

ACTIVITY REBOUNDS ON PRE-RECESSION DEBT

A post-climactic wave of performing and nonperforming note trades will boost real estate sales volume in coming months. Buyers are digging into the sector because loans originated three to five years ago — at the market's peak — are coming due. Look for more investors to burrow into the sector despite observances that the market is becoming overheated and overpriced relative to risk. If talk that bank and lender pressure to close quickly on deals are true, a post-crash default trend could result for shorter-term investors.

A few buyers plying the note sector with varying degrees of success include **BH Properties, Cole Real Estate Investments, Concordia Realty/Truefield Realty Advisors, First Market Properties, Morgan Stanley, Phillips Edison & Co., ROK Acquisitions, Related Group Florida, Tate Capital and Winthrop Realty Trust.**

Morgan Stanley Real Estate Investments will likely scan the market for additional bank loan packages after acquiring a nearly \$200M portfolio. The buyer, which typically plays in the \$50M-plus acquisitions arena, added a package of performing and nonperforming notes secured by apartments, industrial, office, condominiums and land in California, Nevada, Washington, New Jersey and New York as a result of the deal.

Company partner and private investor Kearny Real Estate Co. could acquire upwards of \$2B worth of distressed assets including note purchases through 2013. The buyer works with cash independent of dedicated funds and seeks industrial, office and service center properties throughout Southern California and the West Coast. On the note purchasing side, \$20M-plus loans on Southern California properties, in addition to \$50M-plus loans on commercial properties throughout the western U.S. will attract attention. The investor also seeks acquisitions of land and core-plus deals of Class B- or better, in addition to asset renovation and repositioning. Watch for additional activity from the buyer during the next month.

Cole Real Estate Investments could use part of an estimated \$100M from its newly minted JV platform to acquire both performing and nonperforming notes secured by newly constructed grocery-anchored and power centers. Although the platform will mainly focus on partnering with regional and local developers, there's space for performing and nonperforming notes secured by stabilized properties with long-term tenants. Deals piquing interest will hover in the \$15M range. Targeted returns top out near 20%, and are predicated upon property and location. For its high-yield investment platform separate from the JV program, anticipate the fast-growing company's writing of mezzanine loans secured by industrial, office and retail properties, along with CMBS market investments. The investor has an estimated \$300M for its high-yield program.

Public REIT Winthrop Realty should further ply the various levels within performing loan capital stacks, in addition to scanning the U.S. for nonperforming loans secured by apartments, hotels and retail in urban and central business districts nationwide. Subsequent deals may resemble a recent mezzanine debt purchase and investment totaling \$23M, for loans valued at more than \$90M secured by a half dozen Florida apartment complexes and a full-service Manhattan hotel. Look for interest in \$5M-plus note and asset purchases.

Retail buyer Phillips Edison — ARC Shopping Center REIT may capitalize on additional deals in the REO, note purchase and bankruptcy sectors after paying an estimated \$155.38 psf for a four-year-old Publix-anchored center in central Florida.

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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>
San Jose and Walnut Creek, Calif.	Apartments	201 units	\$25M	5% range	97%	23/52yrs.

NOTES: Private investor Pacific Urban Residential paid approximately \$124,378 for each unit of the Class B Cinnabar and Alpine Court apartment complexes located in San Jose and Walnut Creek, respectively. The pair of one-off deals likely traded at about a 5% cap rate that's consistent with market averages. Pacific Urban Residential plans to follow these deals — its first income-producing property acquisitions of the year — with another buy of approximately 200 units in Southern California. Look for the investor to target \$5M-plus acquisitions of Class A to Class C apartments throughout California's San Francisco Bay area and Southern California regions, in addition to the Pacific Northwest. The investor is also actively seeking land deals for its development division.

CONTACTS: Pacific Urban Residential, 750 Battery St., Fifth Floor, San Francisco, CA 94111. Eric Schrumpf, (415) 615-2129. eschrumpf@purapts.com

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STRAIGHT FROM THE MARKET

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Littleton, Colo.	Apartments	84 units	\$5.3M	7%	95.5%	15 yrs.

