



Bridging Diversity in Commercial Real Estate

Summit to foster networks in private and public partnerships

by Marcia A. Wade

July 23, 2008 -- Although builders are abandoning ship in the housing market, real estate development in the commercial sector is not suffering as much. Sales growth, as reported by the International Council of Shopping Centers, showed that 2007 revenues rose almost 14% compared with 2006.

This week, the third annual Global Diversity Summit in Commercial Real Estate, held July 21-23 in Atlanta, intends to help minority development firms prepare for the onslaught of commercial development projects. The summit will bring together state and local governments, along with minority firms, lenders, and credit partners, to participate in public and private partnerships throughout the country.

"Commercial real estate is perhaps the most compelling investment opportunity in the United States right now," says Quinton Primo III of Capri Capital Partners L.L.C., (No. 4 on the **BE ASSET MANAGERS** list with \$4.48 billion in assets). "It is a \$5 trillion business where one percent is minority," Primo says. He is actively seeking to acquire an African American construction company for a development project in Chicago.

"Domestic emerging markets contain millions of low- to moderate-income people of color who are grossly underserved with respect to retail, housing, and other commercial property types," Primo says. The potential for urban spending has increased the interest to build more commercial real estate in urban communities, he adds. "We estimate the market to be as large as \$400 billion to \$500 billion dollars for the next five years."

The challenge is striking a balance within how these developments are achieved and who benefits from it. "As you look around, probably wherever you go, you see cranes, you see development-not just residential development, but retail-growing," says Lynn Smith, a broker at Cushman and Wakefield Inc. and founder of the Summit. "You see hospitality. You see a lot of activities, and minorities want to be involved."

One of the critical aspects of domestic development is building relationships by networking. Primo explains that is where events such as the Global Diversity Summit play a key role. "You have to develop key relationships in the industry whether they are [with people on the] financing, legal, or architectural side. People are not going to do business with you unless they know you," Primo says.

At the conference, U.S. mayors will have an opportunity to bring in maps and talk about specific opportunities for development in their cities.

Smith says national retailers are sometimes hesitant to move into urban areas because of high property and tax costs. However, there are many incentives related to tax collection, affordable housing income levels, and geography that can provide tremendous help with projects.

Many cities also create tax allocation districts-or tax incentive financing-which allow tenants and merchants to be reimbursed of all the taxes that are derived from that development over a designated period of time.

For example, in an effort to woo corporations to the state, New Jersey has created an urban transit hub tax credit which provides significant incentives.

"Companies that bring a certain amount of employees and spend a certain amount of money on capital improvements will get a 10-year relief from their corporate taxes," says Joseph Ritchie, CEO of the Brick City Development Corp. (BCDC), who plans to tout New Jersey's program at the summit. "It is an extremely powerful tool. We've done some analysis to show that the program has the ability to reduce a corporation's net effective rent significantly."

With the support of Newark Mayor Cory Booker, the BCDC has introduced many programs to incorporate the city's small businesses as they give Newark a facelift.

"We realize that we couldn't just have a city that has new capital that would squeeze out the indigenous residents [and businesses]," Booker says. "We wanted to find a way for local minorities and women to get involved."

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