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Question of the Month

What are the elements of a successful real estate deal?

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Responding simplistically, a good deal is one you can live with and prosper with. Naturally this applies to most anything from real estate to life itself.

All real estate has a constellation of attributes to consider when buying such as price, location, size, income, occupancy, expenses, etc. Often a quick look at a listing or offering memorandum is all that is required to decide one's interest. Each investor looks at all of these criteria but analyzes and weighs them differently according to their particular criteria for that investment.

As an example, income vs. appreciation. In today's Manhattan or Boston markets we all know how rates of return have been compressed to the point that some buildings trade at a cap rate that is half of today's prime rate. Many are offered with

projected NOIs that even make short term CDs preferable. The buyers of those buildings are clearly not buying for income but instead an appreciation play based on a conversion or a value added scenario that may turn the asset from a sow's ear to a silk purse (condominiums) and/or possibly give it more income and therefore appreciate its value. In markets like this we're willing to sit on the sidelines and watch. Patience is not only a virtue it often has rewards.

Historically, my family has invested in price conscious assets in the outer neighborhoods of Manhattan and held them for decades. To many this type of buy and hold strategy may be beyond the norm since the value of the assets might have reaped a greater return in appreciation had successive purchases been traded a number of times during the same period. Success is hard to argue with and we have done well notwithstanding. With low overhead and hands-on management my family earned respectable rates of return and had tremendous capital appreciation upon sale.

As the next generation of manager I will again seek out competitively priced assets but instead buy

in better locations and class of building including commercial and add value with aggressive management and maintenance. We will, in effect, mature the asset faster so that we may not necessarily have to wait through several real estate cycles to achieve our ultimate objectives. We always upgrade our assets to reap the highest rate of return based on market conditions thereby giving our tenants state-of-the-art space to conduct their business. Happy employees make a happy employer and that, in turn, means we have done our job.

With an aggressive hands-on management style the Grunbergs can afford to look outside our immediate geographic location and explore other markets for diamonds in the rough. A great location though within a market is a principal of investing best not ignored.

Our newest venture outside of New York is Hartford, Conn. Hartford is meeting the needs of new generations of inhabitants and investors alike. There's a new convention center, new housing, new hotels, restaurants and retail. Hartford is again becoming a multi-dimensional downtown with business, entertainment, arts and hous-

ing. Developers from outside of the city are buying in. Northland Investments and New Boston Fund from Boston, Robert and his daughter Rebekah MacFarlane of Homes for America and my company - Grunberg Realty - both from New York are not only investing in Hartford, we're supporting the community organizations and we're living here. I'm proud to support the Greater Hartford Arts Council and the Mark Twain House with both my money and my time.

Looking around the city at other successful projects we know we're making the right choices. Projects like the former G. Fox building have gone from a thriving retail department store decades ago to such success with a new commodity, education, as the home of the Greater Hartford Community College. The former Sage Allen property on Main St. is similarly being transformed into retail, residential and student housing. The city is again looking to sports, arts and entertainment to further development.

Development does take time. It takes a game plan and it must fit the needs of the community. Some-

times it takes a little luck, too. Today, thanks to inspired planning, commitment, and a little luck, developers from outside, working with the city and state governments, Hartford is rising, again. In the three years since my first investment in the city (a small medical office building near St. Francis Hospital) we have acquired over 1.2 million s/f in the region including the 29-story 280 Trumbull St., the 26-story Bank of America Tower in Hartford as well as Glastonbury Corporate Center. And we will acquire more if our criteria can be realized.

I believe in the city and the region and so does my company. As Hartford's most famous resident, Mark Twain, proudly stated 150 years ago, "Of all the beautiful towns it has been my fortune to see, Hartford is the chief."

Five years from now every developer and even the most jaded naysayer will marvel at the city's transformation and question why everyone had not invested in Hartford. Then with 20/20 hindsight everyone will see the makings of a great real estate deal.

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