

CRITTENDEN Real Estate Buyers™

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BUYERS BOOST ACQUISITIONS BUDGETS

If this year shapes up to be anything like 2010, look for all types of property investors to pick up their acquisitions pace between now and December. Anticipated velocity may further propel increasing national acquisitions volume which, during the first quarter of 2011, marked a dramatic increase compared to the same period in 2010. Myriad investors who say they've had a lot of cash — but very few compelling opportunities to use it — have finally stepped off the sidelines and back into the acquisitions arena for all types of properties nationwide. Thus, dramatically increased volume in the hotel, office and retail sectors is almost assured compared to 2009-10 activity. There could be a lull in the office sector, as buyers move on from big trophy-quality assets and spread out to secondary and suburban markets for much-smaller properties. Despite an increase of unemployment filings earlier this month, the reality of economic recovery has finally set in and investors will accordingly ply their sectors to increase volume and grow portfolios once again.

Lenders also may loosen their vise grip on debt even more this year, which could result in more acquisitions and renovations of less than top-shelf Class A property types. Until earlier this year, talk of lenders putting up cash for fee-simple purchases of value-added assets was almost unheard of.

Back in the Game

Investors' expectations of a busier 2011 confirm talk of pent-up demand for acquisitions, at the very least. Among companies working towards at least 50% acquisitions volume increases this year compared to 2010 include **Cabot Properties**, **Fairfield Residential**, **Heitman**, **Invesco**, **Peckham Boston Advisory** and **Real Estate Capital Partners** — buyers cutting a wide swath through all property sectors.

If it hits a **\$500M acquisitions mark this year**, industrial buyer Cabot Properties will experience its most active year in at least four years. Look for the private-equity buyer and developer to scout markets

BUYERS BOOST ACQUISITIONS BUDGETS...

Continued from Previous Page

Peckham Boston Advisory has a \$650M acquisitions target for 2011. It eyes the apartment, hotel, multitenant and single-tenant retail and self-storage sectors, in addition to single-tenant industrial, office and retail, for deals in the \$20M to \$300M range. Joint ventures and all-cash deals are among considered structures, and the investor seeks stabilized and value-added properties. An estimated \$163M worth of properties were acquired last year.

Real Estate Capital Partners' \$500M projected acquisitions budget for the year, if successful, will mark a substantial increase compared to the \$280M acquired during 2010. The foreign investment adviser will consider apartment, industrial, office and retail properties priced from \$10M to upwards of \$300M, in all-cash transactions. Hold periods will typically range from two to 10 years.

Apartment buyer Fairfield Residential plans a return to the market with approximately \$1.5B worth of capital for acquisitions this year, to include note purchases. The private investor and developer plans to hold properties for five to seven years; previously the company considered deals for three- to five-year holds. Look for action in the market-rate, affordable and student housing sectors for value-added

SECONDARY MARKETS LOOM LARGER FOR MULTIFAMILY BUYERS

Watch for even more movement in the apartment sector as investors branch beyond big-name markets to further ply secondary and tertiary market properties. Expect to see more regional investors branch into new markets as institutional investors continue paying cap rates in the 4% range for primary market properties, or plan new development in an effort to capture anticipated rent spikes. Some investors will work through

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> |
|-----------------|-----------------|-------------|--------------|-----------------|------------------|------------|
| New York City | Apartments | 166 units | \$124.5M | 4%+ | 95% | 3 years |

NOTES: Institutional investor Invesco Real Estate likely paid an estimated \$750,000 per unit for a Class A mixed-use building called The Elektra. The 290 Third Ave. property consists of ground-floor retail and a blend of studio, one- and two-bedroom apartments. The property was originally constructed 19 years ago and redeveloped in 2008. The seller is JP Morgan Investment Management. Invesco, which has been quite active so far this year, will continue a search for apartments, industrial, office and retail properties valued at more than \$10M nationwide. It could acquire more than \$2B worth of real estate this year.

CONTACT: Invesco Real Estate, 13155 Noel Road, Suite 500, Dallas, TX 75240. Greg Kraus, (972) 715-5837; fax: (972) 715-5814. greg.kraus@invesco.com

SECONDARY MARKETS LOOM LARGER FOR MULTIFAMILY BUYERS...

Continued from Previous Page

Other buyers to watch include **Virtú Investments** and **BH Management Services**. Historically West Coast-focused buyer Virtú Investments will now spread its interest further as it looks to the Midwest. The investor could acquire an estimated \$100M worth of opportunistic and value-added apartments as well as hotels, office and retail. Going-in cap rates of at least 8% will likely make the buyer's radar. Deals valued at more than \$5M to upwards of \$100M are considered.

