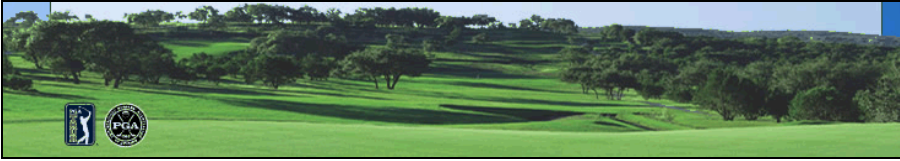




## 4<sup>th</sup> Annual Golf Tournament to be Held at the Falconhead Golf Club

By Jaclyn Fitts, VP-Special Events, MBA '06



The 4<sup>th</sup> Annual GRES Golf Tournament will be held April 15, 2005, at Falconhead Golf Club. The 4-person team scramble will begin at 2 p.m. with a shotgun start. At 1 p.m., lunch will be served and the driving range will be available for all players.

Falconhead Golf Club is located in the rolling terrain of the hill country 15 miles from Austin. The course is the first PGA TOUR Signature Series Course, which designates the course will give the player a golfing experience worthy of the PGA Tour. More information on the course can be found at [www.falconheadaustin.com](http://www.falconheadaustin.com).

The tournament is open to all real estate professionals, students, and faculty. The registration forms will be mailed to alumni in March. If you are interested in playing or sponsoring the event, please contact Jaclyn Fitts at 512.707.2099 or [jaclyn.fitts@mba06.mcombs.utexas.edu](mailto:jaclyn.fitts@mba06.mcombs.utexas.edu).

## Austin Property Tour

By Jennifer Harwell, President, MBA '06



Our Austin excursion began with a tour of a centrally-located office building that was recently purchased by Trammell Crow Company. Jonathan Tate (MBA '03), the representative for TCC, discussed the acquisition strategy for the office property; which included the purchase at a price significantly below replacement cost, a planned renovation, and the lease-up of the

vacant space. We also toured a vacant suite where Jonathan spoke about what goes into the leasing initiative.

After lunch at Café Serranos, the group toured a multifamily construction site, The Triangle Residences, currently being developed by Simmons Vedder & Company. The Triangle, with a target completion date of Summer 2005, is located north of UT at the triangle formed by 45<sup>th</sup> Street, Lamar Blvd. and Guadalupe Street. It will feature 335 apartment units located in two, four-story buildings plus approximately 26,000 square feet of ground-floor retail.



## SPRING CALENDAR OF EVENTS

By Jeff Lahr, VP – External, MBA '06  
GRES has quite a few things planned for the Spring 2005 semester and we've hit the ground running in the month of February.

### LUNCH SERIES

On **February 11<sup>th</sup>**, several GRES students had lunch with John McKinnerney, Vice President of Simmons Vedder & Company. John talked about his background and entertained questions about his work experience, the state of the real estate industry, thoughts on "hot" jobs/markets and several other topics.

On **February 25<sup>th</sup>**, GRES hosted a lunch with J.B. Brown, President of Mosaic Development and former VP of Stratus Properties. J.B. discussed major recommendations on how to add the most value for future employers and the importance of taking career "long-shots" along the way.

GRES will be hosting a third informal lunch at noon on Thursday, **March 31<sup>st</sup>** with Brian Nickel, Executive Vice President/CIO of American Campus Communities, a REIT located in Austin. The lunch will be held at Stubb's BBQ and will follow the Q&A format.

### ULI YOUNG LEADERS PRESENTATION

On **February 15<sup>th</sup>**, GRES welcomed McCombs alumni Kenneth Aboussie and David Cox of Cypress Real Estate Advisors along with Dudley Simmons of Simmons Vedder & Company to speak about the ULI Young Leaders Group and the ULI Spring Council Forum.

### OTHER UPCOMING EVENTS

- Houston Real Estate Trek on **March 21<sup>st</sup>**
- Presentation and Reception with Centex Homes on **March 30<sup>th</sup>**
- Additional lunches with local real estate professionals (two in April)
- Year-end networking dinner (late April)

If you would like to participate in a lunch or if your company would like to make a presentation, please contact me at [jeffrey.lahr@mba06.mcombs.utexas.edu](mailto:jeffrey.lahr@mba06.mcombs.utexas.edu).



