CRITTENDEN Real Estate Buyers™

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FOREIGN BUYERS BANK ON U.S. REAL ESTATE

International economic concerns will prove a boon to U.S. buyers and sellers, reflected in more foreign capital migrating into secondary markets and structures. Regardless of the U.S. political climate and economic implications, there are signs of increased commitments to stateside real estate, and a continued appetite for primary market assets.

Japanese-based **Mitsui Fudosan Group** brings a $625M annual acquisitions goal to include primary U.S. market office building buys. **Inland Real Estate** expands its retail JV with the Netherlands-based pension adviser **PGGM** to $500M, for Midwestern shopping centers. Investment adviser **Metzler**, which mainly advises German clients, will consider apartment and industrial expansions with a $600M acquisitions target for 2013. Bahrain-based **Investcorp** could continue its trend of suburban office park purchases, as it approaches $200M-plus of acquisitions this year.

Canadian capital should also be active next year but a stronger U.S. dollar could slightly curtail buyer momentum. **Canada Pension Plan Investment Board, Ivanhoé Cambridge, North American Development Group, Pure Multi-Family REIT** and **RioCan REIT** all increase their stable of apartments, industrial, office and retail. **GIC Real Estate**, an Asian sovereign wealth fund, will likely parlay its interest in **Campus Apartments** — which sold off close to $1B of student housing to American Campus Communities — into office buys. **Samsung Life Insurance** will consider various property types nationwide following its $400M-plus investment in RREEF earlier this year. Depending on its wants, office condos similar to a near-$300M property RREEF bought in New York earlier this year for German clients, could be in play. Cash-flush Chinese investors are expected to ramp up activity next year after assessing their place in the market. Capital from booming Middle East and South American countries has been active, but high-net worth investors from these and other countries will invest in their home turf until U.S. corporate and tax initiatives are resolved.

Mitsui Fudosan's MF America division, which has $3.75B for its six-year office initiative, can be expected to court REIT interests, similar to a nearly $50M majority interest purchase in Washington, D.C., with partner Akridge Development. Existing core buildings and new construction will be targeted with JV partners, as part of a broader North American and European office focus. The company may balance recent Washington, D.C., activity with purchases in other focus markets of Los Angeles, San Francisco, New York and Hawaii. Because it aggressively bought New York office during 2007-08, dealmakers may decide to further expand a western U.S. footprint. There will be plenty competition in San Francisco from buyers including GIC Real Estate, which apparently plans to scoop a $900M-range San Francisco Financial District office building from **Hines**. Cap rates for these assets are likely pushing the 4% and less range, based on broader trends that have sent some U.S. institutional buyers into nearby suburbs for alternatives.

Secondary and emerging markets

Because of lower cap rates, investors and advisers will prepare for a busier time outside primary markets. In Houston, however, energy, health care and oil industry growth have catapulted the market into gateway market pricing. Some companies won't touch the market's apartment or office product as a result. Euro-related woes and record unemployment rates aside, western European investors and advisers move ahead. Metzler considers a 2013 expansion into apartments and industrial, plus Austin, Boston and Houston markets, with a $600M acquisitions target. The company is on track to acquire $450M to $500M of assets this year in its core New York, San Francisco and Washington, D.C., markets, where it considers $75M-plus properties.

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A Metzler expansion into Houston will follow big market moves from Investcorp in the apartment portfolio and office segments. The Bahrain-based investor, also active in Dallas, Denver, Raleigh-Durham, N.C., and the San Francisco Bay Area, approaches more than $200M of acquisitions this year — reflecting a nearly ten-fold increase compared to 2011. Similar to CPPIB, debt moves will complement existing asset purchases. The nascent $100M Investcorp Real Estate Credit Fund III will book apartments and hotels if the fund mimics previous funds. Smaller investors will sidestep the pricey Houston market, where insiders notice cap rates trending on par with San Francisco for top-flight space. Texas specialist [redacted]

MEDICAL OFFICE BUILDINGS TO REMAIN HOT TICKET...

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An aging population, an emphasis on preemptive services, a more businesslike approach to health care management and centralization of facilities and physicians insures that MOBs will be occupied long-term, making them safe bets with stable yields. Within the next 18 years, the percentage of the population over the age of 65 is expected to increase by almost 80%, bringing this demographic to nearly a quarter of the total population. Annual health care costs are expected to increase 80% by 2019 to more than $4.5 trillion. REITs have only 6% of the U.S. MOB market share, with the majority being held by hospitals, universities, health care companies and private investors. With occupancy near 90% being the norm for the majority of MOBs and tenants frequently tied to long-term leases with historically low turnover, MOBs possess attractive potential for core investment that REITs want to add to their portfolios. Moreover, demand for MOBs will outpace availability by tens of millions of square feet as new development has been timid in recent years, making current value more enticing for buyers.