NOTES: Private investor Cohen & Associates paid a blended \$63,095 in its acquisition of low income housing tax credit apartments Columbine West and South Creek Apartments. The deal for the suburban apartments — located 11 miles southwest of downtown Denver — took five months to close from initial contract. There's a blend of one-, two- and three bedroom units at both properties. Apartment occupancies in the metro Denver market average 95%.

CONTACTS: Cohen & Co., 12100 Wilshire Blvd., Suite 800, Los Angeles, CA 90025. Mark Cohen, (310) 773-9518; fax: (310) 823-7114.

Broker: ARA, 1800 Larimar St., Suite 1700, Denver, CO 80202. Terrance Hunt, Shane Ozment, (303) 260-4400. hunt@arausa.com; ozment@arausa.com

LAND TRANSACTIONS TAKE OFF

Private investors and developers will increasingly tap REO and distressed land deals to slowly lay foundations for future construction. Topping buyers' go-to lists is entitled infill acreage for apartment and mixed-use buildings. A more promising market has emerged for those with capital to buy acreage from cash-flush lenders willing and able to give discounts — in some cases from 30% to 60% or more — on land deals underwritten at the peak.

Until lenders' pursestrings loosen to accommodate a larger pool of buyers, don't expect much from office, industrial or, to some extent, retail land buyers outside rock-solid build-to-suit developments. When unemployment rates drop closer to 5% historical averages, expect transaction velocity, pricing and financing to ramp nationwide and likely stimulate secondary and tertiary land trades across all sectors. Before that happens, buyers will instead dig deeper into land for apartment and mixed-use properties. Eventual employment and population growth will further drive momentum. Among a growing group of land buyers perusing deals in the once-dormant sector are **Agave Holdings, Byxbee Development Partners** and **McCaffery Interests**. Although many investors aren't yet keen on taking down massive acreage, don't be surprised if **Westchester Group Investment Management** and homebuilder **Taylor Morrison** bolster agricultural land and single family lot concentrations due to internal shifts, increased commodities prices and big regional employer moves.

Urban, infill and bedroom community markets nationwide are where private investor McCaffery Interests could put more than \$850M into land, redevelopment and failed development acquisitions during the long term. In coming weeks, the investor moves closer to acquisitions in Chicago and Washington, D.C., valued upwards of \$300M. The company typically invests \$5M to \$15M of equity alongside JV partners.

Anticipate company interest in 600-acre to upwards of 6,000- to 8,000-acre parcels. Acquisitions of redevelopment quality mixed-use residential/retail properties, including broken developments, will also be considered in fee-simple and distressed deals. Subsequent deals could mirror The Roosevelt Collection in Chicago, a mixed use condo/retail project the company and JV partner Canyon Capital Realty Advisors bought for \$160M in June.

Additional REO and note sales from banks and life companies should propel apartment and mixed-use developers in South Florida. Insiders agree the market has picked up since January, helped by a blend of local and foreign investors, including Agave Holdings, which could increase presence in the South Florida gateway market likely headed for future growth because of proximity to emerging South America.

Mexico-based Agave Holdings might be hungry for additional deals supporting mixed-use developments after an estimated \$120.91 psf — or \$5.26M per acre — acquisition of suburban Miami land zoned for mixed-use development. Besides Florida, the investor also owns assets in Chicago and Mexico. This deal nips at the heels of The Genting Group's much-discussed \$200M-plus fee-simple acquisition of 14 acres and a 700,000 s.f. office building fronting Miami's Biscayne Bay. Word on the street says the company had initially planned to acquire 10 acres for roughly \$19M per acre earlier this year for its casino project.