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The Graduate Real Estate Society (GRES) is a student-founded organization that relies solely upon the financial contributions from its members, the Center for Real Estate Finance and people like you. Please help us today. To become a friend of the GRES, send your contribution to: The Graduate Real Estate Society, C/O: Jennifer Harwell, 4424 Gaines Ranch Loop #2225, Austin, Texas 78735. You make the difference. Thank you.

## Real Estate Students Take Part in Plus

By Jennifer Harwell, President, MBA '06



The Plus Program at McCombs is a professional development program that allows students to participate in projects that provide hands-on experience and the ability to work with a company in their chosen industry. This past fall, real estate students participated in five projects with the following companies: Endeavor Real Estate Group, Crow Holdings, Trammell Crow Company, Woodbine Development and Kenneth H. Hughes Development Company.

Endeavor Real Estate Group – The team created a CBD “best use” development strategy for Block 25 in downtown Austin. Based on their ideas, several members of the team are currently building upon their proposal by working with architects and engineers (Endeavor allocated a budget for this independent study) to further expand upon our financial/development feasibility study. Team members included Melissa Hernholm (captain), Andrew Blake, Shawn Hatter, Jim Withers and Nick Kearns.

Crow Holdings – The team researched and recommended strategies for urban infill development of a site owned by the company based on a history of peer projects. The project included the following: 1) Detailed specifics of peer projects, 2) Developer and tenant opinions of peer projects, 3) Demographics of peer projects, and 4) Takeaways and lessons learned from peer projects. Team members included Jaclyn Fitts (captain), George Dethlefsen, Teddy Dykoski, Jeff Hendricks, and Michael Levell.

Trammell Crow Company – The team evaluated the purchase of an office building that was only 20% complete by performing a detailed financial analysis from the beginning of the construction period and through lease-up. Based on this financial analysis, the team recommended a strategy for the property (i.e. build and hold or sell). Team members included Sulmaan Lateef (captain), Nathan Bialkowski, Fei Dai, Tommy Huey and Stephen Koldyke.

Woodbine Development – The team researched and recommended the best use of 251 acres currently owned by the company and that are reserved for future development. Options included selling outright to Hyatt Vacation Club, partially investing in the Hyatt Vacation Club build out, selling land to a single-family developer or building an additional 9-hole golf course. Team members included Jeremy Hollis (captain), Brian Hulsey, Max Chen, Dimitri Tagaropulos and Matthew Stone.

Kenneth H. Hughes Development Company – The team located three potential development sites located in urban, in-fill areas in Austin specifically focused on the Downtown, East Austin and South Central Austin submarkets. An analysis of each site included a proposal for use, appropriate market research related to the use and a preliminary feasibility study. Team members included Jennifer Harwell (captain), Jeff Lahr, Justin Day, Edgar Cardenas, Daniel Campbell and Michael Levy.

## Dallas Bus Tour

By Teddy Dykoski, VP-Communications, MBA '06

**October 29, 2004** – A group of 22 GRES students departed campus bright and early at 7:00 a.m. for a road trip up to the “Big D.” Our first stop was the offices of Holliday Fenoglio, where Mark Gibson provided valuable insight on the current state of the commercial real estate investment environment.

After a networking lunch at Mattitios with local real estate professionals, our next stop was the Dallas Victory Development. Developed by Hillwood and Southwest Sports Realty, the Victory project is one of the most significant master planned urban developments in the country. Our group had the opportunity to take a bus tour of the entire site. Our final destination was the new W hotel marketing office where we got a preview of the future design.



## An Interview with Sorin Capital's, Jim Higgins

By Justin Day, Treasurer, MBA '06

**GRES: After a little more than a decade, people are saying the CMBS market is mature? What do you think? How do you see the market evolving?**

**Higgins:** It may sound like semantics - the CMBS market has matured substantially, but it's definitely not fully mature. In lifecycle terms, it's in early adulthood. The markets are a lot deeper than they used to be, but still only 30% percent of current commercial mortgages are securitized. The percentage is going to keep climbing as global capital looks for opportunities. As the market evolves, there will be greater utilization of credit derivatives similar to what has developed in the corporate credit markets. We're going to see credit default swaps on individual issues, which will allow investors to hedge risk premiums to a greater degree.