Don't be surprised to see Iowa-based BH Management Services deepen its stake in suburban Chicago properties. Word on the street says the investor will acquire a 700-unit property in the northeast Chicago suburb of Downers Grove, Ill., for an estimated \$71,428 per unit.

PRIVATE AND PUBLIC INVESTORS SEEK VALUE-ADDED RETAIL

As retail sales improve, private and public investors will ratchet up their search for grocery-anchored centers and seek to ply specialty niches, along with scanning the market for REO, repositioning and recapitalizations of all retail types nationwide. Although grocery- and drugstore-anchored centers will remain at the top of many retail buyers' lists this year, don't be surprised if institutional investors seek to balance portfolios through joint ventures or recapitalizations potentially offering higher returns than the roughly 5%-plus cap rates for grocery-anchored properties in primary markets. The 11%-average U.S. vacancy rate should further decline if the unemployment rate continues moving south of 10%.

In and independent of joint ventures, expect **P.O'B Montgomery & Co.** to show interest in properties anchored by specialty tenants serving traditionally underserved demographic segments such as the Latino market, in addition to other types of retail occupied by top grocers and other tenants. The investor could target \$50M to \$100M worth of properties through December. Since August 2010 the buyer has acquired an estimated \$60M of assets. Although targeted returns are predicated upon risk levels, locations and partners, don't expect to see the buyer competing intensely for sub-6% cap rate deals.

P.O'B Montgomery's typical per-deal pricing will range from \$4M to more than \$100M, and both one-off and portfolio deals are on the company's radar. Grocery-anchored centers in primary, secondary and tertiary markets nationwide will make the company's short list, along with relatively stable, core-plus assets that require some repositioning, along with value-added and selective opportunistic deals. Although private investor and development company P.O'B Montgomery isn't a significant player in the Northeast, deals there will also be considered.

North of Dallas is where P.O'B Montgomery booked its first deal of the year, in a JV with AREA Property Partners, to acquire the grocery-anchored Sierra Vista Plaza. The center, located in the Oak Cliff district is 95%-leased to tenants including specialty Latino-oriented grocer Fiesta, along with Applebee's Neighborhood Grill and Bar, Marshalls and regional retailer Melrose. Sierra Vista isn't the first buy for the companies that have teamed with each other on various deals for nearly 20 years.

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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> |
|-------------------|-----------------|-------------|--------------|-----------------|------------------|------------|
| Loxahatchee, Fla. | Retail | 14,469 s.f. | \$7.87M | 7% range | 100% | 2 months |

NOTES: Private investor U.S. Property Management LLC paid an estimated \$543.21 psf for a Walgreens store at 15940 Orange Blvd, in this city about 80 miles northwest of Miami. The newly constructed property, under a 25-year lease to Walgreens, was sold by Loxahatchee Venture LLC. Like most other markets, there's been a cap rate compression of an estimated 75 basis points during 2010-11. Similar properties occupied by such credit tenants as Walgreens could trade at a cap rate in the 6% to 7% range. CBRE represented the buyer and seller in the deal.

Brokers: CBRE, 5355 Town Center Road, Suite 701, Boca Raton, FL 33486. Dave Donnellan, Mark Drasek, Bill Strauss and Todd Weintraub, (561) 394-2100; fax: (561) 393-8122.

PRIVATE AND PUBLIC INVESTORS SEEK VALUE-ADDED RETAIL...

Continued from Previous Page

Whitestone REIT could compete against P.O'B Montgomery in specialty demographic segments throughout the Southwest and beyond. The public REIT typically tracks \$5M to \$20M purchase price ranges for properties in highly populated submarkets throughout the suburbs. As is the case with a recent REO deal in Scottsdale, the buyer will consider vacancies exceeding market averages, as well as vacant land, repositioning deals and potential to boost rents as part of a value-added strategy. Of interest are retail centers measuring 50,000 s.f. to 250,000 s.f. in Chicago, Phoenix, and the Texas markets of Dallas, Houston and San Antonio. Recently the investor grew its Phoenix area portfolio with the REO purchase of a property called Desert Canyon Shopping Center, which was 65% occupied at close of escrow. The investor had tracked the property for two years before the acquisition.

Other grocery anchor-focused investors include **Edens & Avant** and **Phillips Edison & Co.** Look for Edens & Avant to deepen its presence in the New York metro area and throughout the Northeast. Recently the company named Ed Senenman, who made his mark at public REITs Kimco Realty and Federal Realty Investment Trust, as senior VP of investments. He'll work in company's New York office. Look for Edens & Avant to compete against other grocery store and necessity retail-focused investors including Phillips Edison & Co. The investor targets an estimated \$150M worth of acquisitions this year, compared to an estimated \$88M worth of properties acquired during 2010.

