

CRITTENDEN Real Estate Buyers™

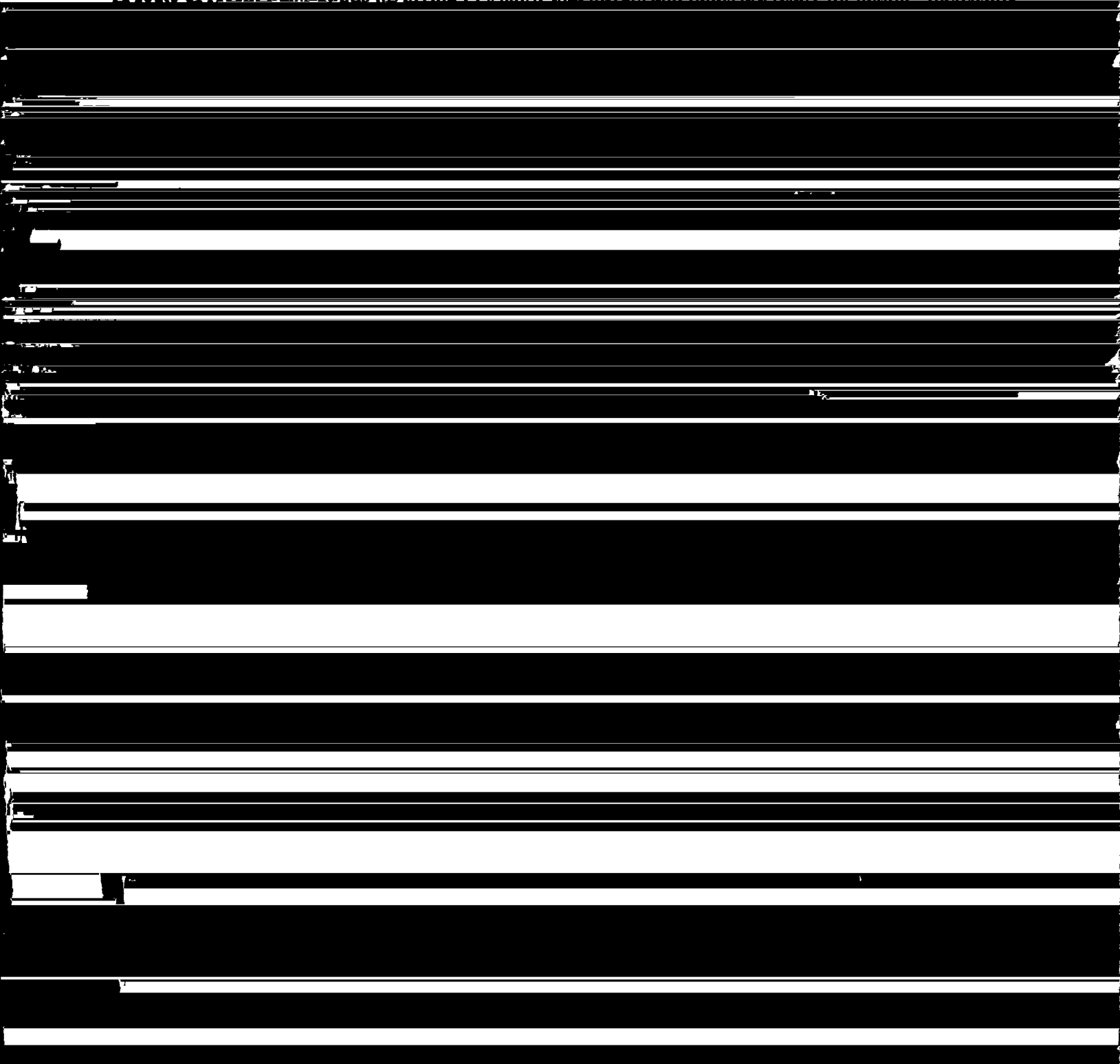
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PENSION-DRIVEN JVs THAW, GAIN STEAM

A spate of recent transactions involving PEs show that buyers and funds are ready for action. Increasing



STRAIGHT FROM THE MARKET

<u>Location</u>	<u>Property</u>	<u>Size</u>	<u>Price</u>	<u>Cap Rate</u>	<u>Occupancy</u>	<u>Age</u>
Brandon, Fla.	Land	16 acres	\$5M	N/A	N/A	N/A

NOTES: Merchant builder Michael Collard Properties paid an estimated \$312,500 per acre, or \$7.17 psf. for this land parcel within Pavilion Crossings development, to construct a 45,600 s.f. Publix supermarket in addition to 20,000 s.f. inline space and four outparcels. The all-cash deal took 60 days from contract to close. Construction is slated to begin this month with completion expected by October.

