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Vol. 28, No. 2

January 16, 2012

SUPREME COURT WON'T STIFLE MEDICAL OFFICE GROWTH

Investor demand for medical office buildings will grow this year even if the U.S. Supreme Court strikes down the Patient Protection and Affordable Health Care Act. A trend of shortened hospital visits and a preventive care emphasis will stimulate much of the demand for all types of medical office buildings. An aging populace increasingly requiring dialysis, cancer treatment, rehabilitation and other services, will also raise the profile of single- and multi-tenant buildings among buyers ranging from **AEI Core Property Income Trust** to **HCP**. The ensuing competition will likely push down cap rates from the current average of 7% plus. Expect demand to heat even more — as will consolidation among health

SUPREME COURT WON'T STIFLE MEDICAL OFFICE GROWTH...

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Redwood Real Estate Partners' forthcoming Redwood-Kairos Real Estate Value Fund III eyes \$250M worth of acquisitions during the next 24 months. With a seven-year life, the fund will focus on 20,000 s.f. to 40,000 s.f. MOBs throughout the western U.S., in addition to grocery- or drug-anchored centers throughout the region, and a nationwide appetite for student housing. Generally, pricing will range from \$5M to \$25M per deal, with targeted, leveraged IRR's ranging from 15% to 20% during a five- to six-year hold period. **Hines** also has a stake through a \$1B JV with the New York State Common Retirement Fund to develop medical office and office buildings.

BUYERS PARTNER FOR PRIMARY, SECONDARY MARKET RETAIL

Necessity retail buyers will accelerate primary and secondary market buys this year through institutional, public and private investor partnerships. Such pairings promise to increase deal flow for grocery-anchored moneymakers until securitized lending returns to the market. Larger, national buyers **Equity One** and **Phillips Edison & Co.** will ply primary and suburban markets through partnerships with institutional and public companies. Smaller private buyers, including **Privet Investments**, will team with larger private companies in strategic advances throughout suburban and secondary markets.

Equity One's less than year-old partnership with the **New York State Common Retirement Fund** furthers acquisitions in Boston and surrounding suburban markets, where the company aims to diversify a Southeastern-dominant portfolio. Look for the public REIT to pursue additional purchases in the Boston area similar to a recent \$289.28 purchase of a Stop & Shop anchored center in Framingham, Mass., about 21 miles southwest of Boston. The acquisition is Equity One's eighth in the market; expect additional \$10M-plus purchases of stabilized and value-added grocery anchored shopping centers throughout the region, plus Chicago and primary western and southern markets. Among East Coast competitors is **The Lightstone Group's Lightstone Value Plus REIT**, which paid \$80 psf for a value-added center in metro Atlanta, and scans the U.S. for 50,000 s.f. centers in \$15M to \$25M deals.

On a national level, the companies will encounter **Phillips Edison**, in and independent of JVs with **American Realty Capital** and **CBRE Global Investors**. The buyers plan to ratchet up a retail profile nationwide with a \$225M to \$250M of equity for additional buys until December. In its Phillips Edison — ARC Shopping Center REIT JV, look for dealmaker interest in grocery anchored centers with average \$25M price tags; the pair also count CBRE Global Multi Manager Group as a partner in its PECO-ARC Institutional Joint Venture I fund, which targets \$218M of grocery anchored buys.

Increased deal flow in such primary markets as Chicago, Los Angeles, Miami, New York and San Francisco, plus the secondary markets of Denver, Houston, Seattle, St. Louis and Portland, Ore., is on tap. Additionally, Phillips Edison & Co. will target broken lifestyle and power centers for its Strategic Investment Fund II that is capitalized with \$57M equity to seek out distressed investments from banks, financially pinched sellers and REO deals for lease up and turnaround plays nationwide.

