

Lack of Diversification – Trending Concern amongst Broker Dealers at the IMN Conference

The IMN just wrapped up its 9th annual West Coast non-traded REIT conference in Dana Point, CA this past Friday, December 6th.

The forum, attended by senior executives from non-traded REIT sponsors, broker-dealers, and industry service providers, covered topics such as non-traded BDCs, liquidity events from 2013, how to avoid losing REIT status, and more.

Diversification or lack of it was an overwhelming theme amongst broker dealers during the two day jaunt. Dan Breen, Co-Owner of Pacific Partnership Group, a secondary market matching firm, was in attendance and commented that many broker dealer executives have “concerns over ARC (American Realty Capital)” filling the majority of their shelf space.

The Direct Investment industry has had a blockbuster year, projected to raise \$20 billion in assets according to reports from Robert A. Stanger and Co, however, a majority of that comes from the offerings of American Realty Capital (ARC). ARC, no doubt, has found much success in creating attractive investments that have lead to liquidity events, but many broker dealers fear that being overexposed to one sponsor is not good for business.

So what’s the cure?

Well, many broker dealers are still trying to figure it out. Some have said they simply will not approve ARC offerings or will limit the number they allow on their platform at any one

time.

The Risk

For those broker dealers willing to NOT sign agreements or limit them, how do you choose one ARC offering over the other? Investors, who have benefited from previous and future liquidity events (American Realty Capital Healthcare Trust, Inc.), could possibly find ways to invest, perhaps through another broker dealer. That's bad for business too.

