



Optimism reigns

Introducing **Conversations**, a monthly section devoted to talking directly with the building industry, our readers, to get a pulse on the trends, news and insight about where we're headed for the year.

First up is Sean Burton from CityView. We chatted with Burton on the direction of the industry, how his company funds developers and builders [hint: have your act together before you pick up the phone to speak with him], and how they work with developers once a project has been chosen.

Sean Burton is optimistic for 2010. There's good reason for this optimism. His company, CityView, an institutional investment firm that focuses on urban real estate, in-city housing and metropolitan infrastructure, saw a big uptick in sales and closings in the latter half of 2009. The company's sales year over year for 2009 compared to 2008 were up 100 percent in Western states and 60 percent in the rest of the country.

December was the best year the company had ever had in terms of sales. "There seems to be a palpable feeling that we've hit bottom and prices are starting to tick up. Buyers don't want to be left on the sidelines. Many have been waiting for the right opportunity, and with prices starting to move up, interest rates at half-century lows and a federal tax credit, they think this is the time to move. We think they are right, and 2010 will be more of the same," says Burton.



Q: SO, WHO IS CITYVIEW AND WHAT DOES THE COMPANY PROVIDE BUILDERS?

We're an investor and operator that manages institutional capital for the acquisition and development of urban real estate. We've developed and invested in over 50 projects in 12 states and 25 cities around the country. Our focus is on urban real estate—infill housing, mixed-use communities and what we call metropolitan infrastructure, where we help cities solve their infrastructure problems. We don't do projects that are suburban.

Our typical structure is to either acquire or develop a project ourselves or to joint

venture with a builder or developer. In the latter case, we provide capital and operational expertise, and our partners will provide the day-to-day management of a project. We feel that our deep operational expertise across urban real estate is a competitive advantage for CityView and significantly distinguishes us from our competitors.

Q: WHAT DOES CITYVIEW LOOK FOR IN A BUILDER OR DEVELOPER PARTNER? WHAT SHOULD A DEVELOPER EXPECT WHEN APPROACHING YOU WITH A PROJECT?

The first thing we do is underwrite the developer to ensure that it has the experience and expertise to successfully execute on the project. We want to understand whether or not the developer has built the type of project before or whether they are going to learn on this one. During the early part of the last decade, we saw a lot of developers decide to take their first foray into condominiums, and the industry paid a price for that. We want to understand if our partner has experience building and selling or leasing through a difficult market.

There is a saying in the real estate market that "inflation hides all sins." When rents are



going up 5 percent a year or home prices are going up 10 percent, everyone looks like a genius. But when the market is stalled or falling, experience and expertise matter. We work hard to understand our partners' experience through a down cycle and want to understand how they monitor their projects, how they make decisions and how quickly they can react. Over the past two years, we have found that this experience and flexibility makes a significant difference.

Finally, we want to make sure all of our partners build or operate a project to the highest possible standards. Well-located, well-designed and well-priced products are how we build CityView, and we want to make sure our partners achieve the same quality.

b: YOUR TAG LINE IS “SMART CAPITAL FOR SMART GROWTH.” WHAT DOES THAT MEAN?

CityView is not simply a “money on the table investor” where we show up and give you \$5 million to go build a project. We’re a very active partner—we provide the capital and we provide design advice, help with the

entitlements, work closely on the floor plans and help with the financing piece. Those are things most investors don’t do—most rely 100 percent on the builder for those things.

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That’s the smart capital part of it. Smart growth is a term commonly used in land use, but for us it means a focus on urban—as opposed to suburban—projects. We try to make sure all our projects are located near job centers, transit corridors and amenities.

One of our recent project is TLofts, which is a great example of smart growth. This was in an abandoned garment factory that was sitting idle between two self-storage

facilities and wasn’t generating jobs or income for the city. It was a blight on the community. We went in and designed 84 live/work lofts in the area. What we like the most about it is its proximity to the upcoming light rail line that’s going to run down Exposition in Los Angeles.

It’s within walking distance to about 2 million square feet of office space and jobs. You hear a lot about green and sustainable building and this has a lot of those traits, but the most green or sustainable thing you can do for a project is to locate it near jobs so residents don’t have to get into a car. It’s the best thing you can do for the environment. That’s a critical element of smart growth.

Another critical component is what you design fits into the scope and character of the existing community. We just didn’t build a Mediterranean villa that’s completely out of scope and character with the existing neighborhood. We rebuilt the façade of the building so it had that urban feel and used lots of steel complete with roll-up garage doors—keeping with the character and design elements of the existing community. **b**