A potential competitor for distressed product is Southeast-focused **Privet Investments** — with an estimated \$200M remaining from a \$300M investment purse. Among other real estate, the investor will scan the Southeast's grocery-anchored sector with JV partner Pine Tree Silverpeak Retail Partners. The pair recently booked a \$150.86 psf purchase of a Publix-anchored center in Auburn, Ala., about 55 miles northeast of Montgomery. Watch for the buyer to diversify into nonperforming note purchases this year, and seek apartments, office and parking garages, for \$5M to \$15M equity investments.

SINGLE TENANT O&I TOPS SECONDARY, SUBURBAN MARKETS

A pursuit of 7% to 8% range cap rates will draw more buyers to single-tenant office and industrial space outside primary markets. There's still plenty of room and interest for sale/leaseback and fee-simple transactions in marquee markets, however, as long as buyers plan to pay a premium for the assumed stability of these deals. Expect negligible new construction to pressure returns until GDP growth gains enough traction for corporations to justify meaningful expansion.

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SINGLE-TENANT SNAPSHOT						
<u>Location</u>	<u>Property</u>	<u>Size</u>	<u>Price</u>	<u>Cap Rate</u>	<u>Occupancy</u>	<u>Age</u>
Tampa, Fla.	Office	120,500 s.f.	\$21.4M	7.9%	100%	14 yrs.

NOTES: In late December, CB Richard Ellis Realty Trust paid approximately \$177.59 psf for this single-tenant call center occupied by Ford Motor Credit Co. The four-story building, known as Sabal Pavilion, is located in the mixed-use Sabal Business Park development in East Tampa. Ford Motor Credit Co.'s lease expires in nine years. CB Richard Ellis Realty Trust assumed a \$14.7M loan at a 6.38% interest rate that matures in 19 months.

CONTACTS: CB Richard Ellis Realty Trust, 800 Boylston St., Suite 1475, Boston, MA 02199. Jeff Torto, (617) 425-2817. jeffrey.torto@cbreglobalinvestors.com

SINGLE-TENANT O&I TOPS SECONDARY, SUBURBAN MARKETS...

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National competitor **Angelo, Gordon & Co.'s AG Net Lease Realty Fund II** targets \$1.5B of acquisitions and plans to roll out a successor fund later this year or in 2013. Anticipate additional interest in single-tenant core corporate office and industrial space nationwide, such as recent office buys south of the Los Angeles International Airport and in suburban Minneapolis. Word on the street says the buyer paid \$95M for the two buildings measuring a combined 642,000 s.f.

In deepening its western U.S. portfolio, Angelo, Gordon & Co. will encounter such competitors as Cole Real Estate Investments' **Cole Corporate Income Trust**, with up to \$2.5B for acquisitions, and non-traded public REIT **Griffin Capital Net Lease REIT (GC Net Lease REIT)**, which could tap more than \$600M for future acquisitions.

GC Net Lease REIT eyes single-tenant office and industrial properties throughout its footprint markets of California, Colorado, Illinois, Kansas and South Carolina, as dealmakers extend a \$750M equity offering through November. So far the investor has raised approximately \$50M for the REIT. Future acquisitions of office, industrial warehouse, distribution or research and development space will likely range from \$8M to upwards of \$56M, consistent with acquisitions ranges during 2009-11, when the company put out a total of \$165M in seven acquisitions.

Less than a year after its IPO, westward expanding **STAG Industrial** strikes a new market entry into Arkansas with a 400,000 s.f. warehouse/distribution building. Additional Class B building buys throughout southern Plains' primary and secondary markets may be on tap, including in Kansas, Missouri and Texas — where STAG owns a combined 1.54 million s.f. Expect further interest in \$5M to \$25M manufacturing and warehouse/distribution assets leased to investment or noninvestment grade tenants in one-off and portfolio purchases.

In Texas and the southern Plains, STAG Industrial dealmakers may encounter planned spin-off **Select Income REIT**. When the new buyer gets ready to acquire — helped in part by a \$500M credit line — expect interest in familiar markets including California, Florida, Hawaii, Iowa, New York, Texas, Virginia and Washington, among others. Select Income REIT's portfolio comprises 2.2 million s.f. of office and 1.4 million s.f. of industrial space.

