

Why Some Investors Are Heading to the Burbs, GlobeSt., ft. Joel Shackelford

Joel Shackelford, partner at Kaufman Dolowich & Voluck, LLP. - KD Law - in San Francisco, has been quoted in a *GlobeSt.com* article published December 12, 2015. Jennifer LeClair wrote:

ATLANTA—Large volumes of development dollars have been invested into cities—especially large metropolitan areas like Atlanta.

That trend, says attorney Joel Shackelford, partner at Kaufman Dolowich & Voluck, can largely be traced back to one root: huge amounts of foreign investments into American real estate, which is seen as a safe investment both in terms of cash flow and asset appreciation. “China has been a big player in this sort of urban development,” Shackelford tells GlobeSt.com. “Demand for such new construction has been exceeding supply, in my experience, causing property values and rental rates to increase.”

As Shackelford sees it, this, along with the low interest rates for borrowing, will encourage more development. Still, he doesn’t think interest rates will affect urban building much because those deals are largely cash-based from foreign investors who don’t need to borrow. “Whether for business, pleasure, or residence, people want to be in thriving cities for the time being,” Shackelford says. “I don’t see that trend shifting any time soon.”

All that said, Shackelford reports considerable interest in real estate outside of cities. He says suburban triple net retail centers and hotels are still very successful investments across the country, especially in California. “Foreign investors are going to those development projects through EB-5 investments, as well as other direct investments,” Shackelford says. “Domestic developers and investors are also very interested in the suburban plays especially since the urban markets are believed to be too crowded.”

Shackelford offers an example. He had a client with a tract of land in Downtown Los Angeles tied up in escrow at \$40 million last summer. Two years earlier, the tract was sold for \$24 million.

“My client’s partners thought the deal was too expensive though, and ended up taking their money to suburban apartment plays,” Shackelford says. “That Los Angeles property now has a thriving multi-use building on it, and the owner is happy they held on to it. My clients are happy too as they went out and bought 6 cap rate apartments outside of town. In the end, it’s good to be an owner in this market.”