

P R O S P E R I T A S

EUGEN KLEIN REAL ESTATE BROKERAGE & MARKETING SYSTEMS

THIRD QUARTER 2005 ■ PRE-MARKET LISTINGS ■ ASK AN EXPERT: PART II ■ EITHER ONE OR ZERO

Editorial



The commercial real estate market is still humming. There are a host of new opportunities coming on the market; with the

suggestion that interest rates are going to continue to creep up some good opportunities are presenting themselves in the small to mid-size investments up to \$2,000,000. Businesses over \$500,000 also continue to be a fairly hot commodity.

Also contributing to the unsettled climate is the provincial election and possibility of a federal election just around the corner. Considering how well our economy has done over the past few years, I want to see our prosperity continue to grow. As a realtor, it is a great satisfaction to me to see how every homeowner—capitalist and socialist alike—has been able to increase their equity as BC has once again become the number one place on the planet to live. Only fools try to mess with success.

As always, you are welcome to contact me any time with your questions and concerns regarding the disposition of your commercial investments or businesses. ■

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Further to last quarter's issue of Prosperitas, we have included some FAQs from inquiries via my website and from questions posed at recent presentations.

Question:

My wife and I have an agriculture lease. I am looking at entering into a 50/50 partnership with another person to build a business on the land. I want to offer this other person 1/3 ownership of the land lease and then have a 50/50 business arrangement for what we build on the land. Is this possible and if it comes time to sell, or an offer is made for the farm as a whole how do we decide how much each portion is worth? Basically can we take the land out and give it a separate value to divide three ways?

Answer:

Be very careful when entering into any partnerships that the entry, cash flows and exit strategies are all very clearly defined on paper. There are several ways to structure this type of transaction; you will need legal advice on this - that's where to start. A few ideas that I would put forward would be to:

Ask an Expert

Part II: Frequently Asked Questions

By Eugen Klein, B.Comm(UREC), CRES, ARM®, RI, FRI
Real Estate Investment and Commercial Associate Broker

1. Keep the land lease entirely in your name, but give an extended sub-lease to the business for the land of which your partner owns 50%.

2. Many of the commercial properties we sell are because of "partner" related issues - be careful who you choose; everything seems great at the start.

3. The percentages that you allocate between you, have a direct impact on your control and decision power. Understand the consequences and benefits of each tier.

You will need to allocate values to the business and to the land lease. This will have different tax implications as well and from this is where the tension

arrives. Are the improvements you make to the land part of the business venture or a fixture of the land? This must be detailed in your partnership agreement.

Question:

Having found an ad for development property to sell near Mission I had to pose the question. As a 47 yr old going through mid life crisis would it be an

(continued on page 4)

T E S T I M O N I A L S

"For your really professional work in marketing our business in British Columbia, we would like to thank you once in a very special way. Since a very long time we are in business with professionals like you and your crew, but never before we have seen the commitment for doing a good job in selling a property like in your case."

Daniel Schneider
Credit Suisse Banking, Switzerland

"I have known Eugen for many years through the Real Estate Board of Greater Vancouver. I have always found him to be hard working, honest, technically savvy, ethical and professional. I can wholeheartedly recommend him for his innovative and creative ideas and the implementation of those strategies and plans."

Mercedes Wong,
CPA, CCIM, FRI, RI(BC)

"I greatly appreciated your recent article in REM Magazine. You have identified and articulated the issues that business owners face and subsequently the challenges that business brokers and Realtors confront in marketing those businesses. Keep up the good work; I look forward to reading more!"

Doug Lytle
Commercial Realtor, Peterborough, ON

"I have known Eugen Klein for approximately fifteen years. I am impressed by his commitment to life and all its opportunities and challenges. By my experience he is hard working, honest, intelligent, sincere and courteous."

John Windsor, R.I.(B.C.), F.R.I.C.S.
President, North American Property Corporation