BUYERS' BUREAU...

Hawaii in focus — Equity investors' search for stability in an unruly economic climate herald portfolio streamlining and redefinition among office and industrial-heavy buyers. Smaller markets such as Hawaii will heat as a result. Two companies with significant holdings there — publicly traded **Alexander & Baldwin (A&B)** and **Commonwealth REIT** — plan to pare down and refocus portfolios through operating company restructuring and spin-offs. Their actions will signal more deals on the buy and sell sides similar to **Brookfield Office Properties'** move to become a dedicated office REIT or **Duke Realty's** continued efforts to hold an industrial-dominant portfolio. Hawaii's Pacific Basin location between Asia and the western U.S., plus vacancy and unemployment rates that outperform many mainland U.S. counterparts, will draw more interest through December.

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BUYERS' BUREAU...*Continued from Previous Page*

During the latter half of the year, A&B will prepare to ramp up by peeling off its real estate, development and agriculture businesses as a public company. Investor reception of the company's 44-property Hawaii-dominated portfolio of multitenant industrial, office, retail and residential development projects balanced with assets in Arizona, California, Colorado, Nevada, Texas, Utah and Washington, should prompt acquisitions of \$10M to \$30M properties in its core markets. Purchases similar to a recent \$8M buy of a 189,486 s.f. parcel and 5,880 s.f. retail building on Oahu are possible. A&B Properties could encounter **Glimcher Realty Trust** or **Persis Corp.** in a search for additional retail and land buys.

Commonwealth REIT's planned \$230M spin off of **Select Income REIT** — likely during the next six weeks — augurs additional single-tenant acquisitions in Hawaii and the mainland U.S. Anticipate interest in suburban O&I assets under 10 year-plus leases secured by public and private credit tenants. Select Income REIT will bring to the market a nearly 400-acre Hawaii land portfolio located between downtown Honolulu and the Honolulu International Airport that's occupied by various companies, in addition to land in Oahu, and 38 properties in Alabama, Arizona, California, Connecticut, Florida, Iowa, Massachusetts, New York, Ohio, Pennsylvania and Texas. Among single-tenant competitors are **Angelo, Gordon & Co.**, **Hanua Associates/KDI Investments** and **W.P. Carey & Co.** Commonwealth REIT's plan to focus on CBD office buys — part of a three-year effort to reposition portfolio and become a pure CBD office REIT — signals more \$10M to \$300M acquisitions in primary and secondary markets nationwide.

New funds watch — Investment adviser **ROC|Bridge Partners** prepares for a busy year in the distressed apartment and office sector with \$375M equity for investments during 2012 — a potential threefold increase compared to 2011 volume. Watch for the buyer to scout suburban and urban markets west of the Mississippi for 250 unit-plus Class A to Class C apartments that are financially and operationally challenged. Also of interest will be CBD to suburban multitenant office buildings. Targeted pricing will range from \$5M to \$20M, for properties that will be acquired through REOs or nonperforming note sales for stabilization or lease up. The buyer plans three- to six-year hold periods. Don't be surprised to see it roll out a second fund in 2012.

Former NYSE-traded Grubb & Ellis Co.'s recent stock demotion to the OTC is the culmination of recent shifts that included the end of its Grubb & Ellis Healthcare REIT II, now known as Griffin-American Healthcare Trust. The renamed company is an active healthcare real estate buyer that's now sponsored by American Healthcare Investors and Griffin Capital Corp.

Clarion Partners' looks to bolster West Coast growth with its hiring of Khalif Edwards, who was named director charged with a West Coast focus on client relationships. Edwards previously worked at TIAA-CREF Asset Management as senior director of business development.