Don't count out lifestyle and power centers just yet. Despite necessity retail's continued allure because of economic woes, a dearth of construction should motivate more deep-pocketed investors to seek out recapitalization deals. Eventually more shoppers will return to the lifestyle and shrinking power center concepts to spend money. More investors could follow **The Lauth Co.** in bringing investors into the fold. Word on the street says the development company recapitalized two Indiana centers called Lafayette Pavilions, in Lafayette, and the Valparaiso center Porters Vale. The properties were constructed in 2006-07 and post a combined value of more than \$60M.

DEALMAKER DATABANK™

| <u>Company/Address</u> | <u>Contact/Phone/Fax</u> | <u>Property Type</u> | <u>Buying Criteria</u> |
|---|---|------------------------------|--|
| AREA Property Partners 60 Columbus Circle 20th Floor New York, NY 10023 | Randy Torres (212) 515-3400 Fax: (212) 515 3283 rtorres@areaprop.com | Retail | Institutional investor acquires retail apartments and hotels in and independent of joint ventures. |
| Alexandria Real Estate Equities 385 E. Colorado Blvd. Suite 299 Pasadena, CA 91101 | Joel Marcus (626) 396-4828 Fax: (626) 578-0896 | Biotech/R&D/ Life Science | Public REIT focuses on seven U.S. markets for property acquisitions. |
| American Campus Communities 805 Las Cimas Parkway Suite 400 Austin, TX 78746 | William Talbot (512) 732-1000 Fax: 512-732-2450 | Student Housing | Public investor to use credit lines in acquisitions. |

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DEALMAKER DATABANK™*Continued from Previous Page*

| <u>Company/Address</u> | <u>Contact/Phone/Fax</u> | <u>Property Type</u> | <u>Buying Criteria</u> |
|--|---|-----------------------------|--|
| Arlington Properties 2117 Second Ave. North Birmingham, AL 35203 | David Ellis (205) 328-9600 dellis@arlingtonproperties.net | Apartment Value-add | Private investor acquires value added apartments throughout Alabama, Florida and Mississippi. |
| BioMed Realty Trust 17190 Bernardo Center Drive San Diego, CA 92128 | Matt McDevitt (858) 485-9840 chris.elmendorf@biomedrealty.com | Biotech/R&D Life Science | Public investor could acquire buildings in several core markets this year. |
| Bridge Partners 2950 Buskirk Ave. Suite 312 Walnut Creek, CA 94597 | Luca Mangini (925) 256-9418 Fax: (925) 256-1635 mangini@bridgepartners.com | Apartments | Seller may be an apartment buyer following recent disposition. |
| Cabot Properties 1 Beacon St. Suite 1700 Boston, MA 02108 | Patrick Ryan (617) 305-6121 Fax: (617) 723-4200 pryan@cabotprop.com | Industrial | Private investor and developer could exceed last year's acquisitions volume. |
| Digital Realty Trust 560 Mission Street, Suite 2900 San Francisco, CA 94105 | Scott Peterson (415) 738-6500 Fax: (415) 738-6501 | Data Centers | Public investor books first deal of the year. |
| Federal Capital Partners The Flour Mill 1000 Potomac St. NW Suite 120 Washington, DC 20007 | Lacy Rice Esko Korhonen (202) 333-6030 Fax: (202) 333-6098 | Apartments | Private investor acquires apartments in joint venture partnership. |
| Fifteen Group 1680 Meridian Ave. Suite 303 Miami Beach, FL 33139 | Justin Toal (305) 938-4300 | Apartments. Various | Private investor scans the industrial, land, office and retail sectors in California, Florida and other markets. |
| 888 S. Figueroa St. Suite 640 Los Angeles, CA 90017 | Justin Barth (213) 489-4800 | | |
| Heitman 191 N. Wacker Drive Suite 2500 Chicago, IL 60606 | James Bachner (312) 855-5700 Fax: (312) 855-0459 james.bachner@heitman.com | Various | Institutional investor aims to exceed 2010 investment volume by 300%. |
| Invesco Real Estate 13155 Noel Road Suite 500 Dallas, TX 75240 | Greg Kraus (972) 715-5837 Fax: (972) 715-5814 greg.kraus@invesco.com | Various | Institutional investor acquires stabilized and value-added properties nationwide. |
| Karlin Real Estate 11755 Wilshire Blvd. Suite 1600 Los Angeles, CA 90025 | Matthew Schwab (310) 806-9728 Fax: (310) 806-9799 | Various | Opportunistic buyer acquires vacant and high-vacancy properties nationwide. |
| Lauth Group 11595 North Meridian St. Suite 250 Carmel, IN 46032 | Robert Lauth (317) 848-6500 Fax: (317) 848-6511 | Retail Recapitalization | Private investor and developer recapitalizes portfolio. |
| P.O.'B Montgomery 13760 Noel Road Suite 1150 Dallas, TX 75240 | Nick Tortorice (972) 490-4900 Fax: (972) 490-4905 ntortorice@pobmontgomery.com | Retail | Private investor acquires grocery anchored and other property types with various joint venture partners. |
| Peckham Boston Advisory 4 Longfellow Place Suite 2408 Boston, MA 02114 | Sherman Sturdley (617) 523-4441, ext. 2 jpeckham@pbaworld.com | Various | Private investor wants to acquire approximately \$650M worth of real estate this year. |

