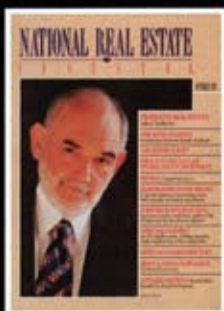
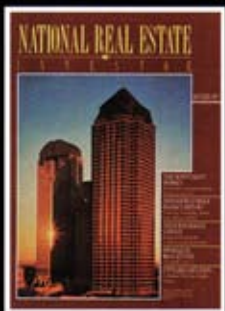
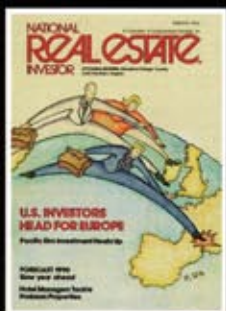
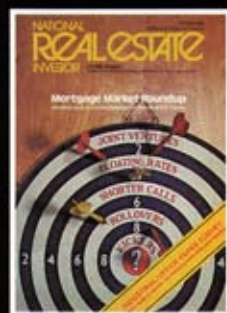
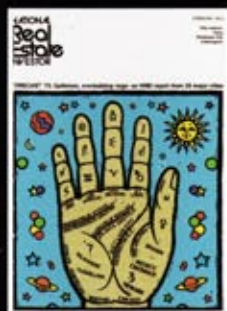
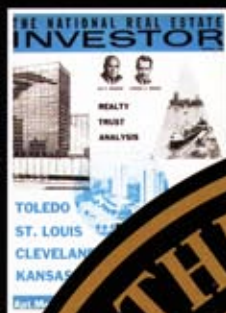


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PROFILE

There's an old joke: Where does a 2,000 lb. gorilla sit? The answer: Anywhere he wants!

An old and very bad joke, it's one that nevertheless can't be lost on GE Capital Corp., itself a part of a growing global giant known as the General Electric Co.

To illustrate GE's mammoth size, consider this: The Fairfield, Conn.-based business, valued at \$300 billion, is the nation's fifth largest, its reach extends to 100 countries throughout the world, and it ranks No. 5 on the *Fortune* 500 list.

Now consider this: Of the 11 core companies that comprise GE's nucleus, GE Capital contributes 40% of the company's total revenue, earning the distinction of being GE's single largest



GE Capital has partnered with Dallas-based apartment developer JPI in a \$470 million venture dubbed Project 2000. The project prototype Jefferson Estates (above) in Richardson, Texas, includes amenities such as computer ports and two-sided fireplaces.

GE Real Estate enters capital markets with weight to bear

Good breeding, good timing and good global partners give GE Capital Real Estate an edge in the market

By Cheri Thompson
Associate Editor

money maker, and the company is still growing.

For the second quarter of 1998, GE Capital reported earnings of \$933 million, a 17% increase over the same period last year. And, of the 28 businesses that make up GE Capital, 22 grew earnings at double-digit rates, including the corporation's real estate group in Stamford, Conn.

"1997 was a terrific year for us," confirms Ron Pressman, president of GE Capital Real Estate. Pressman, who was selected to run the company last year, has a point. In 1997, his business booked more than \$5 billion globally, including \$400 million in equity and more than \$2.5 billion of on-book debt.

Still not the biggest player among commercial real estate financiers, GE Capital in August agreed to buy the

equipment and real estate financing unit of New York-based Metropolitan Life Insurance Corp., for an estimated \$1 billion. Analysts expect the acquisition, the largest so far this year, to give GE Capital a leg up in the competitive commercial finance market.

Building A Business: 101

Offering a trio of products including equity and structured finance, GE Capital Real Estate has been active in the capital markets arena for just two years. But based on its numbers, the company placed \$2 billion in loans in 1997, who could guess it?

Those who head the capital markets division call it "a great little start-up." Yeah, and the Titanic was just a boat.