DEALMAKER DATABANK™

<u>Company/Address</u>	<u>Contact/Phone/Fax</u>	<u>Property Type</u>	<u>Buying Criteria</u>
Alexander & Baldwin 822 Bishop St. Honolulu, HI 96813	Mike Wright (808) 525-6636 mwright@abprop.com	Industrial, Office Land, Retail	Public company to split in late 2012.
Angelo, Gordon & Co. AG Net Lease Realty Fund II 245 Park Ave. 26 th Floor New York, NY 10167	Adam Schwartz (212) 692-2059 Fax: (212) 867-5436 aschwartz@angelogordon.com	Net Lease	Private equity investor acquires single-tenant properties.
Clarion Partners 601 South Figueroa St. Suite 3400 Los Angeles, CA 90017	Khalif Edwards (213) 236-3424 Fax: (213) 236-3479 khalif.edwards@clarionpartners.com	All	Institutional investor hires Edwards as a director.
Cogdell Spencer 4401 Barclay Downs Drive Suite 300 Charlotte, NC 28209	Frank C. Spencer (704) 940-2900 fspencer@cogdellspencer.com	Medical office	MOB owner to be acquired by Ventas.

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<u>Company/Address</u>	<u>Contact/Phone/Fax</u>	<u>Property Type</u>	<u>Buying Criteria</u>
Equity One 650 Fifth Ave. New York, NY 10019	Lauren Holden (212) 796-1746 lholden@equityone.net	Retail	Public REIT partners with PFs; plans to increase Boston presence.
Miami Office (headquarters) 1600 N.E. Miami Gardens Drive North Miami Beach, FL 33179	Arthur Gallagher (305) 947-1664 Fax: (305) 468-6225 agallagher@equityone.net		
GC Net Lease REIT The Plaza 2121 Rosecrans Ave. Suite 3321 El Segundo, CA 90245	Mike Escalante (310) 606-5900 Fax: (310) 606-5910 mescalante@griffincapital.com	Industrial Office	Public non-traded REIT eyes assets nationwide; recently inked new credit line, among other action.
Chicago office 101 Wacker Drive Suite 615 Chicago, IL 60606	Don Pescara (312) 780-7521 Fax: (312) 780-7579 dpescara@griffincapital.com		
Hanua Associates/ KDI Investments 1860 Ala Moana Blvd. Honolulu, HI 96815	Malcom Tom (808) 955-1764	Industrial	Private investor may acquire additional stabilized warehouse, office and retail buildings nationwide
Inland Private Capital 2901 Butterfield Road Oak Brook, IL 60523	Sue Speidel (630) 218-8000 Fax: (630) 645-3783 speidel@inlandprivatecapital.com	TIC	Non-traded REIT acquires single-tenant and other types of assets nationwide.
NY State Common Retirement Fund 110 State St. 14 th Floor Albany, NY 12244-0001	Pat Cunningham (518) 474-7736 Fax: (518) 402-4433 nyscrfinvestmentproposals@osc.state.ny.us	All	Pension fund JVs with developers, buyers.
PASSCO Cos. 96 Corporate Park Suite 200 Irvine, CA 92606	Bill Winn (949) 442-1000 Fax: (949) 442-2460 bwinn@passco.net	TIC	Private investor to increase acquisitions volume this year.
Phillips Edison - ARC Shopping Center REIT 11501 Northlake Drive Cincinnati, OH 45249	John Bessey (513) 554-1110 Fax: (513) 554-1009 jbessey@phillipsedison.com	Retail	Private investor partners with American Realty Capital Trust on the for neighborhood and community centers.
Privet Investments 99 Park Ave. Suite 2010 New York, NY 10016	Rush Sturges (212) 599-1688 Fax: (212) 599-1752 rush@privetinvestments.com	Retail	Private investor acquires grocery-anchored shopping centers and other assets in and independent of JV.
Redwood R.E. Partners 30342 Esperanza Rancho Santa Margarita, CA 92688	Jonathan Needell (949) 709-8888 jon@redwoodre.com	Single-tenant	Investor acquires single-tenant, in addition to other property types.
ROC Bridge Partners 5295 S. Commerce Drive Suite 100 Salt Lake City, UT 84107	John Pennington (801) 792-4669 Fax: (866) 854-5947 john@roc-bridge.com	Apartments, Office	Private investment adviser acquires distressed apartments and office buildings.
STAG Industrial 99 High St. 28 th Floor Boston, MA 02110	Bradford Sweeney (check) (617) 574-4777 Fax: (617) 574-0052 bsweeney@stagcapital.com	Industrial	Public investor acquires single-tenant industrial nationwide.
	Michael Chase (617) 574-4777 mchase@stagcapital.com		
Select Income REIT Two Newton Place 255 Washington St. Suite 300 Newton, MA 02458-1634	John C. Popeo (617) 796-8303	Single tenant	CWH sponsored REIT to go public.
Ventas 111 S. Wacker Drive Suite 4800 Chicago, IL 60606	Raymond Lewis John D. Cobb (312) 660-3800 rlewis@ventasreit.com	Medical office	Top healthcare REIT to expand MOB holdings.

