

Tuesday, March 29, 2011, 11:06am

Local Commercial Real Estate Could Get Boost From Israeli Investors

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Boston real estate leaders are hoping wealthy Israeli investors will funnel millions into the commonwealth as a result of new relationships struck across the Atlantic.

In the next 18 to 24 months, more than \$3 billion of Israeli capital is expected to flood the nation's real estate market, and the region's top professionals are hoping the state can secure a chunk of the dough, according to panelists at a NAIOP Massachusetts presentation this morning.

The Middle Eastern country was the second largest investor in U.S. real estate last year with \$1.2 billion in the states, so its professionals are well versed in the market in Boston and elsewhere, said David Abromowitz, director of real estate for Goulston & Storrs law firm.

"They are completely fluent with the U.S. market," he told the NAIOP audience. "They know the cap rates and understand the economy well."

The Israeli deep pockets are looking to invest a minimum of \$10 million to \$15 million, and won't shy away from the \$50 million to \$100 million range, in buildings with existing cash flow. They are interested in distressed properties, but not ground-up development, Abromowitz said.

However, those investors are not necessarily looking to Boston as an ideal place to buy. A Bostonian delegation of commercial real estate professionals that met with their Israeli counterparts found that they see Boston as confusing and segmented, where the Back Bay, Financial District and Seaport are all considered individual markets, never mind throwing the significance of neighboring Cambridge into the mix.

But the hometown delegation persisted in telling them that they would show around the out-of-towners, de-mystify the markets and introduce them to the players here. The Israelis showed an interest in putting down roots in an area with such broad intellectual capital and economic diversification, Abromowitz added.

Israel's government also encourages innovation, and goes a step further by actually funding startups, high-tech and life sciences companies that, once they are established and need room to grow, could look to Kendall Square as the next logical step in its business trajectory.

Industry professionals are also awaiting a decision on a direct flight from Israel to Boston, which would make new business ventures even easier, according to panelists.

"There was a clear sense of shared values between Massachusetts and Israeli businesses," said Thomas O'Brien, managing director of the HYM Investment Group, who also joined the Boston delegation in Israel. "We need to be on the minds of the various Israeli entrepreneurs."

O'Brien said that in the next year, he expects at least two real estate investors will be actively pursuing deals in Boston, and life sciences companies will look to transact in Massachusetts.