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Press Release

Commercial Real Estate Pricing in Today's Market

Investment Strategies to beat market returns!

Manson, May 15, 2007: Folks who invest in commercial properties approach the activity with a variety of goals. The clearer the investor is on what their individual goals, the better chance the chance that they can develop strategies to attain them.

Simple, right? The easy answer is investors want to make the most money they can. Well, it isn't quite that simple. Different approaches can yield wildly different financial returns. Often, they have wildly different risks as well. Some types of investment require huge amounts of work, monitoring and/or capital. Some investments require minimal effort, may have lower risks and may generate income as well.

Today's market has lots of money chasing commercial real estate, and commercial investments, in the Pacific Northwest. The **CAP**italization Rates (**CAP** rate is the net income of an investment divided by its purchase price and a common way to look at relative returns of investment property) are at very low rates. That makes it a great time to sell your commercial property, but an expensive time to buy!

It is not unusual to see properties selling in this market at CAP rates of 5% or less. It wasn't but a few short years ago, that investments could be found at over 9% CAP rates. Many investors don't find it exciting to get a 5%, or less, return on their investments. The question on those folks minds is how can I achieve a better than market rate return?

That is when it becomes important to understand your personal goals as a real estate investor. One of the first things an investor needs to determine is how active do they want the investment to be. An active investment might be buying foreclosures to remodel and sell. Apartments and rental properties usually require much more time than retail space. Commercial development can have higher risks, but higher returns.

Some common types of commercial real estate investments, with varying returns and involvement, include:

- Triple-net investments
- Apartments/Residential rentals
- Vacation Rentals
- Commercial/Retail Properties

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To beat the market returns on a real estate investment, somehow the net income of the property has to be increased relative to the cost of whatever improvements it takes to get that additional income. One of my favorite ways to accomplish that feat is to develop or redevelop the property.

You can see folks doing that all over the Chelan Valley in the residential market, creating lots, homes and condominiums. From where I sit, that looks like a pretty crowded market relative to its historical sell through rates. Not that there aren't probably going to be some successful projects, but there is certainly a bunch of residential inventory being developed, so it may be difficult to see higher prices in that market in the near future.

I look at things a bit differently, and try to find commercial needs that will need to be met in a growing community. By looking at the things we see everyday that could be more convenient, are too hard to find, or just can't be gotten in the Chelan Valley, I try to find and develop the real estate that will help meet those needs for my clients and myself. Simple observation from everyday life in our Valley is a great way to become aware of the opportunities. Then the challenge is to not let familiarity with the way it has always been stop us from seeing the way it could be!

Being newer to the area has some advantages. I am familiar with many of the types of projects Chelan has yet to see, but that make sense with all the growth. In my first few years here, I have gotten involved, in the community, the development environment and the business challenges. The Chelan Valley is changing and Criterion Properties is here to help. If you have a business that needs a new home, or a space that needs a new business, or an investment that needs a new owner, Criterion Properties has the expertise as well as local, statewide and national contacts to get you your best deal.

I founded Criterion Properties in 2003 in Everett, Washington to provide commercial real estate services and property management services. I have participated in development, multi-family and commercial projects since the early 1990s. In 2005 my family and I moved to the Chelan area to allow my children to attend the Chelan Valley Independent School (www.cvis.org).

To learn more, simply visit our website at www.criterionprop.com or contact Criterion Properties, Al Lorenz, at 509-630-6769.