Please visit us online at www.eugen-klein.com

Royal LePage
City Centre



\$3,500,000

\$8,500,000

\$4,250,000

\$956,815

\$1,306,512

\$350,000

\$89,000

\$900,000

\$7,500,000

\$3,250,000

1. **LADNER GOLF COURSE**
10 Acre driving range, putting green, clubhouse; located beside Delta Golf Course. Very rare opportunity.
2. **45 ACRES MANUFACTURING**
Best manufacturing land available in Blaine , WA. Junction I-5 & Pacific Hwy; truck stop, manufacturing, duty free potential. Border proximity, 10 parcels all serviced.
3. **FOUR STAR RESORT**
18.73 acres; restaurant, pub, 33 rooms, indoor swimming pool, cabins, strong revenue growth third straight year .
4. **46201 OLDS DR. CHILLIWACK**
First of two excellent properties in central area of commercial core. Lots are fully serviced and ready to build. Highway visibility.
5. **46180 OLDS DR. CHILLIWACK**
Second of two excellent properties in central area of commercial core. Lots are fully serviced and ready to build. Highway visibility.
6. **#103 – 8988 FRASERTON COURT**
South Burnaby, 2,109 sq. ft. incl. 606 sq. ft. mezzanine. Current use: high tech music studio. Owner will lease back @ 7% cap.
7. **OFFICE SUPPORT SERVICES**
Provider of office space and support services for small businesses. 5073 sq. ft; Current tenants on 1-2 year contracts.
8. **CASH FLOW BUSINESS**
Great opportunity. ALL CASH Niche market business, owner operated, ~55 hours/week flexible, \$110,000 net profit
9. **SHOPPING CENTRE NWT**
Largest shopping centre in Yellowknife. NWT and Nunavut both experiencing tremendous commercial resource growth. 10% cap.
10. **MANUFACTURED HOME PARK**
Excellent mobile home park in the city centre of Chilliwack. Long established, good income flow. Gas station & restaurant. Medium density residential zoning.

This communication is not intended to induce a breach of already listed properties or businesses. All information must be verified by the purchaser. Images are representative only.

PROFESSIONALS DIRECTORY

The 'Professional Directory' is dedicated to the extraordinary people who have contributed to either my life or my clients with exceptional service. I would like to share my good fortune of knowing them with you. Please feel free to convey my recommendation.

BANK OF MONTREAL
Mr. Joe Corrado & Mr. Mark Tower
Vancouver 604.665.2682

BONNIE LEE CHARTERS
Mr. Kevin Addie
Vancouver 604.290.7447

CHAMBAR RESTAURANT
Mr. Quentin Kayne
Vancouver 604.879.7119

CIBC RESIDENTIAL FINANCE
Mr. Derek Christiansen
Vancouver 604.220.6161

COMFORT INN
Mrs. Valerie Orr
Vancouver 604.605.4339

VANCITY COMM MORTGAGES
Mr. Gary Khangura
Vancouver 604.879.0235

CYPRESS INSPECTIONS LTD.
Mr. Noel Murphy
West Vancouver 604.312.8606

DIGITAL PRINTING
Mr. Jason Romo
Vancouver 604.420.3400

FRANCHISE LAWYER
Mr. Jack M. Yong
Vancouver 604.443.7698

11. RETAIL JEWELLER

Well established jewelers, downtown Vancouver. Asset sale; owner is retiring and wants a quick transaction.

12. FRASER VALLEY GAS STATION

Excellent ESSO gas station in downtown Abbotsford. 1500 sq ft office & gas bar.

13. KWANTLEN SQUARE RETAIL

3883 sq ft unit; well constructed strata commercial complex; high ceilings, good frontage. Busy retail corridor of 72nd St. / 125th Ave.

14. HEALTH FOOD PACKAGING & DISTRIBUTION

Wholesaler-distributor of health food products & supplements. Incl. brand new \$100,000 website & 2000 sq. ft. warehouse.

15. GLOBAL SAFE DISTRIBUTORSHIP

Exclusive distribution rights for revolutionary safety/cleaning product endorsed by major insurers. Tremendous growth opportunity

16. GLOBAL SAFE DEALERSHIP

Cleaning & safety product endorsed by top insurers – reduces slip fall claims. Profit \$1 per sq. ft. treated.

17. 410 – 938 HOWE STREET

Southwest facing corner suite, 446 sq. ft. opposite BC supreme court bldg in heart of Vancouver commercial district.

18. KOOTENAYS PUB & RESTAURANT

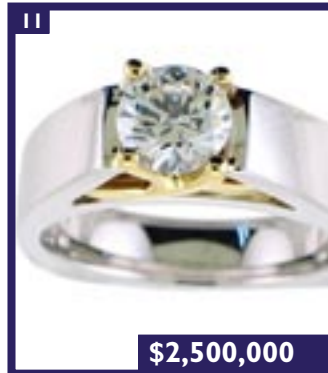
Perfect for family / retirement – gorgeous location overlooking Kootenay Lake. Net Income \$73,000.

19. LANGLEY BURGER JOINT

Very popular drive-in, downtown Langley. B liquor license, 52 patio+ 38 indoor seating. Owner will stay to train.

20. PEDROS COFFEE KIOSK LOCATIONS

Successful new organic fair trade roaster direct franchise expanding. New kiosk locations: Downtown, Metrotown, Langley, Abbotsford, shopping centre near you.



