

Letter from the Editors

Dear Readers,

We are excited to present the 10th Volume of the Cornell Real Estate Review, the leading publication of Cornell's Baker Program in Real Estate. In recent times, the real estate industry and capital markets have been unsteady in response to the uncertainty surrounding the upcoming general election and its effects on the economy and overall direction of the country. The European Union is also in a period of hesitation due to the status of the current recessions facing many of its members. The BRICs are still growing at a vigorous pace but are slowing down to more manageable growth when compared to previous periods. This fledgling economic environment is presenting long term demand and supply concerns for much of the world's investible real estate. At this juncture, the importance of joining scholarly discourse and professional expertise to gain a thorough understanding of real estate issues and opportunities is undoubtedly visible. Our intention is to promote the practical, efficient application of real estate theory and we hope that you find the articles engaging and useful.

The articles this year highlight important long term trends and practical know-how for today's real estate investor, manager and developer. Although corporate balance sheets have been strengthened in the recovery of the past three years, we still await a meaningful economic recovery fueled by strong business spending and job growth. Will a changing global economy impact the classic demand drivers of today's institutional real estate? It is our desire that the following articles will present readers with new questions on where, how, and what to invest, manage and develop in this rapidly changing investment landscape.

In the lead article, Clay Dickinson and Lauro Ferroni of Jones Lang LaSalle Hotel's Latin America strategic advisory practice highlight the opportunities and challenges related to hospitality investors in Brazil in comparison to its BRIC counterparts. The article focuses on the increasing yields available to investors as the transaction environment begins to grow with better access to debt capital and increasing inventories of institutional quality assets. Then, Marya Cotton covers the impacts that arise when governments begin using eco-labels, specifically the LEED rating system (Leadership in Energy and Environmental Design), as mandates for developers to enforce green building within their jurisdictions.

The 2012 Cornell Real Estate Review Industry Leader of the Year is Larry A. Silverstein, president and CEO of Silverstein Properties, Inc. Mr. Silverstein's impact on the skyline of New York City, including the development of the new World Trade Center (WTC), and other property investments, have made him an inspirational leader in the real estate industry. In an opinion editorial, Mr. Silverstein shares his insights into the development of the WTC, and what made the development come together in spite of the countless challenges it faced. Following Mr. Silverstein, key members of the public-private partnership (Robin Panovka, Joseph Daniels, Seth Pinsky and John Lieber) that brought the project from debris to its current state share their thoughts on the keys to making these partnerships work and their experience on this transformational development.

In the next article Marc Gans—the winner of the Cornell Real Estate Review Most Outstanding Student Article Award—provides insight into the policies put in place by the federal government that attempted to provide life to the housing market and solve the foreclosure crisis but failed in their attempt. Mr. Gans suggests policy changes the government should take to tackle the problem effectively. In the next article Charles C. Carter and Tim Allen present an interesting view of space allocation in retail centers and their findings that help retail owners come closer to an optimal tenant mix.

Robert (Bim) Krumhansl and Alex Zikakis concentrate on the changes taking place as the "digital economy" begins to firmly take root, and were awarded the 2012 Westport Capital Partners Award for their article. Their conclusions have huge impacts for each real estate product type and suggest which asset types might perform the strongest as the economy continues to change. The last article of the publication is a case prepared by Yue Hu and Harvest Capital Partners that questions the reader on issues regarding international asset management in a case focusing on the possible sale of a residential tower in Hong Kong.

We truly appreciate the exhaustive effort of the assistant editors, Jessica Coulson, Matthew Legge and Jason Patch. Their constant editing, writing and strategic vision made this volume a complete success. We also acknowledge the patience and dedication of our authors who suffered through multiple rounds of edits. The Review's editorial team is extremely grateful for the efforts of Robin Panovka, who brought the World Trade Center article to life, and provided direct access to the world's foremost development site. We owe our utmost appreciation to Steve Meringoff for his vision and backing of the Review, providing the opportunity for the Review to grow into its current form, and to Russel Bernard who, through his support of the Westport Capital Partners Award, helps shape the next generation of real estate thought leaders. We hope you find the articles in this volume of the Review memorable, insightful and applicable, and encourage you to share your thoughts with the CRER editorial team (crer@cornell.edu) for consideration as they prepare upcoming volumes.

Sincerely,
Connor MacLennan and Hugo A. Medina
Editors, 2012



Connor MacLennan



Hugo A. Medina