I got a promotion and I appreciate it. I'm the senior vice president with Lend Lease. And Lend Lease is the biggest institutional real estate investor in this country. We've got about $23 billion in assets under management here. We are a global company. We invest around the world. We have about $30 billion invested around the world.

And I guess the topic of my talk today is enticing the market. We are a big investor and we've got lots of pension fund clients. We invest money on our own, but most of the money that we invest is managed for pension funds for international investors for others. I write emerging trends. I've written emerging trends in real estate for the last eight years. Take a look at the market every summer. We interview 150 major commercial real estate investors, developers and others and get the pulse of the market.

And I guess my message to you today is that the moment really is now for the cities. There are a confluence of factors that are coming together that makes investing in the cities desirable today. But that doesn't mean that the money is flowing in and that doesn't mean it's going to be easy to get investors interested in projects, because institutional capital tends to be conservative and skittish. It doesn't take a leadership role in terms of investing in new ideas or in many cases, old ideas that are just good ideas.

But, why today is the moment not for the cities? The primary reason is that old chestnut, which we all hate to hear, location, location, location. Cities have the strategic locations. They have the best locations. In many cases, like Milwaukee here, the waterfront views. And they are well-planned. And that's what you guys are all about. Good planning and good planning holds value. And it also makes for good places to be.

Typically, they are government and business centers. Some are doing better than others, but they're concentrations of activity and commercial activity and money making. And mean while, over the last thirty to forty years in this country, it's been the suburbs that have been the desirable locations. Everybody wanted their patch of green. It was nice to raise the families with the barbecue. They were the calming places. The places to get away from all of the bad things that were developing in the cities.

That's not true anymore. The fact of the matter is, in my opinion, suburbs have as many or, in fact, more problems than many of our cities today. The fishers are showing. And the reason, for all of this is poor planning. I say nonexistent planning over the last forty years. And of course, this group has made that topic number one for many years now. And the message is getting through that our suburbs are just, in many cases, disaster areas of bad planning. There is insufficient, badly conceived infrastructures.
And in fact, when you get all down to it, it has created this terrible congestion that everybody wants to get away from. And that's one of my major themes about 24 hour markets and 24 hour cities. People want convenience. They don't want to be caught in traffic. They want to have time to themselves. And the suburban planning and the suburban issues have made that very difficult today. And that's good for the cities, because we see now a return to the cities.

In fact, I took this out of a real estate trade this week—an official from Kushman and Wakefield—which is a major brokerage company, that most of you, I'm sure, know—she says here in a press release, there's a certain cache to living and working downtown. And the 24 hour cities—which I like—have benefited from it. Also, the virtual total lack of new construction in downtowns have resulted in less available product as the economy has continued to expand.

But, there is this cache about cities, once again. Even in places like Atlanta and Houston—those downtowns are making a big deal of the fact that they're building lofts. That people should come back downtown. That downtowns are somehow in.

And demographics are working for the cities. Demographics are working for the cities right now. Baby boomers have had their families, or their kids are going off to college. And they are all alone in their big suburban ranch houses. They've got a lot of room. They've got the big lawns. It's kind of lonely and it's kind of dull. It's really dull.

I think the best example of the difference between city life and suburban life is captured in this room—in this theater here today. Would you rather see a show in the Pabst Theater or go to the cineplex in your mall? This is what is so attractive about cities for many people. They have their activities here. There are interesting place. And they are at excellent locations. And if people can find good places to live, they're drawing back into the cities. I think we all have friends who have lived in the suburbs—who have their families—kids are out of the house now—that are talking about moving back into the city. I know of five or six examples of colleagues of mine who are doing that right now.

And then, there is the generation x-ers. The generation x-ers—the twenty-somethings—they're not ready to start families. They're ready to start their careers. And they aren't doing it in the suburbs. I use this line. It's a little bit hackneyed, but maybe some of you haven't heard, since you haven't heard me. It's the old Frank Sinatra line. Do you want to make it in Westchester or in Hoffman Estates? Or do you want to make it in Manhattan—in New York or Chicago? If I'm going to make it anywhere, I'm going to make it in a dynamic thriving city. And the generation x-ers are really tying into that. So, you've got this gravitational pull of demographics back into the cities.

And of course, the economy. We are in the sweet spot right now. It's been benefiting our cities, big time. I'm from New York. People are coming to New York. They are enjoying New York in a way that they haven't in my life time. It's never been so good. And there are a lot of reasons for it. But, up at the top of this list, and I think, Mayor Norquist here in Milwaukee, can talk to the economy, too—the economy and the good things that are happening in this country right now with this economy are providing the tax base for better city services, for more police, which can result in less crime. You've got more people working, which results in less crime. There are safer environments, more city services, resulting in cleaner environments. You can barely find a scrap of paper in this downtown. It makes for a very desirable place to spend time. And that is reinforcing the demographic issues and reinforcing the desire to want to come back and live in the cities. And that's so important.

That's so important from the standpoint of investors, because investors aren't altruistic. And that's my message to this group, because when I come to these sessions—I'm on a panel later today—how can I get big money sources—the banks, the insurance companies, a pension fund—to invest in my project? Which is really a good thing. It's going to improve things. The reality is—and we do the emerging trends, zero to ten ratings, and I created my own here. But, on the do-gooder to extremely greedy scales, investors really rank out—I don't want to say they're extremely greedy, because I don't think they're extremely greedy, but they want to make money. And they have to be
convinced that they're going to make money in a project, if they're going to invest with you.