Florida-focused Michael Collard Properties could be among companies anticipating a better 2011 compared to 2009-10. The privately held retail development will acquire land for anchor based retail projects to single-tenant, outparcel lots. Acreage requirements vary by project, but the company considers anywhere from single-tenant outparcel lots of more than 1 acre to more than 20 acres. Ungraded, entitled lots are sought, but the company will take entitlement risk. Brokerage company The Aztec Group represented seller The Adler Group in this transaction.

CONTACT: Buyer Michael Collard Properties, 1071 W. Morse Blvd., Suite 200, Winter Park, FL 32789. J.J. Johnson, (407) 599-4444; fax: (407) 599-4445; pjohnson@collardproperties.com

Seller: Adler Group, 1400 NW 107 Ave., Miami, FL 33172 Jason Hochman, (800) 452-3537. Broker: The Aztec Group, 2665 S. Bayshore Drive, Suite PH-2A, Coconut Grove, FL 33133. Charles Penan, (305) 938-8621; fax: (305) 854-9795. cpenan@aztecgroup.com

PENSION-DRIVEN JVS THAW, GAIN STEAM...

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Carr Properties' recent Washington, D.C., Class A office buy, with partners Canadian Pension Plan Investment Board (CPPIB) and MetLife Real Estate Investments, further punctuates institutional investor interest and highlights an evolving JV trend. The trio likely saw a 6% cap rate on its estimated \$402 psf acquisition of the Floyd Akers Building at 1255 23rd St. NW; the eight-story building is located in the city's West End submarket.

Institutional partners CPPIB and MetLife Real Estate Investments look forward this year to ramping up acquisitions nationwide. The Carr Properties deal, a first between the company and CPPIB, marks the fourth new partnership the Canadian pension fund has entered during the past 12 months. Insiders say the Canadian real estate market is maturing, which could inspire increased interest in U.S. real estate. As a result, don't be surprised if the PF grows U.S. holdings beyond an estimated 12% of a total \$9.1B real estate portfolio, following first-time partnerships formed in 2010 with Kimco Realty, SL Green Realty and Vornado Realty Trust. Other fund partners include REITs AvalonBay Communities, office buyer Callahan Capital Partners, which decided against an IPO last year, The Blackstone Group and ProLogis, for European and Mexican investments, among others.

MetLife Real Estate Investments could surpass last year's volume in targeting upwards of \$500M worth of real estate this year and will hone in on multi-tenant Class A office and apartment buildings in primary markets nationwide for its \$8B equity real estate portfolio. On the office side, the investor targets additional office properties and full-service hotel, industrial, retail, senior housing and student housing, running the gamut of core to value-added. The company will acquire directly and in joint ventures. Look for interest in properties priced from \$20M to \$200M. Also considered are preferred and pari-passu equity positions.

Their partner, private investor/developer Carr Properties, typically pursues \$10M-plus office and apartment properties throughout the Washington, D.C., metro area, for a value-added strategy that includes redevelopment through one-off or portfolio acquisitions. Among considered structures are mezzanine debt and equity JV purchases in existing and forthcoming developments. Hotel, industrial and retail building acquisitions will be selectively considered.

AREA Property Partners anticipates increased volume and expects to put upwards of \$800M to the task, which could be heavy with recapitalizations along the lines of a \$100M-plus deal in College Park, Md., with regional owner/investor Ross Development & Investment. The company will also make direct investments, likely similar to the Class A Giovanna Apartment Homes in Texas that was acquired for an estimated \$75,000 per unit. The investment adviser counts sovereign wealth funds, corporate and government pension funds including the New York Common Retirement Fund.

VALUE-ADDED APARTMENT BUYERS READY FOR GROWTH

Coastal apartment buyers make moves in anticipation of a hot summer for multifamily. Sizzling optimism for Class A apartments permeated the recent National Multi Housing Council conference in Palm Springs, Calif. It remains difficult to predict when that optimism will heat the entire sector but big acquisitions goals, portfolio interest buyouts and mergers in the market clearly signals a deeper revival ahead. FCP, Grubb Properties, Morgan Management/Morgan Communities, Morgan Properties and Pacific Urban Residential are among active buyers.

Value-added buyer Morgan Management/Morgan Communities targets new markets with \$600M to \$700M for acquisitions this year, which could outpace 2010 volume nearly tenfold. Count on the buyer's attention to units as it counts among possibilities a new market entry into Massachusetts, as well as scooping additional units throughout Pittsburgh, Maryland, New Jersey, Virginia and the Southeast. The buyer, which eyes large portfolio buys and single assets, isn't interested in note purchases. Based in Pittsford, N.Y., it acquired \$80M worth of properties during 2010.

