

Trophy Buildings
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Trophy buildings or properties generally and loosely refer to those buildings that are well located, well designed, well built, well imaged, well recognized, or the like, or are a combination of the foregoing. In short, ordinary people would immediately think of them if they were asked to name buildings that kind of represented / reflected the character of the place.

Trophy buildings are favored by some of the real estate investors and funds, in particular the larger ones. A few reasons as follows:

- A) **Large real estate investors and funds tend to look for large-scale investments for better economies of scale** = and trophy buildings generally come with a high price tag. Given all things being equal, a sizable real estate investor or fund would rather invest in say 10 big projects than across 100 smaller ones for ease of management and focus.
- B) **Trophy buildings match / enhance the investor or fund image** = apart from the image factor, large investors or funds targeting the top quality commercial property sector or niche will inevitably come across trophy buildings.
- C) **Trophy buildings attract tenants and residents** = especially those who long to maintain or improve their own images via being in a recognized property. In short, assuming the price or rental spread between a trophy building and a typical one is reasonable, the trophy building offers usually a more stable revenue stream in the long run.
- D) **“Buy a bit higher, sell a bit higher”** = while it is true that trophy buildings come with higher price tags, one can also sell them for relatively higher prices in any given market condition at a later date (whether one makes a profit in the process is another matter). In short, it is like buying blue-chip stocks.
- E) **Generally better rated and appreciated** = assuming all things being equal, trophy buildings generally attract better tenants and residents and thus a slightly better rating / valuation. This helps in obtaining relatively better financing terms in the long run.
- F) **“Bought the best” syndrome** = real estate investors and fund managers can say they have already done their best by acquiring the best properties in town and if these fail to turn a profit, nothing else may. This is similar to the psychology that some company high-tech managers may have when buying computers with the best brand name for their companies.

Your humble author has recently reviewed some data from the Big Apple (New York City). While the overall downtown office commercial sector is still somewhat down, and despite a more than 10% vacancy overall, the vacancy among the trophy buildings is small at 5%. Tenants have not been flocking out as expected, and with the new insurance policy, some gains may also be realized.

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