Ventas owns 313 MOB facilities in 29 states, with its more than 21 million s.f. putting it at the top of the niche. The REIT has acquired nearly $1.1B worth of MOB properties this year. Ventas had $1.6B available in credit and $63M in cash on hand for investments at the end of its third quarter. The REIT's MOB portfolio — 17% of total holdings — is mostly concentrated in the Midwest, Southeast, California and Texas, but the company also has a moderate presence in Washington, Colorado and Arizona. The company looks for cap rates in the mid-7% range for acquisitions. Primarily, it looks for on-campus facilities, but will also go after near-campus offices that are deeply connected with prominent hospitals and providers. Ventas also owns **Lillibridge Healthcare Service**.

Healthcare Realty Trust raised $201.1M from a public stock offering in late September, which it intends to funnel toward new buys. The REIT has its strongest footing in Texas, with the Dallas-Fort Worth market comprising 17.2% of its portfolio and Houston and San Antonio making up another 10.5%. The company looks for opportunities on the East Coast as well, particularly in Charlotte, N.C., as well as its hometown [redacted]

DEALMAKER DATABANK™

Company/Address	Contact/Phone/Fax	Property Type	Buying Criteria
Apple REIT Cos. 814 E. Main St. Richmond, VA 23219	Sam Reynolds (804) 344-8121 Fax: (804) 344-8129 sreynolds@applereit.com	Hotels	Buyer eyes limited-service nationwide.
Excel Trust 801 N. 500 West Suite 201 Bountiful, UT 84010	Steve Farnsworth (801) 294-2400 sf@exceltrust.com	Retail	REIT considers mixed-use complementing a core retail focus.
International Capital 17130 Dallas Parkway Suite 240 Dallas, TX 75248	Peter Geier (972) 241-3545, ext. 302 Fax: (972) 241-6520 info@international-capital.com	Office, Medical	Foreign investor buys office. Smaller deals, may increase deal volume in 2013.
Investcorp 280 Park Ave. 36th Floor West New York, NY 10017	Herb Myers (212) 899-4700 Fax: (212) 983-7073	All	Foreign investor nears $200M of deals since January.
GIC Real Estate One Bush St., Suite 1100 San Francisco, CA 94101	Nik Tan (415) 229-1800 Fax: (415) 229-1812	Office	Sovereign wealth fund owns 42% majority assets in U.S.
GIC Real Estate – **New York** 335 Madison Ave., 24th Floor New York, NY 10017	Kent Goodwin (646) 658-2200 Fax: (646) 658-2122		
ElmTree Funds 8025 Forsyth Blvd. Suite 100 St. Louis, MO 63105	Mike Garrido (310) 339-8522 mgarrido@elmtreefunds.com	Single-tenant	Investor eyes upwards of $1B of acquisitions and build-to-suits for current and forthcoming funds.
HCP 3760 Kilroy Airport Way Suite 300 Long Beach, CA 90806	Thomas Kirby (562) 733-5100 Fax: (562) 733-5200 tkirby@hcpi.com	Medical office	Public REIT acquires MOBs.
Health Care REIT 4500 Dorr St. Toledo, OH 43615	Chuck Herman (419) 247-2800 Fax: (419) 247-2826 cherman@hcreit.com	Medical office	Public REIT acquires MOBs.
Healthcare Realty Trust 3310 West End Ave. Suite 700 Nashville, TN 37203	Kris Douglas (615) 269-8175 Fax: (615) 269-8461 kdouglas@healthcarerealty.com	Medical office	Public REIT acquires MOBs.
HTA 16435 N. Scottsdale Road Suite 320 Scottsdale, AZ 85254	Mark Engstrom (480) 998-3478 ext. 120 Fax: (480) 991-0755 markengstrom@htareit.com	Medical office	Public REIT acquires MOBs.
Jamestown 3625 Cumberland Blvd. Overton Park, 12th Floor Atlanta, GA 30339	Shak Presswala (770) 805-1000 Fax: (770) 805-1001 spresswala@jamestownlp.com	Office, Retail	Foreign investor acquires mixed-use and other property types in primary U.S. markets, for core and core-plus strategies
Jamestown – **Northeast** Chelsea Market 75 Ninth Ave. Fifth Floor, Suite A New York, NY 10011	Joshua Wechter (212) 652-2143 Fax: (212) 366-4618 joshua.wechter@jamestownlp.com		
LBG Realty Advisors 11150 Santa Monica Blvd. Suite 770 Los Angeles, CA 90025	Doug Beiswenger (949) 640-0005 Fax: (949) 640-0010 dbeiswenger@lbgfunds.com	Retail	Private buyer selectively considers power centers as part of broader retail focus.
Metzler One Buckhead Plaza Suite 1010 Atlanta, GA 30305	Zeb Bradford (404) 846-7020 Fax: (404) 521-4253 zbradford@metzlerna.com	Office, Retail	May consider new market expansion and property types during 2013.

