APARTMENT ACTIVITY TO RISE...

Continued from Previous Page

Cortland Partners' average deal size was 360 units during 2013; it expects to acquire more Class A and Class B portfolios requiring light value-added work.

The Carroll Organization looks at expansions into Dallas, Denver and Phoenix, with a $750M to $1B buy-side expectation. The core-plus and value-added buyer will also broaden a presence in core markets Florida, Georgia, North Carolina and Texas — for deals averaging $40M. Expect to see select development. Depending on the market, the buyer will target 5.5% to 6.5% cap rates.

Look for **Bell Partners** to expand its Washington, D.C., footprint for Bell Apartment Fund V. The fund will acquire 200 unit-plus Class A and Class B assets in Atlanta, Boston, the North Carolina cities of Charlotte and Raleigh, plus primary and suburban markets in Florida, New Jersey and Tennessee this year. The fund follows a $200M-equity predecessor that partly helped fund $300M of transactions last year. **Greystar Real Estate Partners** will slow down its hefty buying spree significantly this year but still plans to acquire $500M worth of value-added units nationwide.

Fowler Property Acquisitions (FPA) will focus on Class B workforce housing throughout the western and southern U.S. for an anticipated $300M to $400M of acquisitions for a newly minted fund. Core, core-plus and value-added strategies will involve $10M to $100M price ranges, with $20M to $30M average deal ranges. Its core focus will be complemented by Class A and Class C property buys. Markets of interest include Alabama, Arizona, California, Colorado, Georgia, Louisiana, New Mexico, Missouri, Oklahoma, Oregon, New Mexico and Tennessee. About $1B remains for acquisitions of the FPA Apartment Opportunity Fund IV. FPA bought approximately $275M of properties during 2013.

The Focus for REITs

National REIT leaders **Equity Residential**, **AvalonBay Communities** and **UDR** will focus on primary market development and non-core asset sales. However, smaller and newly minted public REITs this year will continue a regionally focused consolidation trend for Class A and value-added Class B markets. Expect West Coast-focused **Essex Property Trust**'s long-rumored buyout of **BRE Properties** to result in some post-merger sales later this year throughout California, Oregon and Washington. **Mid-America Apartment Communities**, itself focused on southern states, completed its purchase of the southern-focused **Colonial Properties Trust** REIT last fall.

Associated Estates Realty could exceed 2013 acquisitions volume with at least $200M of buys this quarter in Southeastern markets, including Atlanta, Tampa, Fla., and Charlotte and Cary, N.C. The buyer wrapped up 2013 with at least $314M of acquisitions, and will encounter maturing competition in the market this year. Diversified CRE buyer **Winthrop Realty Trust** will use part of a $500M acquisitions target for Class A properties, land and preferred equity positions nationwide. It acquired more than $250M of newly built properties and a land parcel last year.

Fresh REITs will focus on Class A and Class B properties in suburban and secondary markets, depending on strategy. Class A buyers **Preferred Apartment Communities** and **Trade Street Residential** could cross paths throughout the Midwest and South. Preferred Apartment Communities doubled its portfolio in 2013 with more than $100M of buys and will continue the trend with Class A purchases, mezzanine loans and purchase options. Pending are acquisitions and mezzanine loans in suburban Atlanta and northern Virginia, plus one in Columbus, Ohio. Additional portfolio purchases are likely, following last year's purchase of $91M worth of properties in Atlanta, Raleigh, N.C., and Austin, Texas. Trade Street Residential wants more Class A institutional-quality assets in midsized Southern markets to balance its portfolio and, with close to $250M of acquisitions in 2013, should consider more properties in lease-up stage. In coming weeks it plans to buy a 60%-leased asset in Greenville, S.C., for $121,098 per unit or $42M. Nearing its first anniversary as a REIT, **Independent Realty Trust** will add to a value-added portfolio of Arizona, Colorado, Georgia, Indiana, Texas and Virginia units.

Steadfast Income REIT can be expected to move deeper into major MSAs and focus on secondary and suburban markets in the South and Midwest. This will include Alabama, Illinois, Indiana, Kentucky, Ohio, Oklahoma, Missouri and Tennessee, markets where it bought only a few properties compared to a dozen buys in Texas. It won't likely reach the historical high-water mark its set last year in terms of transaction volume, when it bought more than $800M worth of properties to nearly double its portfolio.