"All of our categories are growing really well," says Kathryn Cassidy, ex-

ecutive vice president and managing director, Capital Markets GE Capital Real Estate. "Last year we did about \$1.1 billion in CMBS conduit activity. This year our small loan program alone will bring in about \$2.5 billion to \$3 billion."

Structured in three parts, the capital markets division provides \$1 million to \$35 million in loans under its Access plan and \$35 million to \$500 million in loans as part of its Access Plus plan. Private placements round out the third portion of the business.

In one of its biggest capital markets transactions this year, GE Capital Real Estate finalized a deal in June with New York-based Donaldson, Lufkin & Jenrette/Column Financial Inc. to contribute loans to a new Commercial Mortgage-Backed Securities Pool of approximately \$1.5 billion. GE Capital Real Estate contributed nearly 52%, or \$820 million, of the combined loans. The Rivergate, a Manhattan apartment building, secured the largest loan for \$95 million—most loans in the pool range between \$1 million and \$20 million.

"This transaction represents a first-time collaboration," says Don MacKinnon, managing director of DLJ's Real

created 180 "improvement teams" to achieve six sigmas, a companywide initiative led by Jack Welch, CEO of GE. The six sigma quality program refers to a statistical unit that measures performance based on a goal of 3.4 defects per million transactions. According to GE, the typical status for successful companies, including GE, is about 3.2 defects per million transactions. Only a handful of industry leaders, including Motorola and Texas Instruments, have approached six sigma performance levels. Using customer feedback to track its progress in achieving six sigmas, GE Capital has set up a "war room" staffed with "black belts" to gauge customer satisfaction.

"We ask our customers, 'What amount of turnaround time is acceptable to you,'" explains Anita Lefebvre, one of GE's "master black belts." "Then we conduct interviews on a quarterly basis to chart our progress. Our goal is to capture the voice of the customer and translate it into our process."

Think Globally, Act Locally

As GE Capital Real Estate expands its international base, translating customer concerns into company policy isn't just a figurative expression, it's a literal imperative.

Founded during the Depression to help people buy refrigerators, GE Capital has extended its reach far beyond the slow cadence of America's main streets. Today, the company has offices in Buenos Aires, Argentina, Tokyo and Paris, and views the international market as a key element in its strategy for continued growth.

GE Capital Real Estate recently bought Renta Inmobiliaria, owner of two office complexes in Madrid, Spain, and the company has invested nearly \$1.1 billion in the United Kingdom, France and Scandinavia.

"In the past three years there have been two dramatic changes in the way commercial real estate business gets done," says Pressman, explaining his plan for GE Capital Real Estate as its newest president. "One is the shift from private to public sources of financing, and the other is the globalization of the market. We now need much broader, more sophisticated skills and a capital markets approach." □



Included among GE Capital's \$250 billion asset portfolio is the Birchler Business Center, a one-story industrial complex that spans three city blocks in Laguna Niguel, Calif.

to compete on both price and proceeds, she insists that "process" is what gives GE its edge in the marketplace. So how does a company illustrate to its clients something as vague as a process? Well, buying them breakfast isn't a bad way to start.

"We've instituted a deal kickoff breakfast," Cassidy explains. "We include the customer and all the people

Ron Pressman, President, GE Capital Real Estate (top) and Kathryn Cassidy, exec. v.p., Capital Markets, GE Capital Real Estate (bottom) both anticipate future growth coming from overseas markets. The duo point to the increasing technological advancements and the increasing importance of diversification as reasons for GE's global push.



who will be involved in funding and closing their loan. We want to illustrate up front what the client needs and what we need to be sensitive to; then we measure ourselves on how well we've performed based on what we've defined as important from the very beginning." To help improve its process, GE Capital has earmarked \$6 million and

Estate Finance Group. He added that Standard & Poor's and Fitch IBCA Inc., both based in New York, have rated the deal among the lowest in recent memory with a 1.2% "first-loss" classification.