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Mitsui Fudosan Group/ MF America 1251 Ave. of the Americas Suite 800 New York, NY 10020	Sean McSweeney (212) 403-5600 Fax: (212) 403-5657	Office	Japanese investor targets U.S. primary markets for six-year investment plan.
Mitsui Fudosan – **Hawaii** 2222 Kalakaua Ave. Suite 900 Honolulu, HI 96815	(808) 526-1186 Fax: (808) 531-5651		
Omni Hotels 420 Decker Drive Irving, TX 75062	Stephen Kallaher (978) 871-5600 skallaher@omnihotels.com	Hotels	Acquires full-service hotels and notes nationwide.
Phillips Edison & Co. 175 E. 400 South Suite 402 Salt Lake City, UT 84111	Hal Scudder (801) 983-6302 Fax: (801) 521-6952 hscudder@phillipsedison.com	Retail	Acquires, considers distressed power centers.
Pure Multi-Family REIT 910-925 West Georgia St. Vancouver, BC V6C 3L2	Steve Evans (604) 681-5959 sevans@puremultifamily.com.	Apartments	Canadian REIT targets primary U.S. markets for $10M to $60M deals.
RockBridge Capital 4100 Regent St. Suite G Columbus, OH 43219	Jim Merkel (614) 246-2400 jtmerkel@rockbridgecapital.com	Hotels	Private investor acquires full-service hotels nationwide with $75M.
Ventas 111 S. Wacker Drive Suite 4800 Chicago, IL 60606	John D. Cobb (312) 660-3800 jcobb@ventasreit.com	Medical office	Public REIT acquires MOBs.
Weingarten – **Calif. Office** 6735 Westminster Blvd. Suite B Westminster, CA 92683	Tom Kuehl (714) 653-7304 Fax: (714) 899-6898 tkuehl@weingarten.com	Retail	Acquires grocery anchored centers and power centers.
Weingarten – **Texas Office** 2600 Citadel Plaza Drive Suite 125 Houston, TX 77008	Gary Greenberg (713) 866-6966 Fax: (713) 866-6072 ggreenberg@weingarten.com		
Wheelock Street Capital 52 Mason St. Greenwich, CT 06830	Danielle Trudeau trudeau@wheelockst.com	Hotels	Private buyer acquires full- and limited-service hotels nationwide.

HOTEL INVESTORS COURT MEASURED RISK

Hotel buyers respond to a lack of available full-service product and heightened demand for infill limited-service keys by venturing outside their comfort zones. Opportunistic buyers can be expected to buy both product types in big portfolio deals. What's more, dedicated full-service investors will seek alternatives in their highly targeted niche to emphasize performing and non-performing notes.

Revenues per available room and average daily room rates aren't expected to grow as fast as they did before the recession, so buyers will look for ways to lower upfront costs. Institutional capital that flocked to primary CBDs nationwide should be expected to strike more JVs and redevelopment agreements since core, institutional hotel returns during the first six months have faltered compared to 2010-11. Expect more buyers to follow **Carey Watermark Investor**'s joint venture moves on a full-service hotel outside Atlanta, for upside.

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HOTEL INVESTORS COURT MEASURED RISK...

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New and existing funds will spur competition across segments. Carey Watermark's $1B offering will fuel additional joint ventures in and outside full-service-, limited-service and extended-stay segments. Apple REIT 10 sells off properties in tertiary markets and lays out a $500M acquisitions goal for existing and predevelopment properties nationwide. Marcus Corp., parent of Carey Watermark's **MCS Capital Group** partner, targets a $150M raise. **RockBridge Hotels & Resorts** aims for $250M of acquisitions and loan originations. **Wheelock Street Capital** will buy more full-service hotels with $700M remaining in a diversified acquisitions fund. **Starwood Capital Group**'s distressed opportunity fund and Moody National REIT I will stalk mortgage notes.

