CRITTENDEN Real Estate Buyers™

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CLIMATE DEPENDS ON BUYER, SELLER

Shifts across all property types are certain as equity and debt investors jockey for a foothold in an increasingly uncertain economic climate. The market's tenuous position is further punctuated by the [redacted]

STRAIGHT FROM THE MARKET

Location	Property	Size	Price	Cap Rate	Occupancy	Age
Las Vegas	Retail	118,284 s.f.	$11M +	8% +	85%	Four yrs.

NOTES: Marking its first deal of the year and an initial Nevada market entry, private investor LBG Realty Advisors paid more than $100 psf for the grocery anchored Southwest Marketplace. The fee-simple purchase, which closed seven months after contract, is also a new twist for the investor that had focused on buying distressed properties through note purchases and receivership sales since a 2008 inception. Attracting company dealmakers was the site's S. Rainbow Boulevard and Windmill Lane location supporting one of the area's top 10 producing Smith's Food & Drug Stores that draws from a 16,000 population within a mile radius of the center. That, plus high traffic counts and potential to construct another 66,000 s.f., also added to the center's appeal.

Look for the opportunistic buyer to seek both off-market and marketed Class B and Class C retail properties in the $10M-plus/100,000 s.f.-plus range, although smaller-sized properties would be considered if there's potential to boost property value through repositioning, lease-up, redevelopment or build out of vacant parcels. Of interest are primary markets throughout the western U.S., as the previously California-focused investor eyes eventual expansion into such markets as Denver and Phoenix, as well as more properties throughout Las Vegas. LBG Realty Advisors targets mid-20% leveraged IRRs during a three- to five-year hold.

CONTACT: LBG Realty Advisors, 11150 Santa Monica Blvd., Suite 770, Los Angeles, CA 90025. Leslie Lundin, llundin@lbgfunds.com; Doug Beiswenger, dbeiswenger@lbgfunds.com; David Goldman, dgoldman@lbgfunds.com

CLIMATE DEPENDS ON BUYER, SELLER…

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If recent CBD office trades in Chicago offer a future glimpse, expect buyers to grow increasingly comfortable with primary office purchases in markets with higher-than-average unemployment and office vacancy rates. Following recent deals from **Hines** and **Parkway Properties**, don't be surprised to see a mélange of private equity and institutional capital zoom into primary-but-bruised markets for assets to buy and hold for the long term.

SEATTLE EMPLOYMENT GROWTH TO ENTICE BUYERS

Seattle's rebound means buyers may go sleepless in pursuit of Class A through Class C assets in the metro area. Increased velocity is expected in all sectors because of Seattle's improving employment prospects.

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In returning to Seattle following a four-year absence, look for ScanlanKemperBard Cos. to scan the market for multitenant industrial and office buildings, in addition to Class B and Class C apartment complexes with more than 100 units. For O&I acquisitions, expect interest in 65%-or-better leased properties throughout the Puget Sound region, in addition to Denver, Phoenix, San Francisco and Portland, Ore.

The private buyer recently acquired a 168,000 s.f. office/industrial flex building in the eastern Seattle suburb of Redmond, as part of a broader $47M package of properties in Denver and Phoenix. Looking ahead, count on the buyer to target $50M to $80M worth of acquisitions during the next four months. The company also sees potential in note purchases ranging from $2M to $100M. Performing and nonperforming senior and mezzanine notes collateralized by apartments and O&I are considered, in addition to real estate owned assets.

On the apartment side, count on both investors to encounter **Essex Property Trust**. The REIT recently paid $150M/high-4% cap rate for the 882-unit Archstone Redmond Hill. Essex Property Trust dealmakers, as with other investors, are clearly drawn to the potential for 25% compounded rent growth in the market during the next five years, at a time of very limited construction.

CAPITAL FOLLOWS CONSUMERS

Public and private retail buyers will ply infill primary and secondary markets nationwide in search of foot traffic in and outside the moneymaking world of necessity retail. Although grocery- and drugstore-anchored centers are a shoe-in for shopper demand, expect investors to look past current economic doldrums to take on malls, outlet centers and power centers. Active investors to watch include **The Gerrity Group, Property Management Group, Saul Centers, Tanger Factory Outlet Centers** and **Taubman Centers.**

CAPITAL FOLLOWS CONSUMERS...

