play by the rules of other industries."

Zell, a self-made billionaire and chairman of Equity Office Properties, gave the keynote address. Today's commercial real estate environment, he said, is a "brave new world" that is changing rapidly.

What's different about it? Zell expounded at length on this topic, offering the following examples.

- Real estate can now be a liquid asset. Investors can get in and out quickly.

- Real estate investors are learning to implement basic business concepts such as economy-of-scale and margins.
- Days of 95 percent debt-to-equity ratios are gone. Real estate investors must use less leverage than in the past.
- Commercial real estate is consolidating, with a few companies now owning vast amounts of real estate.
- Property owners are beginning to see themselves as service providers.
- Real estate is no longer routinely allocated a piece of a financier's funding pie. It must compete for capital against other industries.
- Commercial real estate is less cyclical than in the past and less affected by inflation and taxes. The instant availability of information, such as vacancy rates, reduces the ups and downs. ♣





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