Appealing to a broader swath of institutional buyers hungry for primary markets, expect Apple REIT 10 to add top markets to its list and continue pursuing secondary markets mostly for limited-service hotels. A mix of stabilized and value-added acquisitions, new construction and planned development agreements are expected, following $458M worth of buys during 2011. Despite backing out of a 126-key Dallas hotel under construction, dealmakers continue to pursue such structures in Arizona, California, Colorado, Florida, North Carolina, South Carolina and Texas. On dealmakers' watch lists are Hilton- and Marriott-flagged upper end limited-service hotels in the 8.5% to 10.5% cap rate range.

Looking for Partners

Depending on the success of its targeted raise, Carey Watermark Investors may aggressively seek out JV partners for urban, high-end full-service to boutique and limited-service hotels nationwide, in value-added and note purchases. The investor's recent Atlanta purchase adds to a growing portfolio in New Orleans and Long Beach, Calif. Watch for Omni Hotels to evaluate additional note purchases after booking its first deal of the year — a full-service hotel in Providence, R.I. The full-service, resort and luxury buyer plans expansion into Miami and Seattle, as well as Phoenix and Scottsdale, Ariz., in addition to expanding a presence in Boston, Chicago, New York and the Dallas Metroplex, for 400- to 450-key hotels. Chatham Lodging Trust and HEI Hospitality are among buyers also considering similar assets.

Wheelock Street Capital, which also considers notes, recently stepped outside its full-service mold for a limited-service portfolio. Additional acquisitions could be considered if the price is right, to complement a main focus on 200- to 500-key full-service hotels in the top 25 urban and suburban markets nationwide. About $700M – or two-thirds – of the fund remains for hotel acquisitions, in addition to value-added apartments, residential land and, potentially, retail. The buyer will also consider performing and non-performing debt purchases, segments familiar to La Salle Hotel Properties and Starwood Capital Group – whose Starwood Distressed Opportunity Fund IX has contracted to buy a package of extended stay hotels.

RockBridge Capital targets another $75M of acquisitions and mortgage originations focused on 100- to 400-key hotels in the value-added arena. Markets on the buyer's list include Chicago and New Orleans — two markets where the company bought earlier this year — plus Atlanta, Baltimore, St. Louis and Baton Rouge, La. Also active in the region are DiamondRock Hospitality, Host Hotels & Resorts and the relatively quiet Noble Investment Group.

DEMAND DRIVES SINGLE-TENANT MOVES

Single-tenant buyers will increase their focus on new development in response to mounting corporate demand for new buildings in the $2 trillion niche. **AEI Fund Management, AIC Ventures, Brauvin Real Estate, Cole Real Estate Investments** and **Griffin Capital Net Lease REIT** — representing a combined $4B of acquisitions heft — will take notice of **ElmTree Funds**, which has $700M of capital available and aims to more than double its stable of forward commitment, equity and debt investments to developers in coming months.

The buyer's ElmTree Net Lease Fund I will focus on $10M to $30M deals throughout the middle of the U.S. — sidestepping coastal markets — and will increase its appetite for build-to-suits. Of interest to the buyer are manufacturing, distribution, headquarters and health care buildings, plus call and data centers, in mostly secondary and tertiary inland markets.

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DEMAND DRIVES SINGLE-TENANT MOVES...

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The investor has acquired or committed to acquire several properties leased to AA+ to triple-B and B-minus companies this year in Alabama, Iowa, Pennsylvania, Columbia, S.C., and a couple of assets in Mississippi that include a contract on a $31M build-to-suit in Ellisville, for an aviation manufacturing plant leased to General Electric. Approximately $300M to $350M of equity remains in ElmTree's flagship fund, which will support more than $700M of deal flow, for assets occupied by Fortune 1000 companies.

Similar to AIC Ventures and AEI Fund Management, Elm Tree will consider additional redevelopment deals for $200M to $300M worth of acquisitions through planned opportunistic funds also hewing to a focus on business-essential, or mission-critical, properties. Expect investors to take closer looks at infill properties closer to rail and transit, as a result of international trade agreements that will raise retailer and corporate needs.