Continued on Next Page

DEALMAKER DATABANK™*Continued from Previous Page*

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|---|--|--------------------------------|---|
| Real Estate Capital Partners 114 W. 47 th St. 23 rd Floor New York, NY 10036 | Paul Doocy (212) 655-4370 Fax: (212) 843-6120 pdoocy@recp.com | Various | Foreign investment adviser expects to exceed 2010 acquisitions volume by December. |
| Seldin Co. 16910 Frances St. Suite 200 Omaha, NE 68130 | Bob Dean, Randy Lenhoff (402) 333-7373 Fax: (402) 333-4281 randyl@seldin.com bobd@seldin.com | Apartments | Midwest-focused private investor Recently the private investor made a first-time entry into Texas. |
| Whitestone REIT 2600 S. Gessner Suite 500 Houston, TX 77063 | Bradford Johnson (713) 827-9595 Fax: (713) 465-8847 bjohnson@whitestonereit.com | Retail | Public REIT seeks acquisitions in the top 20 markets nationwide. |
| Virtus Real Estate Capital 7004 Bee Cave Road Building III, Suite 300 Austin, TX 78746 | Terrell Gates (512) 891-1201 | Student Housing Value added | Private equity investor rolls out student housing fund to consider properties near Tier I and II universities and community colleges with 10,000-plus enrollment. |
| Younan Properties 5959 Topanga Canyon Blvd. Suite 200 Woodland Hills, CA 91367 | Brian Hennessey (818) 703-9600 bhennessey@younanproperties.com | Office | Private investor looks to acquire an estimated \$250M worth of properties this year. |

TENANTS TO SPARK SPECIALTY MOVES?

Access to capital will propel niche public REIT buyers **Alexandria Real Estate Equities, BioMed Realty and Digital Realty Trust** to ride the financing wave into new markets. While speculative development won't yet surpass build-to-suit construction, expect investors to pay closer attention to all types of value-added purchases nationwide.

Healthcare sector growth is expected to favorably impact the biomedical, biotechnology and pharmaceutical sectors, as healthcare-related spending is projected to account for a larger percentage of U.S. gross domestic product. Despite a small reduction in the National Institute of Health's 2011 budget, pharmaceutical and other life science-sector tenant prospects shouldn't be tarnished. Public REIT BioMed Realty could acquire \$150M worth of properties through December. Alexandria Real Estate Equities should acquire more properties beyond \$300M worth of purchases, and will scan the value-added sector for deals including redevelopments.

Another \$100M on Buyer's Plate?

Alexandria Real Estate Equities could buy another \$100M of assets this year, to follow a recently closed \$293M acquisition in San Francisco. The REIT recently boosted its credit lines and will likely scour its key markets of Boston's Cambridge, San Francisco's Mission Bay and New York City, in addition to San Diego, New Jersey, suburban Philadelphia, Seattle and suburban Washington, D.C., for more. It's clearly bullish on California, so count on serious interest in partially completed developments similar to deals booked earlier this year. The Recent acquisitions in San Francisco and San Diego are expected to produce 6.5% to 8% stabilized yields; its 6.5% to 7% going-in-yield purchase of an almost half-vacant San Francisco property could draw up to a 7.6% yield after stabilization. . During 2010 the investor acquired \$318.5M worth of properties and sold properties in Seattle and San Francisco for an estimated \$278M.

Competitor BioMed Realty is bullish about its core markets and the biomedical sector's position. Look for company interest in its core markets of Boston and Cambridge, Mass., along with San Diego, San Francisco, Seattle and throughout Maryland. Don't be surprised to see the investor scoop up at least one property in coming months, as indicated by \$875,000 held in escrow for acquisitions.