Not to be confused with Morgan Management/Morgan Communities, the King of Prussia, Pa.-based Morgan Properties also scopes some of the same markets and may consider more acquisitions after completing its first purchase since October 2009 with a \$1.5B partnership interest buyout in 76 complexes throughout Delaware, New Jersey and Pennsylvania. The properties in the Class B portfolio average 30 years old. Those properties were owned in JV partnerships established during 1996 and 2007. The deal is one of the largest ever for the value-added buyer and highlights a preference for portfolio purchases. Morgan Properties' largest deal was a \$2B purchase of 17,000 apartment units.

Morgan Properties' dealmakers are open to expansion within and outside their core Mid-Atlantic and Northeast markets including Washington, D.C., Philadelphia, New Jersey and New York. Also considered are one-off acquisitions of 200-plus unit complexes priced at more than \$10M, in addition to portfolios. Non-performing notes acquisitions also are considered, although the buyer hasn't acquired any lately.

West Coast Blitz

On the West Coast, newly formed Pacific Urban Residential could book approximately \$450M worth of acquisitions and development from April 2011 to April 2012. Created from a December 2010 merger between Marcus & Millichap subsidiaries Pacific Property and Urban Housing Group, expect the combined company to further delve into target markets throughout California's San Francisco, San Mateo, Los Angeles, Orange County and San Diego markets, as well as the Seattle metro area, as it seeks \$200M to \$250M worth of acquisitions and an estimated \$200M worth of new development for additional units to add to an 8,000-unit-plus portfolio full with Class A and Class B apartments.

Pacific Urban Residential wrapped up 2010 with an estimated \$400M worth of acquisitions and developments comprising \$65M worth of acquisitions, an estimated \$40M of development and \$295M worth of recapitalizations, including the 192-unit Strata apartment complex in San Francisco.

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May 2 - 4, 2011 - Las Vegas, NV

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VALUE-ADDED APARTMENT BUYERS READY FOR GROWTH...

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Expect Pacific Urban Residential to also acquire land parcels as it prepares to capitalize upon an expected new development demand. So far the company has more than 1,000 units planned for development. On the acquisitions side, while \$5M-plus properties are considered, Pacific Urban Residential will generally target properties in the \$15M-plus range. It may acquire more vacant assets in transactions similar to its note purchase of the Chateau Woods complex in Woodinville, Wash., outside Seattle.

Additional partnerships involving interest purchases and fee-simple acquisitions between Federal Capital Partners and Grubb Properties in the Mid-Atlantic will likely follow the pair's second deal, in which FCP bought a majority interest in a 440-unit Chapel Hill, N.C. complex called Glen Lennox. The companies consummated their partnership a couple months before with the 174-unit Riverwoods Apartment complex in Durham, N.C. The FCP/Grubb Properties JV should consider additional value-added properties throughout the Mid-Atlantic, a region where company portfolios may overlap, since Grubb Properties focuses on the Southeast and Federal Capital Partners' interest is with properties throughout the Washington, D.C., metro area and surrounding markets.

Grubb Properties targets 3,000 to 5,000 apartment units during the next 18 to 24 months, as company dealmakers work to at least double their apartment portfolio. Anticipate further company interest in Class B and C apartments for repositioning and renovation priced under \$15M, and located throughout such Southeast markets as Atlanta, the North Carolina cities of Charlotte, Raleigh, Fayetteville and Wilmington, as well as South Carolina's Charleston and Spartanburg, in addition to Chattanooga, Tenn. Also considered are note purchases and REO properties; it has contracted to acquire its second REO property in Atlanta — Grubb Properties acquired its first REO deal earlier last year in Chattanooga. Acquisitions-wise, the investor wants 7%-plus going-in cap rates and will generally hold properties for three to seven years, depending on the property. Since 2009 the company, known as a developer and buyer, has focused on apartment acquisitions.

FCP also is in acquisitions mode with an estimated \$150M of equity for investments during 2011. The private investor and fund manager invested approximately \$175M equity/\$500M asset value during 2010. It seeks value-added properties throughout the Washington, D.C., metro markets of Delaware, Maryland, in addition to North Carolina, New Jersey and Virginia.