New builds and redevelopments gain momentum from additional buyers targeting business-essential assets. AIC Ventures looks to larger companies and will increasingly target forward commitments. A forthcoming fund will power $350M to $400M of action to include sale/leaseback buys. For now, the buyer has at least $100M to $150M of capital available for primary and secondary market warehouse, distribution and other industrial properties. It has agreed to deals in Ohio and Florida. As part of its refined focus, the buyer will target companies with revenues in the $500M to $3B range, compared to a previous emphasis on $25M to $250M revenue ranges. Brauvin Real Estate will also expand into the forward commitment and ground lease market for its $150M fund that considers properties secured by investment and non-investment grade tenants.

AEI Fund Management could widen its base through new builds in targeting a combined $200M worth of deals during 2012-13. Single-tenant retail priced from $2M to $10M will be of interest nationwide. Griffin Capital Net Lease REIT's focus on single-tenant office and industrial also considers forward commitments, as it and the Griffin American Health Care REIT II target $1.5B of deals nationwide. Cole Real Estate Investments, with more than $2B across acquisitions vehicles, also has been active in the space for single-tenant industrial, retail and office throughout the U.S.

MIXED-USE INVESTORS COURT NEW BUILDS, JOINT VENTURES

Institutional and foreign investors expand mixed-use holdings for various strategies encompassing stabilized assets in primary markets to new construction in strong second-tier markets. Technology industry growth lends confidence to buyers **Jamestown** and **Transwestern Investment Management**, which have recently picked up properties in San Francisco and Seattle, respectively. Office and apartment blends complemented with retail components will fetch increased interest as buyers work to capitalize on regional economic growth.

Transwestern Investment Management strikes its first multifamily JV in Seattle with partner State Farm Life Insurance. Since a July 2011 inception, the pair has acquired apartments, office and retail for an infill-market strategy nationwide. Watch for $250M of deal flow per year, including acquisitions and project costs for new construction. The investor has also been active in Chicago, Minneapolis and Austin, Texas. Deals heavy on retail with just a smidgeon of apartments will be disregarded in favor of more balanced blends. Core and core-plus properties are also considered. Competitors on the retail front could include **Excel Trust,** which recently buckled down a couple of mixed-use development and redevelopment deals in Southern California and Virginia, to complement a national retail acquisitions strategy.

Expect foreign investor Jamestown to look for additional San Francisco deals following a recent near-downtown asset pegged at a 90% occupancy rate; the buyer should also consider Boston and other primary markets. The investor, with a penchant for value-added deals, will take lease-up and repositioning risk similar to an office and hotel blend in Washington, D.C., and a deal on Boston's Newbury Street acquired last year. While it appears unlikely the company will exceed approximately $500M of purchases completed during 2011, interest remains high for $50M to $500M assets coast-to-coast.

CONSUMER CONFIDENCE TO BOOST RETAIL ACTION

A cautious boost to consumer confidence prompts public and smaller private buyers to raise equity in a bid to benefit ahead of the holiday season. However, expect buyers to remain guarded until economic growth accelerates, or returns on core shopping centers dip enough to justify riskier community and power center acquisitions. Generally, power center cap rates will remain on par with grocery centers of comparable quality, trading around 100 bp premiums in the 6% to 7%-plus range. **DDR**, **Excel Trust**, **Retail Properties of America** and **Weingarten Realty Investors** are among buyers comfortable with high percentages of anchor tenants, which will drive future momentum.

DDR is in the market for a $200M raise, and some of the proceeds could be used to follow deals earlier this year in Arizona with value-added upside. Excel Trust, nearing the end of its most active year since inception, will consider power center purchases to complement the $400M spent on grocery centers and neighborhood centers this year. Retail Properties of America (RPAI) sets the stage for next year by paying down debt and selling off $450M to $550M worth of properties. The buyer, which counts **RioCan** among JV partners, acquired a Texas asset earlier this year, and will scan mostly primary U.S. markets for product. Weingarten Realty's $250M acquisitions target — a four-fold increase compared to 2011 — will leave room for power centers. The REIT is also in the market with a $300M equity raise via a notes sale. **Whitestone REIT** considers a 2013 expansion into Colorado, and will eye power centers measuring 300,000 s.f. or less, to complement an emphasis on core community and grocery-anchored centers. The buyer expects $200M of acquisitions this year in core markets Arizona, Illinois and Texas.

Smaller-by-comparison buyers will target the value-added to distressed segments. **National Development Group** has used $250M equity for acquisitions since January, including recent deals in Atlanta and Houston. **Phillips Edison & Co.** targets distress and REOs with a $60M Phillips Edison Strategic Fund II. **LBG Realty Advisors** evaluates its first power center buy in the Los Angeles metro area, as part of a $75M acquisitions target for the year.

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