On the equity front, GE Capital Real Estate agreed in January to issue \$470 million to Irving, Texas-based IPI, a developer of multifamily housing. The money will fund the second phase of what IPI calls Project 2000, a host of high-tech, luxury amenities including crown molding, island kitchens, high-speed Internet access and theater-quality sound systems, all designed to attract top-tier tenants.

The first property in the second generation of Project 2000 is Jefferson at Timberline, a 252-unit development in Dallas scheduled for completion in September 1999; the project will include one-, two- and three-bedroom apartments with rent ranging from \$790 to \$1,720 per month.

Earlier in the year, IPI's CEO, Frank Miller said GE Capital's investment would allow the company to extend its reach and "widen the gap," adding that "with GE we can focus on making sure we develop the right projects in the right markets."

Who can refuse free food?

GE Capital continues to attract new business, but it isn't wooing anyone solely on price. Although Cassidy says her capital markets group is positioned

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A & A UPDATE

It's raining art for Kansas City's Kemper Museum; an Old Master marvel is sold in NYC; and Cleveland hits a high note.

In the Steps of the Artist

HAMILTON, BERMUDA—Ogden Pleissner (1905–85) was always captivated by the effects of light and color upon his subjects, most notably landscapes and scenes depicting outdoor sporting life. An avid traveler, Pleissner visited Bermuda several times in the 1950s and left behind a legacy of 14 watercolors depicting the architecture of the island's original settlement, St. George's ("St. George's," circa 1950, watercolor, shown at right). Now, visitors can retrace the artist's steps through the narrow streets of St. George's, following a map depicting specific vistas from his paintings. Kicking off last summer, the self-guided Ogden Pleissner tour is the "first of its kind that zeroes in on the artwork of the island," says Tom Butterfield, director of the Masterworks Foundation, which developed the tour.

Upon the heels of the Pleissner tour's success,



Masterworks, an organization that identifies and acquires artwork about the island, has since launched a second tour to promote Bermuda's cultural history. The four-hour, guided "Art of Discovery" tour takes visitors to buildings that display the foundation's Bermudiana collection of approximately 700 works, including pieces by Winslow Homer, Georgia O'Keeffe and Charles Demuth. "Art of Discovery" runs Monday through Saturday, starting at 9 a.m., and costs \$50. Maps for the free Pleissner tour are available at St. George's Visitor's Bureau. For more information or reservations, call (441) 295-2379 or visit www.masterworks.bm/.

—Patti Verbanas

California Software Giant Spreads the Wealth

KANSAS CITY, MO.—Contemporary art lovers in the heartland won't have to travel to Manhattan anymore just to see the work of Nan Goldin or Aura Rosenberg, thanks to the largess of California software developer Peter Norton, who donated nearly 1,000 works to groups across the country, including the city's own Kemper Museum. If Midwesterners do find themselves in Manhattan, however, the city's Museum of Modern Art also boasts 21 new pieces, thanks again to Norton, a MoMA trustee who gave the museum first dibs on the donated works. All told, nearly 1,000 works by 450 artists, including Rosenberg's 1992 untitled gelatin silver print (left), have been donated to 29 museums—the Tate Gallery in London among the lucky recipients—making Norton's donation one of the largest private gifts of contemporary art.

—Cheri Thompson



Don't Think Twice; See Rodin in Raleigh

RALEIGH, N.C.—The North Carolina Museum of Art is hosting the only U.S. showing of more than 120 well-known sculptures by Auguste Rodin, including "The Thinker" (right) and "The Kiss," from April 16–August 13. The comprehensive show is the largest of Rodin's work in the United States in 20 years and the largest ever in the Southeast. In addition to sculptures in bronze, marble, plaster and terra cotta, the exhibition also offers a rare selection of Rodin's drawings as well as a complementary show that focuses on Rodin and dance.

If that weren't enough, the city also is hosting a 17-week Festival Rodin, which celebrates the Triangle area's rich offering of museums and performing arts, including Broadway shows, concerts and dance performances. Two-night packages start at \$70. For details, call (877) NC-RODIN or visit www.raleighcvb.org/rodin-package.html.

—C.T.