DEALMAKER DATABANK™

DEALMAKER DATABANK™*Continued from last page*

<u>Company/Address</u>	<u>Contact/Phone/Fax</u>	<u>Property Type</u>	<u>Buying Criteria</u>
Empire American Realty Trust 25 Phillips Parkway Montvale, NJ 07645	Jack Salmon (201) 326-3300 Fax: (201) 505-9803	Apartments	Private investor to be acquired by RAIT Financial Trust.
Getty Realty 125 Jericho Turnpike Suite 103 Jericho, NY 11753	Kevin Shea (516) 478-5480 Fax: (516) 478-5476 kshea@gettyrealty.com	Retail Single-tenant Gas/C-stores	Public investor buys portfolios of c-stores and gas stations nationwide.
Grubb Properties 1523 Elizabeth Avenue Suite 220 Charlotte, NC 28204	Andrea Howard (acq.) Todd Williams (debt/equity) (704) 372-5616 Fax: (704) 372-9882	Apartments	Private apartment buyer forms JV to acquire value-added complexes valued at less than \$15M throughout the Southeast.
MetLife Real Estate Investments 10 Park Ave., Morristown, NJ 07960	Robert R. Merck (973) 355-4449 Fax: (973) 355-4460 rmerck@metlife.com	All	Institutional real estate investor may increase U.S. acquisitions this year.
Morgan Management Morgan Communities 1170 Pittsford-Victor Road Suite 100 Pittsford, NY 14534	Robert Morgan (585) 419-9630 Fax: (585) 419-9636	Apartments Value-added	Private investor aims to acquire upwards of \$700M worth of apartments this year.
Morgan Properties 160 Clubhouse Road King of Prussia, PA 19406	David Koffler (610) 265-2800 Fax: (610) 265-5889 dkoffler@morgan-properties.com	Apartments Value-added	Private investor acquires multifamily throughout the East Coast in fee-simple and interest purchases.
Pacific Urban Residential 777 California Ave. Palo Alto, CA 94304	Al Pace (650) 856-9800 Fax: (650) 213-8849	Apartments Value-added	Result of merger between private companies Pacific Property and Urban Housing Group.
Parkway Properties 188 E. Capitol St. Suite 1000 Jackson, MS 39201	Jim Ingram (601) 948-4091 Fax: (601) 949-4077	Mixed use Office Multi-tenant	Public REIT acquires mixed-use and office properties in and outside joint ventures.
RLJ Lodging Trust Three Bethesda Metro Center Suite 1000 Bethesda, MD 20814	Ross H. Bierkan (301) 280-7777 rbierkan@rljhotels.com	Hotels	Private investor plans public offering to be listed on NYSE under symbol RLJ.
RAIT Financial Trust Cira Center 2929 Arch St. 17th Floor Philadelphia, PA 19104	Jack Salmon (215) 243-9000 Fax: (215) 243-9039	Apartments	Public investor to acquire Empire American Realty Trust and take company public.
Sunstone Hotel Investors 120 Vantis Suite 350 Aliso Viejo, CA 92656	Ken Cruse Bob Alter (949) 330-4000	Hotel	Public hotel REIT surpasses 2010 volume and seeks more acquisitions in the top 25 MSAs nationwide. Cruse and Alter replace Art Buser as president and CEO.
Realty Income 600 La Terraza Blvd. Escondido, CA 92025	Ben Fox (760) 741-2111 Fax: (760) 741-8617 bfox@realtyincome.com	Retail Single-tenant	Public REIT acquires single-tenant properties nationwide.

RESURGENCE AHEAD FOR HOTEL ACQUISITIONS?

RELL's bid to buy the \$550M IPO will test the hotel segment's attractiveness to investors amid

GOVERNMENT WATCH...

If approved, Securities and Exchange Commission-proposed amendments portend changes for hedge funds, private equity investors and accredited investors. A closer look:

Hedge funds and big-money managers: One-billion-dollar-plus hedge fund and private equity advisers will be required to file quarterly "confidential" reports, called a form PF, so the newly created **Financial Stability Oversight Council (FSOC)** can track potential for risk in efforts to avoid Financial Meltdown 2.0. The feds estimates some 200 hedge fund advisers would be impacted. Advisers with less than \$1B of financial heft under management will be required to annually file the form PF. Qualifying investors and advisers will be required to disclose asset class and concentration among other information. Hedge funds carrying \$500M-plus net asset values are expected to report fund investment leverage, liquidity and risk profile. They are also expected to answer questions about leverage and fund portfolio companies, bridge financing and financial institution investments.

Accredited investors: Who can qualify as an accredited investor under the Securities Act rules has been enacted, but not without an amendment for which the commission seeks public comments until March 11. While investors won't be allowed to count the value of their "primary residence" as part of a qualifying \$1M net income minimum used to define an accredited investor, as part of the proposed amendment, their net value will be reduced by the value of property less debt — the result of which "would have contributed to net worth if the residence were not required to be excluded," states the commission. The commission has required home values of accredited investors not be considered in determining the \$1M minimum net worth. The guideline remains until July 2014, after which the commission will review the accredited investor definition once every four years.