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LAND TRANSACTIONS TAKE OFF...*Continued from Previous Page*

Insiders in Arizona notice apartment developers and homebuilders spurring acquisitions velocity. Public investors, along with private regional investors, should inspire additional velocity in the market to capitalize on future mixed use and apartment activity. Future Byxbee Development Partners' deals could resemble a recent purchase in the Phoenix suburb of Scottsdale, where it paid \$169,089 per acre/\$3.88 psf to the Arizona State Land Department for a nearly 21-acre parcel. There are plans to eventually construct a mixed-use building on the land adjacent to an existing company-built and owned neighborhood center. Although Arizona's land market remains bruised from the last cycle, insiders are noticing some movement driven by home builders that could pay upwards of \$200,000 apiece for custom, infill lots. Farther-flung suburban dirt has yet to recoup value or attract much attention, likely because of shadow housing and apartment stock.

Competition should heat for agricultural (ag) land buyers including Westchester Group Investment Management, which could book an estimated \$200M to \$300M worth of U.S. deals through December. Nearing its first year with new parent company TIAA-CREF, look for Westchester Group Investment Management — formerly known as Cozad/Westchester Agricultural Asset Management — to also scan eastern Europe, Australia and South America for land on behalf of its two-month-old, \$1.05B TIAA-CREF Global Agriculture fund with an expected three-year investment period. Ag land values have increased rapidly during the past three to four years as the sector comes off a first-quarter 2011 return high — estimated at 2.4%, according to the National Council of Real Estate Investment Fiduciaries — since a 2006 peak.

Of interest to Westchester Group Investment Management dealmakers are income-producing grain and oil seed farmland producing such crops as corn, cotton, wheat and soy, in addition to orchards and vineyards. It's likely the company will continue its search for assets throughout such U.S. regions as the southern Delta region, the Midwest, and coastal and inland markets including Arizona, California, Oregon and Washington. The company could face some competition from farmers who sold land to developers at the market peak only to return to their roots and buy back land at discounts through distressed deals.

On the single family side, historically active Texas land buyer Taylor Morrison could be among land buyers following Exxon Mobil Corp. growth into northern Houston at the intersection of Interstate 45 and Hardy Toll Road. The public oil company plans a 385-acre campus for regional employees slated for completions beginning in 2014. What the future holds for the homebuilder acquired by Oaktree Capital Management and TPG Capital earlier this year remains to be seen; however, don't be surprised if the homebuilder builds interest following an active 2008-09.

DEALMAKER DATABANK™

<u>Company/Address</u>	<u>Contact/Phone/Fax</u>	<u>Property Type</u>	<u>Buying Criteria</u>
Agave Holdings LLC 2601 South Bayshore Drive Suite 1215 Miami, FL 33133	Acquisitions (305) 858-1890 info@agaveholdingsllc.com	Land	Mexico-based investor acquires U.S. acreage.
Mexico headquarters: Guillermo Gonzalez Camarena Suite 800, Piso 2 (2 nd Floor) Colonia Santa Fe Mexico City, 01210			
Anglo Irish Bank 265 Franklin St. 19 th Floor Boston, MA 02110	Eddie Byrne (617) 720-2577 Fax: (617) 720-6099 realestate@angloirishbank.com	Notes	Investor to sell loan portfolio.
BH Properties 11111 Santa Monica Blvd. Suite 600 Los Angeles, CA 90025	Steve Jaffe (310) 820-8888 Fax: (310) 820-8070	Apartments, Industrial, Office Retail	Private investor acquires value-added and opportunistic deals through fee-simple and note purchases.

