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IREIzine is a free electronic newsletter from Institutional Real Estate, Inc. going to 5,372 readers this week. We also publish [REITStreet](#), [The Institutional Real Estate Letter](#), [Institutional Real Estate Newsline](#), [High Return Quarterly](#), [Global Quarterly](#), and [European Real Estate Quarterly](#).

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News & Observations

The Grass Is Always Greener

San Francisco has become the poster child for excess office space, yet what is one investor's vast wasteland is another's land of opportunity. European investors, most of them German, purchased 17 percent of all the properties that changed hands in San Francisco last year, up from just 2



percent in 2001, according to the *San Francisco Business Times*. Domestic investors' share dropped from 81 percent to 58 percent. A number of factors have converged to make German investors

particularly active. The German and European economies are sluggish, making them unattractive to investors. Though the U.S. economy has been nothing to write home about, other countries

have long-term confidence in it. In addition, in 2002 German regulators eliminated a rule stipulating only 20 percent of open-end funds could be invested outside the European Union. This has significantly increased the amount of capital available to invest overseas. Other factors in the growing German investment phenomenon include the increasing strength of the euro in relation to the dollar, and the higher yield of real estate versus European equities. German investors are primarily focused on the Manhattan, Boston, Chicago, Los Angeles and Washington, D.C., markets. Atlanta, Miami, Dallas, Minneapolis, Seattle and San Francisco occupy the second tier of interest. — [Sheila Hopkins](#), editor-at-large

"You would never think that a brothel would be listed, but it certainly has, and in this country first — the place down under."

— **Lucinda Chan, director at Macquarie Equities, talking about Australia's first publicly listed brothel, Reuters, May 1, 2003**

Letting the Sun Shine In

Japan is eager to attract outside investment and is willing to make some significant changes in how it does business to do so. During the past decade, Japan has come to understand



foreign direct investment (FDI) is essential for introducing new capital, resources, know-how and technologies. Nevertheless, FDI inflows remain low. Japan's

Foreign FDI Potential Index is 144.

"We're at a point where property appraisals will soon be headed down and default rates up. And the new capital markets will not be forgiving."



inward FDI Potential Index is 14th among 140 countries, although its Performance Index is 131st. Prime

— Anthony Malkin, president of W&M Properties, CBS MarketWatch, April 29, 2003

Minister Koizumi has pledged to double the cumulative amount of FDI in Japan within five years. As part of that ongoing initiative to accelerate FDI, the Expert Committee of the Japan Investment Council published a list of recommendations that include:

- New investment should be welcomed regardless of capital origin, and the importance of FDI should be shown to the Japanese people.
- The user-friendly administrative procedures found in other countries must be adopted in Japan.
- Transparency and reliability of corporate information must be enhanced.

— [SH](#)

MoldDog to the Rescue

Mold is everywhere ... hiding in hotels and offices, headlining the program at industry conferences, and pushing itself to the front of insurance policies. Mold damage and remediation costs reached \$1 billion in 2001, according to Inman News Features. Enter MoldDog, the newest



solution to a growing problem. The Florida Canine Academy, which trains dogs to detect bombs, drugs, money, weapons, termites and accelerants, has now added a MoldDog subsidiary. Mold-detecting dogs, which sell for about \$12,500, differ from other air-quality methods in that dogs can pinpoint the source of the mold while

“We don’t see a whole lot of upside [for REITs] in the near term.”

— Louis Taylor, analyst at Deutsche Bank, SmartMoney.com, April 30, 2003

equipment can’t, according to Bill Whitstine, owner of the academy. Hardware can confirm the presence of mold, but locating the exact source can require repeat tests and demolition of the property. A mold dog can put its nose right to the spot where the mold is and alert the handler, theoretically saving time and money. — [SH](#)

Off the Wall

Whatever Happened to ...

IREIzine has run several stories in the past few months in the Off the Wall section that merit follow-up. Remember ...



... the Daily Planet, which aimed to become the first publicly listed brothel? It hit the market on Thursday, and shares of the Australian bordello enterprise, which hired Hollywood madam Heidi Fleiss to spice up its stock listing and touts itself as a recession-proof, five-star hotel, doubled on the first day of trading, according to Reuters. The company lured mom-and-pop investors with the prospect of a steady 8.4 percent dividend, stemming from revenues the company makes on its \$72-an-hour room charge. Guests pay the call girls directly.



... the new anti-smoking law in New York City? Turns out bars aren’t losing money because smokers are staying away; they’re losing money because smokers are coming in, ordering drinks, stepping outside to have a cigarette and not returning to pay.



... Afghanistan’s first Irish pub? The bar became so popular with foreigners that its owners closed it down for fear it would be the scene of a terrorist attack. — [SH](#)

Recurring Notes on Technology

TCN Worldwide has invited me to its annual conference in Chicago next week to conduct an interactive (face-to-face, that is) session about how all business revolves around people. I'm excited to be doing this. TCN Worldwide and its president, Ross Ford, are very forward-thinking dudes. They share my belief that it's not who has the best technology that wins, it's still who has the best people. People create the processes and applications that help us get the most out of ourselves and others. People take the time to think about what others really need, be it a personal service, a technology product or a new way to do something better. Those who are open to change are the ones who seem to be the winners. So the small change that made my day this week is that the A/V people at the hotel where TCN is holding its meeting said, "Sure, we can run your Mac G3 laptop for your presentation." Not long ago, that would have been a problem. I really have grown to appreciate the little things.

Spring has sprung. Take some time to appreciate the flowers and the fresh air. Later. — [Steve Felix](#), vice president

Highlights from the *Institutional Real Estate Newsline*

Great Lakes to Consider Merger, Asset Sale

Great Lakes REIT (NYSE: GL) has hired real estate services firm Cushman & Wakefield to explore strategic alternatives, including a possible merger or a sale of part or all of the company's assets. In 2000, Great Lakes hired Lehman Brothers as an adviser in a similar move. The REIT's stock price has declined 11 percent this year, closing April 25 at \$14.78. According to Dick May, chairman and CEO of Great Lakes, "Conditions in the capital markets have created an environment where there is substantial demand in the institutional real estate investment market for high-quality commercial real estate." — [Loretta Clodfelter](#), *IREN* editor

STEVE'S SITE OF THE WEEK

[Freeze-Framer](#)

Interactive software to help people deal better with stress.

(Note: I have not tried this product.)

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NOW'S NOT THE TIME TO LOSE GOOD PEOPLE

We are in a people business. And, as much as many of us enjoy interacting with our colleagues and clients, there are always going to be times when conflicts arise. Learning how to resolve these conflicts effectively before they affect your business is the goal of sales trainer Ferdinand F. Fournies' collection of best-sellers, *Coaching for Improved Work Performance*, *Why Employees Don't Do What They're Supposed To Do* and *Why Customers Don't Do What You Want Them To Do*. Because of his success with Fournies' philosophies in his own business, IREI CEO Geoffrey Dohrmann presents many of the techniques covered in this collection in Centerprise's training course "Marketing Real Estate Investment Products," which he teaches. Now it's your turn.

In the first two titles, you'll discover new techniques for handling such situations as telecommuting, new technologies, job-sharing, high turnover, flextime and absenteeism. In addition, you will be presented with techniques on dealing with such stressful situations as employees who are performing below company standards, personality conflicts and time management. In *Why Customers Don't Do What You Want Them To Do*, you will learn how to

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better handle client situations, obtain new selling techniques and, most importantly, learn new ways to close a deal and increase your company's profitability.

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