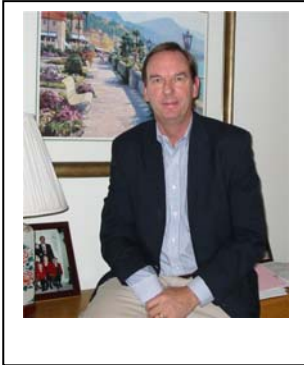




November 2005

Tenant/Investor News



Paul McArthur, CCIM
President
Trillium Realty Advisors LLC

What is a CCIM?

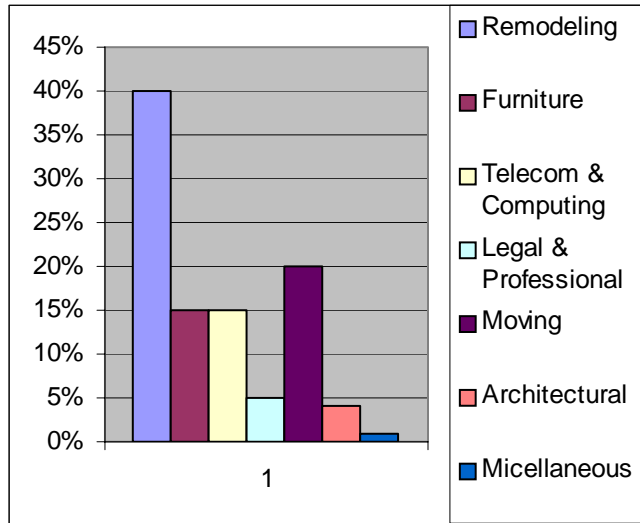
A Certified Commercial Investment Member (CCIM) is a recognized expert in the disciplines of commercial and investment real estate. A CCIM is an invaluable resource to the commercial real estate owner, tenant, investor, and user, and is among an elite corps of 7,500 professionals across North America who hold the CCIM designation.

Renew or Relocate - What Does it Cost?

A typical commercial real estate transaction involves numerous relocation costs. In many cases, some of the most basic charges are overlooked. The chart below provides an overview of the tenant's relocation expenses and some of the expenses you should allow for.

You need to be aware of these expenses before the process begins to decide if you should renew or relocate. At Trillium, we like to compare the total cost of occupancy of renewing a lease to the total cost of occupancy of moving to a new location.

In addition to moving costs and the basic rental rate we compare real estate taxes, operating expenses, and the monetary impact of various lease terms. We do this on each location under consideration.



Born-Again Buildings—Adaptive Reuse

Excerpts from CREI Magazine by Sara Drummond. Edited by Paul McArthur, CCIM

While earlier urban revitalization attempts focused on convention centers and sports stadiums, today's city planners realize that attracting residents is crucial to attaining a 24/7 downtown.

That's just one of the many factors creating adaptive reuse opportunities for commercial real estate professionals in markets of all sizes.

And today's investment real estate market provides further incentive.

The convergence of low interest rates, plentiful capital, a ready supply of conversion product, and sky-high prices for new buildings has created an unprecedented opportunity for investors to buy low, add value, and build equity. Those who don't relish the developer role can find opportunities in consulting and locating adaptive reuse properties for clients.

Trillium Realty Advisors LLC has acquired and manages approximately

295,000 square feet of adaptive reuse commercial real estate. "These properties have afforded our syndicated investors the highest returns at the lowest possible risk profiles" said Paul McArthur, President of Trillium Realty Advisors LLC.

Making the decision to revitalize space that has outlived its current use encompasses many economic, social, and feasibility factors. Make sure you do your homework. Your project vision needs to be in concert with the local politicians, planners, and various citizen and special interest groups that can impact your investment.

Hillcrest Professional Plaza 2005



Acquired and Renovated 2004

Office Market Madness

Excerpts from CREI Magazine by Beth Mattson-Teig Edited by Paul McArthur, CCIM

It's no secret that quality properties in major metro markets are commanding top prices. For example, in Miami, New York, and Washington, D.C., office properties traded at average cap rates of less than 7 percent during first quarter, according to Real Capital Analytics. As a result, investors are continuing their quest for higher returns by forging into secondary and even tertiary markets.

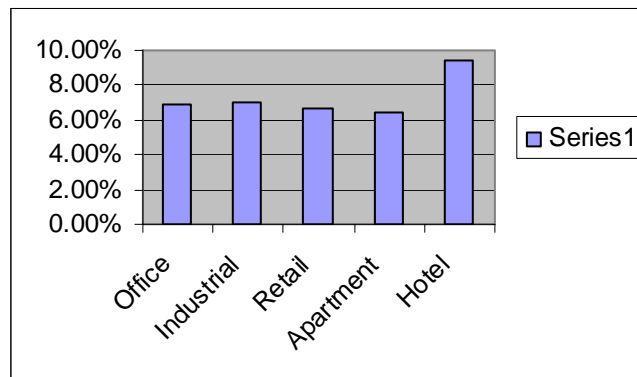
Every cycle has people buying properties that are wise and certainly some people are buying properties they shouldn't," Minter agrees. But for the most part leveraged returns are holding steady thanks to continued low interest rates. Historically buyers have paid about 400 basis points over the 10-year U.S. Treasury for real estate. Based on the current Treasury, which has been hovering near 4 percent, that creates an internal rate of return around 8 percent, he adds.

Barring any unforeseen events, interest rates are the main factor that potentially could impact transaction activity. Even though there is a lot of talk about rising interest rates, "valuations are not going to change until there is some kind of sustained change in the level of the 10-year Treasury," Pontius says.

To navigate the current market, equity investors should tread water carefully and debt investors need to be wary of leveraged loans based upon inflated asset values. Existing borrowers should lock in as much money as their investments can support for as long as possible -- 10 years or more is preferable. **If owners have another method of deploying capital outside of real estate, it is time to sell, but not to buy more real estate at inflated values.**

3rd Quarter 2005 Going In Cap rates

RERC/CCIM



The 3rd Quarter going in cap rates range from approximately 6.5% to 7% for most commercial property. Only hotels are trading at a 9% cap rate. These cap rates are below the 400 basis point historical spread mentioned above. As a buyer you must be disciplined.

In addition, rising interest rates will bring the price/value balance back to equilibrium. Due to inexpensive loans and scarce quality investment properties, many investors are overpaying for buildings. Higher interest rates should correct this problem. However, this benefit has a downside. "On the one hand, investors will be happy that prices will come down as a result of higher interest rates. But on the other hand, people who purchased real estate one or two years ago with a low interest rate locked for one to three years will find that their returns have eroded, and perhaps some may be upside down," says A. Nicholas Coppola, CCIM, president of Coppola Properties in Needham, Mass. Investors with balloon payments or variable-rate loans are most at risk of losing money.

If your company is considering renewing a lease, relocating or you want to create wealth through real estate ownership, please contact either Paul McArthur (pim@trilliumrealty.com) or Mark Bennison (mcb@trilliumrealty.com).