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DEALMAKER OF THE WEEK

Private investor Fifteen Group has an estimated \$20M for acquisitions through December. Look for the buyer to expand further outside its one-time core focus on apartments, to acquire additional industrial, land, office and, potentially, retail in the short term. The investor has an estimated \$20M for acquisitions through December. Areas of interest include the Florida cities of Fort Lauderdale, Jacksonville, Orlando, Palm Beach, as well as Daytona, Gainesville and Tallahassee. The California markets of Los Angeles, San Diego and San Francisco, in addition to the Inland Empire region comprising Riverside and San Bernardino counties, will also make the company's list.

Considered are one acre-plus urban and suburban sites priced above \$1M, in addition to \$2M-plus apartment plays. The investor seeks 15% to 20%-plus returns for value-added acquisitions and 20% to 25% range returns on the opportunistic side. Nonperforming loan purchases will also be considered. Fifteen Group dealmakers are evaluating a few land deals with a combined \$20M price tag, along with an estimated \$30M of apartments.

Private investor Fifteen Group prepares for a beefy 2011 with the addition of Justin Toal as managing director and Matthew Vander Werff as vice president in Miami, along with Justin Barth's addition as principal in the company's Los Angeles office. These new hires reflect a broader trend of company expansions throughout the commercial real estate market, as investors add more staff to face a hotter acquisitions market.

CONTACT: Fifteen Group, 763 Collins Ave., Suite 304, Miami Beach, FL 33130 Justin Toal (305) 538-8315.

TENANTS TO SPARK SPECIALTY MOVES?...

Continued from Previous Page

Somewhat similar to what Alexandria Real Estate Equities' stabilized cash yields is BioMed Realty's 2010 average of 8% cash yields upon stabilization. The investor acquired an estimated \$675M worth of properties last year. In late March the company issued \$400M of notes.

Technology-driven data center company consolidation may translate into an increased need for even larger, specialty digs for combined operations. Digital Realty Trust will likely be directed towards development deals suited to data center company tenants. The public REIT booked its first deal of the year last month and paid \$445,876 per acre for a Virginia development site. Last year the investor acquired an estimated \$1.3B worth of assets in markets such as California's Silicon Valley, Texas, Amsterdam, Netherlands, and city-state Singapore. The company has approximately \$500M available on its \$750M credit facility maturing August 2012, if the extension option is taken.

STUDENT HOUSING HITS THE BOOKS

Student housing-focused acquisitions funds will proliferate during the next year and acquire value-added properties for repositioning before new construction overwhelms the landscape. That should be far from challenging, since some insiders expect increased deals from student housing owners and operators seeking to recapitalize portfolios with fresh equity. What's more, sector buyers and developers aware of forecasts anticipating a nearly 7% jump in enrollment during the next six years aim to fortify positions through acquisitions, sales and development.

Private equity fund buyer **Virtus Real Estate Capital** rolls out its first student housing fund targeting an estimated \$300M worth of acquisitions during the next couple of years. In coming weeks the buyer plans to acquire its first student housing property — a more than 700-bed southeastern asset priced in \$30M range. Beyond that deal slated for a July close, Virtus Real Estate will scan markets with more than 10,000 students — for additional purchases of both purpose-built and conversion quality properties. Deals could range from approximately \$7M to \$50M per deal. Garnering attention will be smaller repositioning-quality assets on campus or close to it, as well as larger institutional-type product. Properties serving Tier I and II universities, as well as community colleges, will be considered. It's likely the fund will target in excess of 20% plus returns. The private investor also acquires apartments, medical office, office and self storage on behalf of various funds.

Among company competitors is **Kayne Anderson Real Estate Advisors**, a student-housing buyer that made a 2010 expansion into self-storage. A successor to its Kayne Anderson Real Estate Fund I should soon be on the move for properties near public universities nationwide.

Depending on how low cap rates go, public REIT **American Campus Communities** may decide to sell even more properties and funnel cash into new developments. ACC sees a sales market populated with disposition cap rates ranging from 4% to the mid-6% range, in markets such as Arizona and Georgia. What will drive future construction is the difference between those cap rates and anticipated development yields ranging from 7% to 8% for buildings on or walking distance to campus.

But acquisitions aren't off the table. The company is in the market for stabilized and value-added student housing, land purchases and mezzanine debt investments to developers. Look for the buyer to sell a pair of properties later this year for a combined \$65M, as it nears completion of 14 developments of more than 8,500 beds — constructed as cottage-style duplexes, townhomes, urban high-rise and garden-style apartment formats — valued at more than \$450M. Deliveries are expected later this year and in 2012.

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