To make comments, type file number S7-04-11 (for accredited investor proposal) on the e-mail subject line, or include the file number in correspondence sent by mail. Addresses: rule-comments@sec.gov, or go to the SEC's internet comment page at: www.sec.gov/rules/proposed.shtml. Comments in triplicate form are accepted by U.S. Mail to: Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

Ink dries on ABS disclosure ruling: Regulations for asset-backed securities (ABS) issuers go into effect March 28. As a result, ABS issuers will be required to file quarterly reports covering repurchase histories for outstanding registered and unregistered securities, provided the transaction agreement allows for repurchase or replacement of assets in the pool. As part of the quarterly filing, issuers will also be required to disclose information about completed, failed and pending repurchase requests and investor inquiries — or demands — against a trustee. That quarterly reporting will occur after February 2012, when issuers will be required to submit their first filings recapping three years' worth of repurchase histories to the commission.

Also, registered ABS offerings rolled out after December 2011 should comply with new rules. ABS issuers will be required to review assets collateralizing the securities, or they can employ another company to review their assets. They'll also be responsible for explaining differences between pooled loans and underwriting criteria in prospectus, including loans falling short of criteria, along with information about decision-making companies responsible for including loans which didn't pass muster.

PLAYERS AND THE PLAYS THEY'RE MAKING...

Closer to an IPO? Look for non-traded apartment REIT Empire American Realty Trust to eventually ramp up acquisitions after RAIT Financial Trust's estimated \$2.3M acquisition of the company in late January. Empire American Realty Trust's planned \$1B blind pool IPO, initiated in 2009, was suspended as a result.

RAIT Financial Trust, which replaced Empire American Holdings as the REIT's sponsor, bid adieu to long-time staff at the REIT and hello to a (sort of) fresh crew. RAIT CFO and Treasurer Jack E. Salmon is Empire American Realty Trust CFO, director and president; James J. Sebra, RAIT's senior VP and chief accounting officer, has been named treasurer of Empire American Realty Trust; RAIT Chairman and Trustee Scott Schaeffer was tapped as RAIT's chairman and Raphael Licht was recently appointed director.

SINGLE-TENANT TO ATTRACT MORE CAPITAL

Sale/leasebacks and corporate dispositions will stimulate the single-tenant market nationwide with investors Excel Trust, Getty Realty and Realty Income among names to watch. Sustained REIT performance should lead to increased purchases with operating partnership units, similar to a recent Excel Trust contract, especially if cap rates decline from a very broad 6% to 9%-plus range for various types of single-tenant assets, depending upon property and location. Overall, don't be surprised to see more sale/leasebacks of gas station/convenience store (c-stores) blends and restaurants, as companies seek to refinance debt used to finance mergers and acquisitions in the previous cycle with sales or simply decide to liquidate real estate holdings for cash.

Following its largest deal as a public REIT, Getty Realty looks towards more purchases of gas stations and c-stores to add to its more than 1,000-property portfolio nationwide. Future deals may resemble an estimated \$111M sale/leaseback deal of a 59-property Mobil gas station and convenience store portfolio in the New York metro area's Rockland and Westchester counties and the lower Hudson Valley. The triple net-leased portfolio attracted the buyer because of high volume in areas of long-term growth. Purchase-price ranges in the \$10M to more than \$100M are sought in fee-simple through note purchases of single assets and portfolios.

Also poised for growth in the sector is Realty Income, with a \$425M unsecured revolving credit facility to replace the preceding \$355M line that matures March 2014. In late 2010 the buyer paid \$248M for a 135-property portfolio of a SuperAmerica gas station/c-store portfolio in Minnesota and Wisconsin. The buy boosts its portfolio to more than 700 c-stores nationwide, a sector which accounts for the company's second highest source of revenue after restaurants as of Sept. 30. It also ramps the buyer's presence in Minnesota and Wisconsin. Before the deal, Realty Income owned a combined 41 properties in Minnesota and Wisconsin; top markets by property concentration are Texas, Florida, Georgia, Tennessee and Ohio.

Future Excel Trust single-tenant acquisitions could resemble a \$23.6M contract to acquire a suburban San Diego theater with a blend of operating partnership units and debt assumption, which shows the likelihood of similar transactions in the sector if stocks and asset values escalate because of demand for perceived single-tenant net leased safety.

An indication of REIT strength is the revival of operating partnership units used on acquisitions. Less than a year since its IPO, Excel Trust plans to use OP units for the first time since going public.