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## IREA Expands to Meet Demand for Services

By Bob Howard

ENCINO, CA-Investment Real Estate Associates, adopting what founder Raffi Krikorian calls a somewhat contrarian point of view, plans to add up to 10 new brokers by the end of the first quarter next year and has named industry veteran Scott Lunine to spearhead the expansion. Krikorian tells GlobeSt.com that IREA, which has 20 agents now and expects to reach 30 by the end of the first quarter, sees a developing need for the firm's services that will grow even more in the coming months and years as the commercial real estate industry recovers from the downturn.

"We are expanding because we believe that our skills are much more needed today because our clients are looking to us for many more services," Krikorian says. "We are problem-solvers, and our clients want us not just to solve their problems but also to advise them strategically."

Lunine, who joins IREA as a managing director and head of the Encino office, most recently was with tenant-in-common specialist T.R. Winston & Co., where he led that company's national expansion efforts. He says that current conditions present "a good time to grow because, similar to what we went through after the last downturn, we are going to see an increase in velocity of sales and deal flow" as the markets recover. "The companies and agents that position themselves now for that growth are the ones that will be able to take advantage of the market when the deals start flowing again," Lunine says.

Krikorian points out that another reason for IREA's expansion is that clients today are looking for help with services ranging from valuation to recommendations on strategic alternatives such as whether to hold or dispose of assets and how to resolve financing issues. In addition to its regular flow of brokerage deals, Krikorian says, IREA is "being engaged more and more to negotiate with lenders" to resolve lender-related issues such as write-downs, short sales, refinancings and other matters arising from changing market conditions.

One of the chief differences between the current recession and the downturn of the 1990s, Krikorian observes, is "the way capital markets are responding to the crisis." Although some liquidity is being created in funds to buy some of the distressed debt and assets, there is no single, centralized conduit for clearing the assets as there was in the previous downturn when the Resolution Trust Corp. was disposing of troubled assets.

"Today we are doing it directly with the lenders, and there is some obvious hesitance by the lenders to unload these because they have to take write-downs that will push their capital ratios down," Krikorian explains. The IREA founder is familiar with the process both from his position at IREA and as founder and chairman of Downtown Los Angeles-based California Business Bank. Although regulators are resolving some of the problems by working with the banks, unless the economy rebounds in time, "We will see, in some sectors, an avalanche of distressed assets hitting the market."

However, Krikorian does not believe that the avalanche, if it comes, will hit all sectors equally. "I don't think you will see a tsunami of distressed assets hitting the market in the apartment sector," he says. Distress will be greater in the retail and office sectors, he says, because "what we have done in retail is overbuild, and whenever the economy sours, retail and office take the first hits." The multifamily sector is healthy compared to retail because a lenders have tightened their underwriting criteria and moved away from the high-leverage deals that prevailed when the market was hot, he explains.

Lunine, who also headed the national expansion of L.A.-based SCI Real Estate Investments when he was with that firm, notes that he and Krikorian have known each other since their days at Sperry Van Ness, where Lunine credits Krikorian with mentoring him in the business, including training in how to manage a brokerage operation. The new IREA managing director says that he "will be actively recruiting to bring in some high-quality senior agents and to groom some newer agents" as the company expands.

Krikorian says that he is "cautiously optimistic" today because conditions have improved from the days of late 2008 and early 2009 when the credit markets and commercial real estate suffered a deep-freeze. "We have come out of the deep-freeze. The question is, how fast will it thaw," Krikorian says. He notes that although the dollar volume and pace of transactions remain far below pre-recession levels, his company is still doing deals, albeit smaller ones as everyone else is, although it did broker the largest hotel trade in L.A. County this year in the sale of the Hotel Angeleno in Brentwood. "The pie is smaller, but it has not disappeared," the IREA founder says.