**GRES: People draw comparisons between the corporate bond and CMBS markets – do you think this is a fair comparison?**

**Higgins:** Big picture – both are markets for fixed income securities, so yes there is a basis for comparison. The big players trade in both markets because they can spot relative value across asset-types. But looking closer, the underlying credit of CMBS is very different. One of the main differences between the two is default risk - comparing the two isn't straight-forward. CBMS issuances don't simply default like corporates; the individual tranches have to get paid out, which makes the risk assessment more difficult.

**GRES: After 7 years as the head of the CMBS desk at Bear Stearns, you left to start Sorin Capital – a hedge fund focused on the CMBS market – why?**

**Higgins:** After building one of the top CMBS desks on the Street, I felt strongly that there was an opportunity for a well-thought out hedge fund strategy focused on the CMBS sector. In general terms, the youth of the CBMS market means all the idiosyncratic market factors haven't been bid out yet. At Sorin, I'm focused on integrating three characteristics that you don't find at most hedge funds: commercial real estate experience, structured finance knowledge, and capital markets trading expertise. Our execution strategy is three-fold: investments classified as pure bottom-up credit sensitive trades, pure arbitrages between derivative and cash markets, and relative value trades between all debt markets.

**GRES: What market indicators are you keeping your eye on?**

**Higgins:** On the capital markets side, risk premiums are unrealistic – they are unsustainably low. The market is complacent – credit spreads are too tight and investors aren't demanding compensation for the true risk they are bearing. Spreads have to increase. In the real estate markets we look at the usual indicators: economic strength, job growth, interest rates, but we also focus on the market-specific variables.

**GRES: What do you think about current real estate values? Are cap rates too aggressive, or are we witnessing a new paradigm?**

**Higgins:** Mean reversion on cap rates? You have to look at the larger picture - real estate markets don't exist on an island - they compete for investment dollars just like all markets. Cap rates don't turn on a dime and they are inter-related with many other variables: interest rates, expected returns in fixed income and equities, money flows, etc. Where cap rates go is a function of a lot of inter-related variables and a "mean reversion" mindset is much too simplistic.

**GRES: At the end of 2005 looking back, what do you think will be the biggest "surprise" of the year in the real estate markets?**

**Higgins:** The cost of debt is going to increase even if Treasuries stay flat. Investors are going to wake up and begin realizing the risk they are taking on.

### UT HOSTS THE THIRD ANNUAL NATIONAL REAL ESTATE CHALLENGE

On November 12, 2004 - UT hosted the largest graduate real estate finance competition in the country between leading real estate MBA programs around the nation. The event took place in Austin and is meant to give graduate students a taste of the challenges that face real estate professionals after graduation. Congratulations to the following teams:

1<sup>st</sup> Place – Wharton  
2<sup>nd</sup> Place – Harvard  
3<sup>rd</sup> Place – Stanford

## ULI/Gerald D. Hines Urban Design Competition

By Teddy Dykoski, VP-Communications, MBA '06



**February 28, 2005** – This year, two sites in suburban Salt Lake City were selected as the locations of the ULI Hines Competition (<http://www.udcompetition.uli.org>). Over 80 groups from graduate schools around the nation, including 7 from UT, formed teams to participate in the competition. Each team consisted of real estate related graduate students from disciplines including real estate finance, urban planning, architecture and landscape architecture.

Each team had to choose between a Northwestern site, consisting of 2,002 undeveloped acres, and a Western site, which included 2,208 acres. After choosing the site, the teams were to construct a detailed master plan of how the land could be developed while considering smart growth on the suburban fringe, sustainable green infrastructure, and transportation and environmental issues. The design students on each team were to design the proposed buildings and infrastructure, while the business students provided the financial feasibility of the long term development proposal.

The initial submissions have been judged, and 4 finalists, including 1 team from UT, have been selected to expand their original proposals and respond in more detail.