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“Few rich
men own their
property; the
property owns
them.”

Robert Ingersoll

TIME FOR REFLECTION

ARE YOU DATA RICH AND INFORMATION POOR?

The lingering lack of clarity drives most companies to collect copious amounts of data that overwhelm and cloud the real issue affecting decision making. Data can be misleading or fail to convey the information that matters most. Therefore, the accuracy of the data and the understanding of that data are paramount to making the best business decisions.



There is no such thing as perfect information, and there is no such thing as the precise formula. A model that worked for the past 10 years may not work for the next 10, so what's most important is using a combination of indicators to make the best decisions possible.

Many of us are hard-wired to do nothing in most cases, even when the data tells us it's unwise. Our habits of believing the future will be much like the recent past, and real estate will keep doing what it has always done; cause us to hope for the best when we know the best is possible, but not probable. If we follow the crowd and the outcome turns out poorly, we feel much better knowing we did what everyone else thought was smart, rather than making a well-grounded decision based upon a combination of metrics that include our experiences and the assessment of accurate information.

Sometimes trends are interesting, but only tell part of the story. Not to be misled, it's worth considering the rest of the story. Let's face it - it's hard to predict the future.

For instance, most articles about the industrial vacancy rates are simply not very helpful to anyone looking for clues to understand what is happening to industrial property values or rents for the type of product that matters to them most.

Many reports are contradictory and published by those who have a vested interest in promoting their individual perspective.

The changes we have all experienced in today's property markets are both structural and cyclical. We remain in a period of too much supply and far too little demand. Unlike the oversupply problem that led to the S&L Crisis, the recent collapse in commercial real estate was due to a combination of excess leverage and a precipitous drop in demand.

The strong property market of the early 2000's fostered a construction boom, a surge in financing and a craze for ownership. Economic theory suggests that the value of an asset depends on its future utility, discounted back to the present. For business, that means discounting their stream of future distributions or cash flows. The picture is different

for real estate. Most property owners consume their future utility. Therefore, as the price increases, the utility tends to decrease, or value and price detach.

Higher rents lead to higher operating cost (CAM's), property taxes, insurance, maintenance and fees. Owners of real estate understand this very well; it's one of the factors causing rents to remain depressed and values flat.

“Now look at this. This is interesting.”



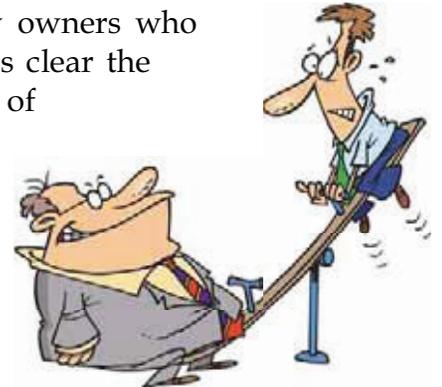


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Stagnant rents are a sign that the commercial property market and the banks that finance them have not resolved the problem. Fewer new tenants moving into the market cause property owners to solicit tenants from other properties, often with enticing concessions: free rent, moving allowances, and capping future financial risk. This has proven beneficial to the users in the market.

The threat of foreclosure hangs like a dark cloud over many property owners who depend on the rent from their tenants to make mortgage payments. It's clear the problem is widespread throughout all property types. The rebalancing of real estate supply in the market has begun and will continue. In order for the commercial real estate market to recover, fundamentals such as rents and occupancies have to improve. With record low interest rates and vacancy rates falling, it's our feeling many tenants that have postponed making longer term commitments will now begin to capitalize on current market trends by upgrading their facility or location, or both.



Understanding that most tenants find the leasing and purchasing process frustrating and the outcome less than optimal, we would like to offer an alternative relocation or renegotiation model for your consideration.



The fact is most property owners have much better information than most tenants. Most property owners hire real estate agents to market their property for sale and/or lease. These sales people gather information about the market that is generally better than the information readily available to most tenants. The property owner and the sales agent enter into a written "listing" agreement to maximize the price paid for the property. The sales person generally provides weekly reports to the property owner about events taking place in the market and things that need to be done to secure the best price and terms under the current environment. Both the owner and the sales agent are knowledgeable of the competition, who's looking or who has interest in their property and the status of any given prospect at any given point in time.

This information provides the agent and the owner leverage in their negotiations not readily available to the tenant. As all business owners know, the one with the best information has power and generally makes better decisions. We do not represent any property owners. We only represent users of real estate desirous of leasing or purchasing property for their use. Our model aligns our interest with that of the user. We make no attempt to sell anyone anything. We do not believe business owners want or need to be sold. Our experience is that they desire timely, accurate information that affords them the opportunity to make the best decision.

Furthermore, a basic conflict exists between a property owner and a tenant, whose economic objectives tend to be opposite. This conflict is mitigated by a negotiating temperament that is structural and tactical without being offensive. We find having superior market information, financial models comparing alternatives, experience and expertise gained through hands-on development, management and ownership of like properties, and 32 years of achievement with-in the industry representing users, affords us a distinct advantage when negotiating with property owners. Our conversations tend to be different and the outcome beneficial for our clients. We never forget who the asset is in a real estate transaction....it's you.

WHY ROSS PROPERTY ADVISORS?

Because we're ready to help you make a *better real estate decision*.

Ross Property Advisors is prepared to meet the specific requirements of your commercial real estate transaction. As your single point of contact we will provide you with access to a wealth of expertise, experience and innovative solutions customized to address your needs. We're ready to be the partner you require.

WE INVITE YOU TO EXPERIENCE THE DIFFERENCE

Contact us today at (480) 212-7600 or visit

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for more information.



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