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Outlet malls favored by discount-hunting shoppers attracts Tanger Factory Outlet Centers to a sweet Pennsylvania address. Word on the street says the developer and buyer will ante up about $225 psf for a majority chunk of a 248,000 s.f. center in Hershey, Pa., the city that's home to visitor-rich Hershey's Chocolate World. Tanger Factory Outlet Centers preceded this with acquisitions of, and contracts to acquire, a total of $333M worth of properties measuring a combined 1.1 million s.f., located in Ocean City, Md., Atlantic City, N.J., and Jeffersonville, Ohio. On the development side, look for activity from the company with Simon Property Group in Texas City, Texas, for a 470,000 s.f. center, in addition to a venture to develop a 350,000 s.f. center in metro Washington, D.C.'s Prince Georges County with The Peterson Cos. and, in Canada, a partnership with RioCan Real Estate Investment Trust.

Count on private investors to pound secondary and suburban market pavement for slight repositioning deals. An $86 psf purchase of a Louisiana power center marks Property Management Group's return to real estate acquisitions after a five-year absence. Although the company is keen to buy more multitenant industrial to balance a retail-dominant portfolio, it won't likely shy away from additional centers such as the 98,500 s.f. Houma Power Center it recently acquired in the secondary Louisiana market that's an hour's drive southwest of downtown New Orleans. The fully leased Houma, La., property's location across from Walmart was a big attractant, because of the foot traffic it generates. Although distressed properties aren't on the company's radar, company dealmakers will consider properties with some upside through management or leasing shifts.

Expect future interest in $5M to $20M stabilized retail and industrial properties within 300 to 400 miles of New Orleans. Retail-wise, assets measuring from 50,000 s.f. to 150,000 s.f. will make the short list, in addition to multitenant warehouse, distribution and flex space measuring from 80,000 s.f. to 500,000 s.f. The private investor owns a retail-dominant portfolio rounded out by some industrial and an office building sprinkled throughout Alabama, Florida, Louisiana, Mississippi and Tennessee.

Watch for private investors to fan out in search of traffic-rich areas outside primary markets. Southern California-based private investor The Gerrity Group traveled north of San Francisco to book a $36M [redacted]

DEALMAKER DATABANK™

Company/Address	Contact/Phone/Fax	Property Type	Buying Criteria
The Blackstone Group 345 Park Ave	John Kukral (212) 583-5000	Retail	Public investor to acquire Equity One properties in a portfolio purchase

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Company/Address	Contact/Phone/Fax	Property Type	Buying Criteria
Prologis 4545 Airport Way Denver, CO 80239	Gary Anderson (303) 556-5151 Fax: (303) 567-5902 ganderson@prologis.com	Industrial	REIT plans additional sales.
Chicago office: 8755 W. Higgins Road Chicago, IL 60631	Bob Kritt (773) 380-3255 Fax: (773) 380-3201 rkritt@prologis.com		
Saul Centers 7501 Wisconsin Ave. Bethesda, MD 20814	Robert Wulff (301) 986-7729 Fax: (301) 986-6079 robert.wulff@saulcenters.com	Retail	Public REIT acquires shopping centers.
	Mary Beth Avedesian (301) 966-6052 Fax: (301) 986-6079 marybeth.avedesian@saulcenters.com		
ScanlanKemperBard Cos. 1211 S.W. Fifth Ave. Suite 2600 Portland, OR 97204	Jay Featherston (503) 220-2600 Fax: (503) 220-2648 jfeatherston@skbcos.com	Apartments Industrial	Private investor scans the western U.S. and could use $60M equity for the task.
STAG Industrial 99 High St. 28th Floor Boston, MA 02110	Bradford Sweeney Michael Chase (617) 574-4777 Fax: (617) 574-0052	Office Industrial	Public investor to raise $57M which could be used for additional purchases, among other purposes.
TIAA-CREF 730 Third Ave. New York, NY 10017	Trevor Michael (212) 916-6046 Fax: (212) 916-4527	Retail	Pension fund acquires interests in malls
Taconic Investment Partners 111 Eighth Ave. Suite 1500 New York, NY 10011	Charles Bendit (212) 220-9945 Fax: (212) 220-9949	Residential Industrial Office Retail	Investor rolls out New York City-focused fund.
Taubman Centers 200 E. Long Lake Road Suite 300 Bloomfield Hills, MI 48304-2324	Michael Cleary (248) 258-6800 Fax: (248) 258-7275 mcleary@taubman.com	Retail	Public REIT to acquire pair of malls.
Tanger Factory Outlet Centers 3200 Northline Ave. Suite 360 Greensboro, NC 27408	Frank Marchisello (336) 292-3010 Fax: (336) 297-0931	Retail	Public REIT acquires factory outlet mall. interest, develops.