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The Bascom Group 26 Corporate Park Drive Suite 200 Irvine, CA 92606	Jerome Fink (949) 955-0888, ext. 11 Fax: (949) 955-0188 jfink@bascomgroup.com	Notes	Private investor could make note purchases this year.
Boston Capital One Boston Place Boston, MA 02108-4406	Bob Moss (equity) (617) 632-8900 bmoss@bostoncapital.com Bill Fazzano (debt) (617) 624-8711 bfazzano@bostoncapital.com Sean Curry (debt) (617) 624-8932 scurry@bostoncapital.com	Apartments	Affordable housing investor to roll out equity fund and introduces a pair of debt vehicles.
Brack Capital Real Estate 885 Third Ave. Suite 2401 New York, NY 10022	Isaac Hera (212) 308-7200 nyc.info@brack-capital.com	Hotel	Private investor seeks value-added and opportunistic hotel investments in NYC and beyond.
Byxbee Development Partners 10450 N. 74 th St. Scottsdale, AZ 85258	Charles Byxbee (480) 502-9720 Fax: (480) 502-9760	Land	Private investor acquires land for future development.
CNL Properties Trust PO Box 4920 Orlando, FL 32802-4920	Byron Carlock (866) 650-0650 (407) 650-1000	Various	Public investor targets \$3B raise to be partially used for acquisitions.
CapRock Partners 2050 Main St. Suite 250 Irvine, CA 92614	Jon Pharris (866) 274-9080 (949) 313-5811 Fax: (866) 274-8350	Notes	Private investor could buy additional nonperforming notes as part of a \$50M acquisitions target for 2011.
Truefield Realty Advisors/ Concordia Realty 10031 W. Roosevelt Road Suite 200 Westchester, IL 60154	Michael Flight (708) 344-9242	Notes Various	Private investor acquires land, notes, broken condominiums and single family housing nationwide.
First Market Properties 11900 Biscayne Blvd. North Miami, FL 33181	Harry Sipper (305) 722-6186 hsipper@fmm.com	Notes	Private investor makes first Arizona acquisition and seeks to acquire notes secured by Class B and Class C units nationwide.
Granite Properties	Greg Fuller	Office	Value-added investor targets new market

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Morgan Stanley Real Estate Inv. 1585 Broadway 37 th Floor New York, NY 10036	David Solis-Cohen (212) 761-4700 Fax: (212) 761-0510	Notes	Institutional investor acquires mortgages.
555 California St. 21 st Floor San Francisco, CA 94104	Amy Price (415) 576-2000 Fax: (415) 882-4907		
Phillips Edison-ARC Shopping Center REIT 175 E. 400 South Suite 402 Salt Lake City, UT 84111	Hal Scudder (801) 983-6302 Fax: (801) 521-6952 hscudder@phillipsedison.com	Retail Value-added	REIT pursues grocery anchored and other retail centers nationwide through fee simple and distressed asset purchases nationwide.
8001 Irvine Center Drive Suite 100 Irvine, CA 92618	West/Southwest regions Paul Mittmann (949) 225-2150 Fax: (949) 585-7611 pmittmann@phillipsedison.com		
11501 Northlake Drive Cincinnati, OH 45249 Phone (513) 554-1110 Fax (513) 554-1820	Southeast/Mid-Atlantic regions David Wik (513) 746-2557 dwik@phillipsedison.com		
	Midwest /Northeast regions Derk Taylor (513) 560-8095 dtaylor@phillipsedison.com		
Prime Group Realty Trust 330 N. Wabash Ave. Suite 2800 Chicago, IL 60611	Jeffrey Patterson (312) 917-1300 Fax: (312) 917-1310 jpatterson@pgrt.com	Office	Pink-sheet office REIT plans JV but with Five Mile Capital Partners, but will not be acquired by the company.
Plymouth Opportunity REIT/ Plymouth Real Estate Investors Two Liberty Square 10 th Floor Boston, MA 02109	Pendleton White Jr. (617) 340-3814	All	Plymouth Real Estate Investors targets acquisitions through planned \$650M equity raise.
Related Group Florida 315 S. Biscayne Blvd. Miami, FL 33131	Jason Goldfarb (305) 460-9900 Fax: (305) 460-9911	Notes	Investor acquires notes through JV partnerships.
ROK Acquisitions Flagler Station 48 E. Flagler St. Suite 105 Miami, FL 33131	Bryan Morjain Michael Sperling (305) 377-4921 Fax: (305) 358-7429	Notes	Investor acquires mortgages secured by hotels.
Sabra Health Care REIT 18500 Von Karman Ave. Suite 530 Irvine, CA 92660	Talya Nevo-Hacohen (888) 393-8248 Fax: (949) 678-8868 tnevo@sabrahealth.com	Senior Housing	REIT acquires senior housing and makes a Mid-Atlantic region entry.
Tate Capital Real Estate Solutions 1175 NE 125 th St. North Miami, FL 33161	James Tate (305) 891-1107 Fax: (305) 891-2577 info@tatecapital.com	Notes	Investor acquires notes secured by hotels.
Thomas Properties Group 515 S. Flower St. Sixth Floor Los Angeles, CA 90071	John Sischo Todd Merkle (213) 613-1900 Fax: (213) 633-4760	Office	Public investor acquires redevelops Class A office buildings.

