CRITTENDEN Real Estate Buyers™

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INVESTORS TAKE TIC TACK

A growing crop of investors advance plans this year to pick up where tenant-in-common sponsor/investors ended. Buyers such as Cottonwood Capital, GC Net Lease REIT/Griffin Capital and Real Estate Value Advisors are among those considering or preparing funds to acquire some of the overleveraged and trapped assets that are part of the TIC sector's aftermath.

To boost portfolios investors will acquire TIC interests, assume management contracts, or simply stick to managing their own TIC portfolios built up between 2002-08, before the financing bottom fell out and lenders decided it was easier to deal with one borrower through the Delaware Statutory Trust structure instead. Resurgent interest in the sector could blossom this year depending on estate tax and capital gains developments, which — along with increased property values — will motivate sales and tax-protective shelters.

As a result, don't be surprised to see proliferating UpREIT transactions where companies trade investor ownership interest for operating partnership units, with initial public offerings as a potential exit. But the economy needs to stabilize first. During the sector's halcyon period of 2004-08, an estimated $12.75B of equity was raised for nearly 1,200 securitized transactions, according to Omni Real Estate Services' statistics.

Apartments for Cottonwood

Cottonwood Capital this year targets an estimated $100M equity for its apartment-focused Cottonwood Residential operating partnership, which could transition into an UpREIT by 2012. It acquires TIC interests through UpREIT or Section 721 exchange structures, and angles to add 13 more properties by June 31 in TIC-interest purchases. Subsequent deals will follow a recent initial market entry into Alabama, where the company picked up a pair of assets in Birmingham. There's additional appetite for cash-flowing and stabilized market-rate apartments located throughout primary and secondary Sun Belt markets. Typical deal sizes hover in the $20M range; leveraged IRRs of more than 15% are pursued.

The company, not to be confused with office owner and developer Cottonwood Partners, also eyes another $50M to $100M equity for fee-simple purchases of portfolios and single assets, and refinancing independent of its TIC platform. Cottonwood Residential made its debut in 2010 with nine properties initially syndicated by Cottonwood Capital. There are 22 properties in the company's portfolio.

By comparison, battered TIC deals are at the core of Real Estate Value Advisors' The REVA Catalyst Fund I — with a $50M equity raise goal — to build a $300M portfolio in coming months. Most of what REVA has acquired since a December 2009 inception comprises capital starved and occupancy challenged properties. The fund has contracted to acquire a pair of multitenant office buildings in Houston and Raleigh, N.C., each building averages a 50% to 60% occupancy rate. In previous deals the fund bought a pair of Class B office buildings, a 53%-leased asset in Phoenix and a 37% occupied property in Philadelphia.

Multitenant office buildings nationwide, in addition to apartments, industrial/office flex space and retail properties and, perhaps, medical office buildings are on the acquisitions list. For a TIC investor/seller-strategy the company issues junior notes or B-shares in exchange for interests — akin to an UpREIT structure, the advantages of which include tax deferral. TIC investor/sellers aren't exclusively sought as the company works to ply its value-added properties requiring repositioning.

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STRAIGHT FROM THE MARKET

Location	Property	Size	Price	Cap Rate	Occupancy	Age
Palisades Park, NJ	Land	6.5 acres	$1.8M	N/A	N/A	N/A

NOTES: Texas-based investor Limestone Hills Corp. paid $6.35 psf, or $276,923 per acre for this parcel approved for more than 60 residential units. The price was signficantly less than the bank seller's estimated $3.5M asking price. Triggering the sale was previous owner/seller Tarragon's 2009 bankruptcy. The property is near Fort Lee, N.J., which is about 10 minutes from Manhattan. Broker Cushman & Wakefield was the broker in this transaction.