Correction: The e-mail address for RAIT Financial Trust's Jack Salmon is jsalmon@raitft.com, it was misstated in the Jan. 2 issue. *Real Estate Buyers* regrets the error.

TIC/DST SECTORS TO INCREASE

Velocity is on tap for DST and TIC structures this year. Heightening the sectors' profile will be smaller owner/investors selling into an appreciated pricing market compared to three years ago. Loan volume has risen and sellers will look to park their cash in tax-deferred structures motivated by looming capital gains tax increases in 2013. The sectors' bruised reputation, caused by sponsors unable to maintain portfolios after a post-crash debt drain, is healing as evidenced by expectations of up to \$500M worth of DST and TIC offerings during the next 12 months. An estimated \$250M to \$300M worth of such deals were booked during 2011, compared to the sector's \$3.65B high-water mark in 2006. Expect buyers to eye cap rates in the 6% to 7% range for Class A apartments, and Class B retail in the 7% to 8% range.

Among sector leaders to watch are **PASSCO Cos.** and **Inland Private Capital Corp. (IPCC)**, with plans to surpass 2011 acquisitions volume. Anticipate more apartment and retail activity from PASSCO Cos., which may exceed approximately \$150M to \$200M of acquisitions volume this year. IPCC aims to exceed approximately \$160M equity volume this year and will add apartments to its list.

PASSCO Cos. anticipates DST deals comprising about 60% of activity this year. On behalf of various platforms, including a \$25M-plus equity fund, the company will consider stabilized Class A apartments constructed after 2002, in markets from Florida and west through the Southeast and Sun Belt regions, plus the Midwest and western U.S., targeting \$20M to \$30M properties. Retail-wise, interest is abundant for the company looking to return to larger retail properties after a three-year absence. Value-added shopping centers priced from \$8M to \$12M will attract interest, as will single-tenant retail and grocery-anchored or big-box anchored centers.

IPCC will enter the Class A apartment sector this year and will focus on \$25M to \$50M deals in primary and secondary U.S. markets. Properties constructed during the past four years will be considered if occupancies are above 90%. The company will also be in the market for Class A single-tenant office and industrial generally priced from \$25M to \$35M. The Inland Opportunity Fund II will also scout the U.S. for retail properties, plus sponsor interests in troubled TIC and DST partnerships.

Both PASSCO Cos. and IPCC should expect competition from **Cottonwood Capital**, which is in the market for TIC-interest purchases and apartments. The investor targeted \$100M equity worth of deals during 2011. It's unclear whether the Utah-based company picked up any pieces from Omni Investment Advisors, which withdrew from the investment advisory business following an SEC investigation that discovered backdating of company records. The SEC fined company owner and Brazil resident Gary Beynon \$50,000 and banned him from ever participating in securities-regulated industries, as part of the new rules under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

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