And it goes further than just wanting to make money. The bottom line is banks, insurance companies, and pension funds have a fiduciary obligation to make money for all of us, who are investing our money with them. All of us want them to make money, so we can make money. We're not putting our money with banks--we're not putting away our nest eggs and pension funds not to make money. And it all really comes back to that. It's this fiduciary obligation.

So, investors are right now following dollars--taking dollars in to what I call the 24 hour markets. And it doesn't mean that there is a huge flow into these markets. It doesn't necessarily mean that any project is going to find financing or an equity partner. Far from it. But the fact of the matter is, compared to ten years ago, the 24 hour markets are where you're seeing you're big, institutional money concentrating. And I've been writing about 24 hour markets. I know this group gets emerging trends. But, just, if you're not familiar with the five elements of 24 hour markets, they're a bit like the five key ingredients to good neighborhood design.

Appealing neighborhoods--you've got to have appealing neighborhoods in a 24 hour market. That's the key. That's the essential to 24 hour cities. If people don't live in cities, they're failures. And you see that now in a downtown Dallas, in a downtown Atlanta, in a downtown Los Angeles. People don't live there. They live out and about. And those areas are failing. For those to be successful, we've got to bring people back in. It's absolutely key.

And those cities are waking up to that fact. It's incredible. This never could have happened even two or three years ago in Atlanta. About three weeks ago, I was reading that the downtown Macy's--you have a major redeveloper, Post Properties, an apartment developer who has done all of their work in the suburban areas. They have been very successful. They're turning inward now. Back to the cities. And they're going to build a loft apartment complex on top of the old Macy's, right smack dab in the middle of downtown Atlanta, which has been a dead zone for many years.

That's why I say the confluence of events is very positive. And people are waking up to these issues. But, appealing neighborhoods are absolutely essential. And it has to be the number one issue on everybody's radar screens in terms of bringing cities back or improving cities. Keeping the neighborhoods vibrant. Multidimensional environments--parks, cultural activities. Milwaukee, this area right here. The Riverwalk. The Lakefront area. Absolutely key for desirable places.

Convenient shopping. And I don't mean necessarily the department store or the mall. I mean drugstores. I mean supermarkets. Places where people can get what they need to live on a daily basis easily, without getting into a car.

Safety and security--it's been touched on today. Absolutely essential. Because of the great economy, that issue has gone away in many in our cities. And people want to come back because of that. If you don't feel safe in a place, you're not going to come there. You're not certainly going to live there.

And absolutely essential, good alternatives to the car. Mass transportation alternatives. Very important. And your great 24 hour cities have that. All those elements.

And our top markets are going to be the same in this year's report. San Francisco, Seattle, Boston, New York, Chicago, Washington, DC In many ways, all have those elements. And they are benefiting mightily. You're seeing residential pricing go up. You're seeing values go up. These are places where investors want to invest. In fact, they're having some tough times finding properties, because people who own properties are holding onto them.

The markets now are very tight. You're seeing equilibrium. There is not a lot of development going on, because investors are skittish to some degree about development. In fact, you see our green dots up here. They generally correspond to the 24 hour markets. And they're fairly under control. Growth constrained. These are the places--the green dots--where a lot of investment activity is focused.
Now, you see, red dots on the high growth areas, like Atlanta, Houston, Dallas, Phoenix, Denver to a certain extent. Investors are skittish about these markets because of the wide open spaces. This is again back to our confluence of key factors here. Investors are concerned about the type of development that occurred in 80's in this country. Basically, your suburban, anything goes style. And so, they're being very careful about doling out dollars for development projects. And that gets back to you and projects that are going to create the good things that we want to see happen in both the cities and the suburbs. You're going to have to convince them that they can be successful and that they can make money on their investments.

Investors are also very short term compared to where they were ten or fifteen years ago. When you invested in real estate in the early 80's, the story we used to tell our clients was, hey, it's a long term investment. You put your money in and it's a nice, steady ride up. After what happened in the late 80's and the early 90's, when it was rather a sharp rise and an even bigger fall, investors aren't buying that anymore, and neither are the managers and the advisors. They're playing the cycles more. They're in it for the shorter term, generally speaking. And you have to keep that in mind.

Just come to an investor and say, this is going to make the city or a suburban market--this project is going to really do it for this place. It's going to give it longevity. It's great planning. It's going to do wonderful things. Again, the bottom line comes back to am I going to make money on the project? They really don't focus on the do-gooder, altruistic elements that really make for value over the long term. And the reason why prices have held better in New York, in Chicago, in San Francisco, in the great markets around this country, is because of good planning. But, investors, sadly probably, don't necessarily focus on that.

I'm just going to close now. There is some major caveats. And that's why I say the moment is now for the cities. There is some major caveats that we all have to be concerned about. The economy has been great. If we go into a recession, again, tax base is going to be effected. Services are going to be effected. Crime will probably rise. They'll be some real issues, again, arising for the cities.

And something that has been papered over here. There is a housing and urban development report that came out just a few weeks ago. I hate to end on a negative note, but poverty rates in our urban areas are still extremely high. Now, these are '95 numbers. These are the latest numbers that they came out with, and things have probably gotten a little better. But, some staggering numbers here. We concentrate our activities and look towards the downtowns. But there a lot of poor people living in our cities. There is some major issues there haven't gone away. And that will come back as major issues, if the economy turns.

So, the moment is now to entice investors with good plans, with good projects. But, again, what it all comes down to is convincing them that they're going to name money. That they're going to make a return for all of the people that they are protecting in their investment plans, bank accounts, etc.

I thank you very much.