CONTACTS: Limestone Hills Corp./Berkeley Palisades Park, 1114 Lost Creek Blvd., Austin, TX 78746-6300. Adnan Khayyal, (512) 328-7377

Broker: Cushman & Wakefield of New Jersey, One Meadowlands Plaza, East Rutherford, NJ 07073. Brian Whitmer, (201) 508-5209; fax: (201) 804-0064. brian.whitmer@cushwake.com

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Real Estate Value Advisors targets 8%-plus going in cap rates and IRRs of more than the mid-teens. Vacant properties are considered.

Griffin Capital principals put their attention and heft behind their newly minted The GC Net Lease REIT

STRAIGHT FROM THE MARKET

Location	Property	Size	Price	Cap Rate	Occupancy	Age
Indianapolis	Office	10,329 s.f.	$925,000	N/A	N/A	12 yrs.

NOTES: Owner/user Pac-Van paid an estimated $89.55 psf for this vacant office building at 9155 Harrison Park Court. Triggering the vacancy was the sole tenant's decision to buy a nearby property. Among reasons cited for Pac-Van's interest is the property's proximity to Interstate 465 and location within the Harrison Park district. The submarket, which is located northwest of downtown Indianapolis, is within the broader metro area posting vacancy rates between 20% to 22%. There is talk of tenant expansion throughout the market.

Although there's been an acquisitions/development lull during the past 18 months, don't be surprised to see an increase in real estate owned property sales and short sales. Not all investors will be able to easily refinance their debt or capture much-needed equity infusions. Corporate Commercial Group represented Pac-Van in this transaction; CB Richard Ellis represented seller Perpetual Group in this transaction.

CONTACTS: Corporate Commercial Group, 4939 River Ridge Drive, Indianapolis, IN 46240. Keith Dedrick, (317) 502-3622.

CB Richard Ellis, 101 W. Washington St., Suite 1000-E, Indianapolis, IN 46204. John Vandenbark, (317) 269-1046; john.vandenbark@cbre.com and Mark Writt, (317) 269-1032, mark-writt@cbre.com

AFFORDABLE HOUSING BUYERS TAKE NOTE...

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Meanwhile, Summit Housing Partners keeps an eye on affordable, preservation deals and new construction. It will scout market-rate convention properties nationwide, as well as pursue its affordable housing bailiwick in in such markets as Alabama, Louisiana, Oklahoma, Tennessee and Texas and beyond, as it evaluates existing and new build affordable housing deals valued at more than $100M.

Look for company interest in 150- to 350-unit properties to portfolios ranging from 1,500 to 4,000 units; both affordable housing and conventional assets will attract attention. The company should seek out more '80s to '90s vintage conventional product throughout the primary market metropolitan statistical areas throughout the southcentral and southeastern U.S. It will consider larger Section 8 complexes as well.

The federal Housing and Urban Development (HUD) department's proposed changes for fiscal 2012 should come as a relief to many affordable housing investors and prompt increased movement in the sector. Among HUD's proposals is a $9.4B allocation that could be used to preserve an estimated 1.3 million affordable properties nationwide through the project-based rental assistance program. If approved, investors and developers can go to the market and leverage against the property's market-rate NOI that would be bolstered by federal subsidies. If a cut had been proposed instead, investors and developers hands would have been tied only to the value of the property derived from in-place discounted NOI.

In addition to the $9.4B for preservation through project-based rental assistance, investors and developers may also look at the federal $250M Choice Neighborhoods Initiative for 2012 that aims to develop and redevelop units in impoverished areas. Satisfying the fiscal 2010 budget, HUD recently awarded an estimated $61M for developments and redevelopments in Boston, Chicago, New Orleans, San Francisco Seattle and Tampa, Fla. More than 5,100 units are collectively planned for those markets through redevelopment and new development; currently there are a combined 1,884 units at each of the public and assisted-housing developments.

DEALMAKER DATABANK™

Company/Address	Contact/Phone/Fax	Property Type	Buying Criteria
Cottonwood Capital 6350 S. 3000 E. Old Mill III Suite 510 Salt Lake City, UT 84121	Daniel Shaeffer (801) 278-0700	Apartments Market rate	Private investor acquires apartments.
Dominium 2905 Northwest Blvd. Suite 150 Plymouth, MN 55441	Paul Sween (763) 354-5500 Fax: (763) 354-5519 psween@dominiuminc.com	Apartments Affordable Market rate	Private investor seeks various types of affordable housing and market-rate REO acquisitions nationwide.