Deals in Detail

Marcus & Millichap Steve Witten and Victor Nolletti, Executive Directors 265 Church St., Suite 210 New Haven, CT 06510 (203) 672-3300, fax: (203) 672-3310 switten@marcusmillichap.com, vnolletti@marcusmillichap.com	Fairfield Residential's FF Realty II paid a little more than $200,000 for each unit of this fully leased, Class A complex called Grand Reserve Orange. It is the only multifamily asset in Orange, Conn. — about seven miles southwest of downtown New Haven, Conn., and 43 miles southwest of Hartford. The 2005-vintage property, located at 45-75 Prindle Hill Road is a half-mile from Yale University's West Campus. The property sold at a 5.85% cap rate based on trailing income. Marcus & Millichap represented both the buyer and seller, Behringer Harvard Orange LLC.
Greysteel Co. Henry Schuldinger, Senior Associate 7735 Old Georgetown Road, Suite 301 Bethesda, MD 20814 (202) 280-2722, fax: (202) 355-0306 hschuldinger@greysteel.com	Private buyer Hollow Oak LLC paid $1.55M for a Chase Bank building at 3109 16th St., in Orange, Texas, on the Louisiana border. The eight-year-old property traded at an estimated 9% cap rate — due to a standing purchase option and 12 years remaining on lease terms. Greysteel represented the seller, a family trust, in this early December all-cash transaction.
Marcus & Millichap Stewart Weston, IPA Senior Director 19800 MacArthur Blvd., Suite 150 Irvine, CA 92612 (949) 419-3285 stewart.weston@marcusmillichap.com	Benedict Canyon Equities paid close to $190,000 for each unit of City Villas, a Class C complex at 13061 Lampson Ave., in the Los Angeles suburb of Garden Grove. The all-cash deal involved a $20M debt assumption priced at 3.89%, with nine years remaining. The sale price equates to a 30% discount to replacement cost averaging $265,000 per door. The cap rate on the mid-October transaction is 5.25%, based on in-place income.

NEW CASH BOLSTERS HOSPITALITY ACQUISITIONS

Hotel buyers supported by enthusiastic equity markets, financing and improving occupancies set the stage for a flurry of full-service deals in primary and secondary markets. Expect action from a diverse set of buyers to include **Ashford Hospitality Trust**, **Cascade Investment** and **RIM Hospitality**.

Supported by an increase of foreign investor cash, RIM Hospitality could bring $500M to the table for full- and limited-service hotels in new markets such as Chicago, Denver and Miami, New Jersey, New York and Milwaukee, Wis., and growing footprints in Arizona, California, Nevada and Washington. Drawing from various foreign, institutional and private equity sources, the company will shop for mainly value-added hotels — some at 50% to 60% discounts to replacement costs, full-service urban hotels in gateway markets that can be upgraded to Marriott, Hyatt, Hilton and Starwood flags, in addition to properties in secondary and tertiary markets. It acquired $150M of assets during 2013.

Ashford Prime's $150M credit line will be among sources fueling luxury, upper-upscale and upscale hotel acquisitions in gateway markets. Properties with $140-plus RevPAR will be in dealmakers' sights. Ashford could exercise purchase options on Washington, D.C., and Key West, Fla., properties, in addition to primary market assets in California, Florida, Georgia, Massachusetts, Oregon, Texas, and Washington, D.C.

Separately, Ashford Hospitality Trust can be expected to acquire full- and limited-service properties in primary, suburban and secondary markets nationwide. It restarted acquisitions last year with a $90M buy following a two-year breather, so expect renewed interest in opportunistic purchases with $98 to $135 RevPAR rates.

Watch Cascade Investment to be among deep-pocketed players perusing the market for full-service hotels nationwide — as it nears a $200M purchase in coming weeks. The tight-lipped buyer will likely scoop deals from selling REITs, including Strategic Hotels & Resorts.

APARTMENT BUYERS

ASSOCIATED ESTATES REALTY: John Hinkle, VP of Acquisitions, 1 AEC Parkway, Richmond Heights, OH 44143, (216) 261-5000, jhinkle@associatedestates.com

BELL PARTNERS: 700 S. Washington St., Suite 250, Alexandria, VA 22314, (336) 232-5503, Lili Dunn, Chief Investment Officer, (336) 232-5504, ldunn@bellpartnersinc.com; Nickolay Bochilo, VP, Investments, (336) 232-1909, nbochilo@bellpartnersinc.com; Joe Cannon, VP, Investments, 300 N. Greene St., Suite 1000, Greensboro, NC 27401, (336) 232-1908, jcannon@bellpartnersinc.com

BRE PROPERTIES: Stephen C. Dominiak, EVP and Chief Investment Officer, 525 Market St., Fourth Floor, San Francisco, CA 94105, (415) 445-3751, (415) 445-6505; John Wayland, SVP, Real Estate Investment, 5815 Shellmound Way, Suite A, Emeryville, CA 94608, (510) 597-5325, (510) 597-5301

CAPRI CAPITAL PARTNERS: 875 N. Michigan Ave., Suite 3430, Chicago, IL 60611, Louis Hoyes, Vice Chairman and Chief Investment Officer, (312) 573-5300, fax: (312) 573-5270, kglascott@capricapital.com and Dori Nolan, Principal, Investments, (312) 573-5300, dnolan@capricapital.com

CARROLL ORGANIZATION, THE: Josh Champion, President of Investments, 3340 Peachtree Road, Suite 2250, Atlanta, GA 30326, (404) 812-8270, fax: (404) 523-9372

CORTLAND PARTNERS: Myles Cunningham, VP of Acquisitions, 3424 Peachtree Road N.E., Suite 300, Atlanta, GA 30326, (404) 965-3986, fax: (404) 965-3946, myles.cunningham@cortlandpartners.com; Nick Wilhelmson, Director of Investments for Louisiana and Texas, 5215 N. O'Connor Blvd., Suite 325, Irving, TX 75039, (214) 313-9506, nick.wilhelmson@cortlandpartners.com