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Thomas Properties Group 2005 Market St. Suite 3200 Philadelphia, PA 19103	Ms. Morgan Murray (215) 851-6000 Fax: (215) 851-6021 mmurray@tpgre.com	Office	West Coast expansion likely by company eyeing REIT status.
Westchester Group Investment Management PO Box 3009 Champaign, IL 61826	Randall Pope (217) 352-6000 Fax: (217) 352-9048	Land	TIAA-CREF subsidiary eyes agricultural land purchases with \$1B-plus two-month-old fund.
Winthrop Realty Trust P.O. Box 9507 7 Bulfinch Place Suite 500 Boston, MA 02114	Peter Braverman (617) 570-4614 Fax: (617) 570-4746	Notes	REIT acquires notes secured by apartments, office and retail properties nationwide.

BUYERS' BUREAU...

Opportunistic private buyer CapRock Partners could put the majority of its \$50M acquisitions budget to work this year in acquiring more industrial properties through nonperforming note purchases. The California-focused investor looks forward to a short sale closing later this month in a deal that will follow a half-dozen note purchases made since January on behalf of the year-old CapRock Partners Fund I. The recent purchase of its sixth note — secured by a 25,000 s.f. building in the northeast San Diego County city of Vista — took nine months to complete from initial contract. During the contract phase the borrower caught up with payments but subsequently defaulted twice.

Dealmaker expansion into the adjacent markets of Arizona and Nevada may happen in 2012. In the meantime, expect additional interest in California industrial buildings ranging from 300,000 s.f. warehouse/distribution buildings to 50,000 s.f. boxes popular with owner/users; purchase prices range from \$5M to \$15M. In addition to nonperforming note purchases, CapRock Partners also applies an opportunistic strategy through bankruptcy purchases, deeds-in-lieu, short sales, recapitalizations and fee-simple purchases. Low occupancy to completely vacant buildings are on the buyer's short list.

Plymouth Real Estate Investors' Plymouth Opportunity REIT could use part of a targeted \$650M blind-pool equity offering for acquisitions of apartments, industrial buildings, hotels, medical office, office, retail assets and single-tenant properties nationwide. Also on the table is potential for debt origination and purchases of CMBS, bridge loans and other real estate securities. Don't be surprised if the REIT fans out in regions throughout the East Coast, Midwest and Southwest, because adviser Plymouth Real Estate Investors counts offices in Boston, Chicago and Dallas. Look for the REIT to work with various subadvisers including The Haley Group. There's also a possibility of the REIT partnering with additional Plymouth Real Estate Investors' vehicles for acquisitions, development and repositioning.

Plymouth Opportunity REIT could compete against CNL Properties Trust, which targets an estimated \$3B for lifestyle retail, hotels and senior housing acquisitions. CNL Properties Trust may also delve into the securities market through CMBS, plus acquiring and writing new debt through senior, bridge and mezzanine loans to borrowers.

Boston Capital expands its reach into debt/equity loan markets as it moves closer to rolling out its 35th tax credit fund. The Boston Capital Tax Credit Fund XXXV, expected to close by December, targets an estimated \$305M for investments in low income and affordable housing projects and properties nationwide. On the debt side, Boston Capital rolls out the Boston Capital Intermediate Term Income and Boston Capital Long Term Mortgage funds to write \$750,000 to \$10M construction loans and \$1M to \$11M permanent financing, respectively, secured by low income housing tax credit properties syndicated by fund manager Boston Capital Finance. The pair of initiatives follows predecessor vehicle the Boston Capital Affordable Housing Mortgage Fund.