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DEALMAKER DATABANK™

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Company/Address	Contact/Phone/Fax	Property Type	Buying Criteria
Entertainment Properties Trust 909 Walnut St. Suite 200 Kansas City, MO 64106	David Brain Jon Weis (816) 472-1700 Fax: (816 472-5794 jonw@eprkc.com	Specialty/Entertainment	Public investor to strike new market entries into Maine and New Hampshire.
Equity LifeStyle Properties Two N. Riverside Plaza Suite 800 Chicago, IL 60606	Lance Beatch (312) 279-1400 Fax: (312) 279-1710	MHCs	Public investor acquires MHCs nationwide.
Extra Space Storage 2795 E. Cottonwood Parkway Suite 400 Salt Lake City, UT 84121	Kent Christensen (801) 562-5556 Fax: (801) 562-5579	Self Storage	Public investor acquired $70M worth of real estate during 2010.
The GC Net Lease REIT 2121 Rosecrans Ave. Suite 3321 El Segundo, CA 90245	Michael Escalante (310) 606-5900 Fax: (310) 606-5910	Industrial Office	Public REIT acquires net lease properties nationwide.
101 N. Wacker Drive Suite 615 Chicago, IL 60606	Don Pescara (312) 780-7521 Fax: (312) 780-7579 dpescara@griffincapital.com		
The Marcus Corp. 100 E. Wisconsin Ave. Suite 2000 Milwaukee, WI 53202	Katie Falvey (414) 905-1000 Fax: (414) 905-2888 katiefalvey@marcustheatres.com	Specialty/Entertainment	Marcus Theatres division acquires movie theaters.
Public Storage 701 Western Ave. Glendale, CA 91201-2349	David Doll (818) 244-8080 Fax: (818) 241-0627 ddoll@publicstorage.com	Self Storage	Public REIT acquired $240M worth of real state during 2010.
Real Estate Value Advisors 700 E. Main St. Suite 1600 Richmond, VA 23219	Steve Sadler (866) 842-7545 Fax: (866) 842-7591 steve@revalueadvisors.com	Apartments, Industrial, Office Retail, Value added	Private investor raises capital to acquire TIC interests and further acquisitions plans.
Sovran Self Storage 6467 Main St. Suite 200 Buffalo, NY 14221	Paul Powell (716) 633-1850	Self Storage	Public REIT considers properties measuring 23,000 s.f. to upwards of 181,000 s.f.
Strategic Storage Trust 111 Corporate Drive Suite 120 Ladera Ranch, CA 92694	Wayne Johnson (214) 217-9797, ext. 302 wjohnson@sstreit.com	Self Storage	Public REIT acquires DST interests and acquires self-storage throughout the U.S. and Canada.
Summit Housing Partners 105 Tallapoosa St. Third Floor Montgomery, AL 36104	David Garcia (334) 954-4458 Fax: (334) 954-4496 dgarcia@summithousingpartners.com	Apartments Affordable Market rate	Private investor seeks affordable housing and conventional housing mainly throughout the southern U.S.
Sun Communities 27777 Franklin Road Suite 200 Southfield, MI 48034	Jonathan Colman (248) 208-2557 jcolman@suncommunities.com	MHCs	Public REIT moves closer to acquiring an MHC portfolio this year.
UMH Properties 3499 Route 9 North Suite 3-C Freehold, NJ 07723	Michael Landy (732) 577-9997 Fax: (732) 577-9980 michaelmlandy@umhcommunities.com	MHCs	Public investor acquires manufactured home communities in select states.
U-Stor-It Trust 460 E. Swedesford Road Suite 3000 Wayne, PA 19087	Scott Levy (610) 293-5700 Fax: (610) 293-5720	Self Storage	Public REIT acquired an estimed $85M worth of properties during 2010.