\$2,500,000



\$899,000



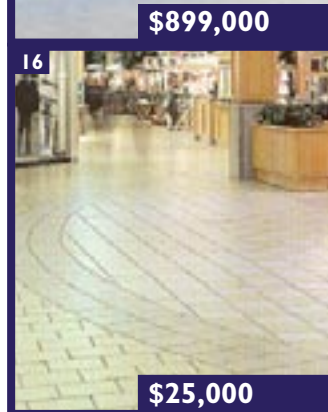
\$899,000



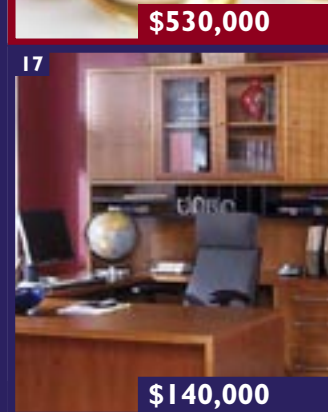
\$530,000



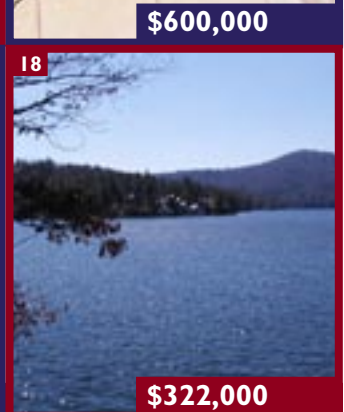
\$600,000



\$25,000



\$140,000



\$322,000



\$195,000



\$100,000

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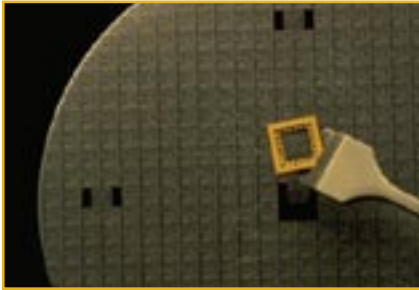
PINK LIME SALON & SPA

Mr. Youssef Jawhari
Vancouver 604.683.7444

VANCITY VENTURE CAPITAL

Mr. Axel Christiansen
Vancouver 604.877.6582

Either a Zero or a One



My Dad once told me that, "It's not as important which computer you buy, or even to wait for a better quality one to be available for less money. It's important how quickly you get one." Embracing technology is critical in order to keep pace with your customers and the method they choose to access and analyze information.

When electronic mail (email) first arrived on the scene, it was not widely accepted or used. This is the same for all technology that jumps the divide in our minds between what we believe is possible and what is simply unfathomable. Email is no different that when fax machines or voicemail arrived on the scene. Did you ever have a recording on your voicemail where someone just kept saying "Hello" or where a person talked until the voicemail cut them off and they would also be your next two messages with a drawn out continuation of the first message? People today have taught themselves to trim the time it takes to leave a message and often offer precise details of what they would like you to do before you call them back, all in the space of a minute or two. These new tools have become an immense time saver.

How does the great oblivion of the 'information super-highway' and lingo like 'HyperText Markup Language' (html)

Technology in Commercial Real Estate

relate to a fixed commodity which has always been sold by the monicker "Location, location, location!"? The physical Location of real property definitely continues to represent the first segment of the popular phrase. Times have justified that the second 'Location' in the phrase could be linked to the IP address where one chooses to receive their translated binary impulses, which is the Location(s) of the information. Finding the real estate information desired requires adept 'surfing' skills in order to source out every opportunity. The third reference to 'Location' has

clearly become where do you find an interpreter of the data, your real estate consultant. Many commercial real estate agents have taken giant leaps to sharpen their research and communication abilities through the tools of their computer. These additional skills serve to heighten their previous skill set. These are the professionals that you should insist on receiving your information from. Simply ask them, "are you a zero or a one?"; if they're computer savvy, you'll soon be talking the same language. ■



Mark Thiessen
RE/MAX - Commercial Team
www.thecommercialteam.ca

Real Estate for \$1000 Alex

(continued from page 1)

idea to purchase half the property then co-op with the property owner and a trusted builder to develop the property and share the profits? If this doesn't seem logical or involves more than I'm aware of can you let me know?

Answer:

Thank you for the email. Development projects are inherently risky projects. I deal with many developers from both the US and Canada on land sales, acquisitions and in various asset classes: multi-family apartment, townhomes, detached, industrial, built-to-suit etc. The more experience the developer; in most cases, the less they move from what they know. Each type of multifamily project has differing expertise. In this market, many of the developers are letting their lands go because of fear of over supply. Some have acquired too many projects and are now selecting the best ones they have secured. Unless you are very sure,



"careful when entering into any partnerships"

my suggestion is to stay away from it unless you are prepared for that risk. Please examine it very carefully and seek as much outside advice about specific market facts as possible. There may be other options:

- Can you purchase and flip?
- Can you purchase, cosmetically

upgrade and flip?
- Can you hold for another rise in appreciation?

These can be looked at without the risk of holding the bag as the market moves.

For the past several months I have been answering questions on-line regarding commercial real estate and business brokerage. You can find all the questions and my answers (or submit your own!) on my website in the section entitled "FAQ":

www.eugen-klein.com/faq.htm ■

COMMERCIAL ■ INDUSTRIAL ■ INVESTMENT ■ PROJECT MARKETING ■ BUSINESS BROKERAGE



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It is my pleasure to serve your real estate needs.**