Correction: The Federal Reserve plans to sell short-term Treasury bonds and purchase long-term Treasury bonds. This fact was misstated in the Oct. 3 edition. *Real Estate Buyers* regrets the error.

SINGLE TENANT INDUSTRIAL SPOTLIGHT

Single-tenant industrial buyers will scout emerging markets nationwide for both stabilized and value-added industrial. Future acquisitions will involve more distressed assets driven by discount-to-replacement cost hunting buyers able to weather hold periods until rent growth turns positive. Whether competition further compresses current 5% to 7%-plus cap rates is anyone's guess. And in a consistently low interest rate environment, expect buyers to be even more mindful of in-place rents and potential for growth, especially for smaller properties that could compete against users opting to acquire properties instead of rent.

What's certain is the private sector should get several boosts from Anheuser-Busch Inbev's plan to put $1B into its stateside operations during the next three years. Watch for smaller manufacturers to expand as well, which could further stimulate the need for flex-space, warehouse and distribution properties. Look to active buyers **BlackRidge Real Estate Group, Monmouth Real Estate Investment Corp.** and **STAG Industrial** to delve into the market for single-tenant and other industrial assets in their respective markets coast-to-coast.

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SINGLE TENANT INDUSTRIAL SPOTLIGHT...

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LOW BOND YIELDS GOOD FOR VALUE-ADDED FUNDS, REAL ESTATE...

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The CASA V fund could have upwards of $1.1B of acquisitions capacity to support 20 to 40 one-off and portfolio purchases nationwide. Nearly half the vehicle could be used for tax-exempt bond financed properties. CASA V is derived from a $400M equity seed that's expected to eclipse predecessor vehicles. The fund has an expected seven-year hold period and will likely target overall returns in the 13% to 15% range.

CASA V moves towards additional purchases in October and November, when two properties under contract are expected to close. Those properties, when added to the fund's first purchases in the Seattle suburb of Kent, Wash., and Durham, N.C., will mark a combined $130M to $135M of deal volume. Look for interest in Class B and Class A apartments with 200 to 400 units, although larger properties have been acquired and smaller tax exempt bond financed units would be considered. The fund follows the $500M fully capitalized CASA IV fund.

Joint ventures may also proliferate. One buyer open to joint ventures, Taconic Investment Partners, recently raised its largest fund in history to evaluate value-added and opportunistic apartments, office and retail throughout New York City during the next three to four years. The $220M equity Taconic New York City Investment Fund will employ 65% to 70% of property-level debt. Anticipate an eight- to 10-year fund life, with targeted leveraged returns likely exceeding 17%. If past is prologue, company dealmakers could team with investors reminiscent of 2007-08 activity with AREA Property Partners — previously known as Apollo Real Estate Advisors, and the Prusik Group.

Smaller investors will also partner to pursue infill market action. A newly minted JV between principals of HSA Commercial Real Estate and Innovative Capital Advisors will scout for $50M worth of value-added purchases in high-barrier markets, on behalf of its ICA Real Estate Equity Fund I. During the next three years the vehicle will seek a new entry into the apartment sector and seek multitenant industrial, office and retail acquisitions. Additional funds could follow on the heels of its first fund, as the buyer works toward a goal of building a $500M portfolio.

Chicago and other Midwest markets are on the short list. Count on interest in repositioning- to redevelopment-quality assets priced from $2M to $10M within Chicago's interstates 294 and 355 beltways, in addition to properties located in high-barrier-to-entry submarkets such as Indianapolis, Minneapolis, Milwaukee and St. Louis. Larger acquisitions in the $50M range could be considered with joint venture partners including life insurance companies and other deep-pocketed investors. The fund [redacted]