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CAP-RATE COMPRESSION BOOSTS SELF STORAGE REITs

A busy time awaits public self storage buyers this year if the transactions market rebounds in any way like equity market caps have during the past two years. Equity market caps for the four publicly traded REITs — Extra Space Storage, Public Storage, Sovran Self Storage and U-Stor-It Trust — grew 34% from December 2008-10. All but Sovran Self Storage was an active buyer last year; expect all players to become even busier in expectation of further cap-rate compression beyond and estimated 75 basis point contraction for Class A properties.

Among public REIT competitors are a host of private companies, and nontraded public REIT Strategic Storage Trust. The Ladera Ranch, Calif.-based company targets a $1B blind-pool offering that could further additional purchases beyond recent acquisitions in Georgia, North Carolina and Texas.

Acquisitions Expected to Pick Up

Sovran Self Storage anticipates action this year after an acquisitions-dry 2009-10. One-off and portfolios in and outside its top existing markets of Texas, where it holds a 90-property portfolio, followed by Florida, New York, Georgia, Ohio and Alabama will likely make their go-to list. Don't be surprised if company dealmakers expand their management and joint venture business as a way to cultivate sources for future acquisitions, since Sovran Self Storage dealmakers will likely field rights of first refusal to acquire assets in joint ventures.

If future acquisitions in or independent of joint ventures at all resemble the company's existing portfolio, expect interest in enclosed self storage buildings measuring from 23,000 s.f. up to 181,000 s.f.; the average property measures 65,000 net rentable square feet. Generally the company will enter existing markets with one or two properties. New market entries will likely be completed through portfolio purchases giving the buyer economies of scale.

U-Stor-It Trust could continue a buy trend this year in reversing a two-year net sales trend that ended in 2010, when the investor acquired an estimated $85M worth of properties in Florida, Massachusetts, New Jersey, New York, Texas and Virginia. Anticipate company interest in existing markets which should include the top markets of Florida, where U-Stor-It Trust holds a 52-property portfolio, followed by California, Texas, Ohio, Illinois, Tennessee, and the Northeast region.

Deal size ranges may mimic some of the 12 properties acquired last year and range from $5.8M on the low side to $26.7M on the upper end. The REIT scans for properties near retail centers benefiting from proximity to high-traffic corridors as well as residential and commercial demand. Both value-add and stabilized properties are considered. During the two years ending December 2010 the investor's $914M equity market capitalization increased 255%.

Extra Space Storage, which acquired $69.5M worth of properties during 2010, anticipates bankrolling acquisitions and development activity this year with a blend of cash, credit, secured debt, joint ventures and more equity offerings. It acquired approximately $70M worth of properties during 2010, which was nearly double the estimated $38M worth of deals booked during 2009. The buyer's $1.5B equity market cap, as of December 31, reflects a 72% increase compared to 2008 numbers.

As the company counts asset concentrations in its top market of California, with 44 properties, and Florida, Massachusetts, New Jersey, Texas, Georgia, Maryland and New York, don't be surprised if it furthers acquistions in these markets because of economies of scale. Like other investors, expect the company to draw from institutional relationships in future deals.

Public Storage, the top publicly traded self storage REIT posting an estimated $7B market cap in December, may become even more active in the market this year if the pricing is right. The investor booked an estimated $240M worth of real estate last year and silenced pundits who wondered when the company would finally pull the trigger on deals. Although most of its 2010 activity occurred in California, a five-property Nevada portfolio purchase earlier this year suggests the buyer is unafraid of markets with risky reputations if it can find its niche. Don't be surprised about additional interest in California, Florida, Illinois and Texas.

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KEEPING AN EYE ON SPECIALTY

Entertainment...

Sluggish demand for movies across the industry aside, Entertainment Properties Trust moves closer to initial New Hampshire and Maine market entries. Look for the public REIT to pay an estimated $37M for [redacted]