

Optimism Not an Option Yet, John Cushman Says

By Natalie Dolce

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LOS ANGELES - "If you've come here for optimism, you are in the wrong room," Cushman & Wakefield Inc. chairman John C. Cushman III told a gathering of nearly 600 Tuesday in Downtown Los Angeles. "Why am I so grumpy?" Cushman asked rhetorically. "I wasn't born a pessimist, but I have become a realist."

Speaking as keynote at the 39th annual Benjamin S. Crocker Symposium on Real Estate Law and Business, Cushman said that when exactly the market will turn and what will precipitate that turn is still unclear. He did cite a positive sign in that, "We are no longer laying off the equivalent of the entire population of Boston or Seattle every month like we were last year." That, he said, "pretty much exhausts the good news." He explained that in order to achieve a self-sustaining recovery, "we need jobs and consumer confidence," adding that right now, "we don't have either."



Cushman is most worried about a double dip recession. The country cannot spend its way out of the economic slump and is "in a painful process of deleveraging that will take years to complete," he said.

The C&W chairman pointed out that companies have learned to focus on core activities and have outsourced the rest, and that many of those companies will not regain their former stature. "We have all learned to do more with less and do it better, and I think that will continue," he said.

Scariest of all is that the government is tapped out, Cushman said. "Perhaps our prayers will be answered, but if all this seems out of control, you are right," he explained. "For those of you in the audience who retain some optimism, I would be delighted to take your questions and thereby dispel it."

Panel

Despite Cushman's skepticism about optimism, the breakout sessions at Tuesday's event managed to find some, at least in terms of potential new revenue sources for building owners. A session titled "Off the Beaten Track: Innovative Ways to Make Money in Real Estate," was optimistically focused as the panel explored some of the best new—and not so new—profit opportunities for building owners. These included generating revenue from licensing advertising space on outer walls to inside elevators, to leasing rooftops for third-party solar panels, cell towers, and wind turbines, and installing electric carports.

Panelist Sophie Akins, a partner of Best Best Krieger LLP, explained that solar projects can generate revenue from "otherwise passive properties." She said that clients who come to her regarding solar projects are basically looking to maximize the space on roofs, empty land and in parking lots—"spaces that may not typically be used to generate revenue sources," she said.

Akins explained that the revenue from solar installations is threefold. First, there are lease payments from renting empty roof spaces to solar or energy companies. Second, there is the energy cost savings. Last, she explained that the new laws--Senate Bill 32 and assembly bill 920--also include provisions that can add to revenue. "Contacting the utility company is a first step to get started," she advised.



Building owners can also generate additional revenue by selling space for signs, provided they own properties outside of the Los Angeles city limits. Panelist Kim Westhoff, deputy Los Angeles City Attorney, noted that new L.A. ordinances pretty much mean that signage isn't an innovative way to make money in real estate in the city. But Ellen Berkowitz, a partner at Manatt, Phelps & Phillips, pointed out that Los Angeles is one of 88 cities in L.A. County and that many of the other cities have not banned off-site advertising. "Cities are looking into signage development agreements as a response to current budget problems," Berkowitz said. Naming West Hollywood as one of the most creative cities in this regard, she said, "There are millions of dollars to be made."

In addition to Cushman's remarks and the breakout sessions, the Crocker Symposium included an address by California State Assembly Speaker Karen Bass, who examined the critical role that the state's budgetary process will play in California's future.

The Benjamin Crocker Symposium on Real Estate Law and Business —"Negotiating the Real Estate Maze: Challenges and Opportunities"—brought together more than 575 attendees and 45 exhibitors. It was presented by the real estate property section of the Los Angeles County Bar Association and the Richard S. Ziman Center for Real Estate at UCLA.