ESSEX PROPERTY TRUST: Craig K. Zimmerman, EVP of Acquisitions, San Francisco Bay Area, 925 E. Meadow Drive, Palo Alto, CA 94303, (650) 494-3700; Bryan Meyer, First VP, Acquisitions, Pacific Northwest, 11911 N.E. First St., Suite B212, Bellevue, WA 98005, (425) 643-5899, fax: (425) 643-7793; Jeff Rowerdink, First VP, Acquisitions, Orange and San Diego Counties, 17461 Derian Ave., Suite 110, Irvine, CA 92614, (949) 225-7921; (949) 752-0471

FPA: 100 Bush St., Suite 1625, San Francisco, CA 94104, Greg Fowler, Principal and Managing Partner, (415) 249-6783, fax: (415) 925-3440, greg@fpamf.com; Dan Kaplan, Chief Investment Officer, (415) 925-3100; fax: (415) 925-3440, dkaplan@fpamf.com

GENERAL INVESTMENT & DEVELOPMENT COS., THE: Thad Palmer, EVP of Real Estate Acquisitions, 125 High St., High Street Tower, 27th Floor, Boston, MA 02110, (617) 973-9680, tpalmer@gid.com

HOME PROPERTIES: 850 Clinton Square, Rochester, NY 14604, Edward Pettinella, President and CEO, (585) 546-4900, fax: (585) 546-5433, edwardp@homeproperties.com and John Smith, SVP, (585) 546-4900, fax: (585) 546-5433, jsmith@homeproperties.com

MACK-CALI REALTY: David Carlick, Director of Acquisitions, 343 Thornall St., Edison, NJ 08837, (732) 590-1000, dcarlick@mack-cali.com

MID-AMERICA APARTMENT COMMUNITIES: Don Aldridge, Acquisitions Director, 6584 Poplar Ave., Memphis, TN 38138, (901) 682-6600, fax: (901) 682-6667, don.aldridge@maac.com

PREFERRED APARTMENT COMMUNITIES: Dan DuPree, Vice Chairman and Chief Investment Officer and John Isakson, Chief Investment Officer, 3625 Cumberland Boulevard, Suite 1150, Atlanta, GA 30339, (770) 818-4100

RESOURCE REAL ESTATE OPPORTUNITY REIT/RESOURCE CAPITAL PARTNERS: Kevin Finkel, EVP, Acquisitions Director and President *(of Resource Capital Partners)*, 1845 Walnut St., 18th Floor, Philadelphia, PA 19103, (215) 231-7050

SECURITY PROPERTIES: 201 Third Ave., Suite 5400, Seattle, WA 98101, David Dufenhorst, Chief Investment Officer, (206) 622-9900, davidd@secprop.com; Barrett Sigmund, Director of Investments, (206) 622-9900, barretts@secprop.com.

STEADFAST INCOME REIT: Ella Neyland, President, 18100 Von Karman Ave., Suite 500, Irvine, CA 92612, (949) 852-0700

WATERTON ASSOCIATES: 30 S. Wacker Drive, Suite 3600, Chicago, IL 60606, Peter M. Vilim, Managing Member, (312) 948-4504, pvilim@wallc.com; Mark Stern, SVP, Acquisitions, (312) 948-4560, mstern@wallc.com; Mark Swerdlow, EVP, (312) 948-4510, mswerdlow@wallc.com; Rick Hurd, Chief Investment Officer, (312) 475-2357, rhurd@wallc.com; Maxwell Peek, SVP, Acquisitions, (312) 948-4566, mpeek@wallc.com

HOTEL BUYERS

AMERICAN REALTY CAPITAL HOSPITALITY TRUST: Jonathan Mehlman, EVP and CIO, 405 Park Ave., 15th Floor, New York, NY 10022, (212) 415-6500, jmehlman@arlcap.com

ASHFORD HOSPITALITY/ASHFORD PRIME HOSPITALITY: Brian Hughes, SVP, Acquisitions and Sales, 14185 Dallas Pkwy., Suite 1100, Dallas, TX 75254, (972) 778-9333, fax: (972) 490-9605, bhughes@ahtreit.com

CASCADE INVESTMENT: Michael Larson, 2365 Carrillon Point, Kirkland, WA 98033, (425) 889-7900, investments@mbholdings.net (Please Note: takes two to three weeks for a response)

BUYERS IN BRIEF

BLUE RIDGE CAPITAL (Retail): Fritz McPhail, Principal and President, 3715 Northside Parkway, Suite 450, Atlanta, GA 30327, (404) 364-9094, ext. 203; fax: (404) 364-9095, fritz@blueridgecapital.com

CAPRI CAPITAL PARTNERS (Retail): 875 N. Michigan Ave., Suite 3430, Chicago, IL 60611, Louis Hoyes, Vice Chairman and Chief Investment Officer, (312) 573-5300, fax: (312) 573-5270, kglascott@capricapital.com and Dori Nolan, Principal, Investments, (312) 573-5300, dnolan@capricapital.com

GRANITE PROPERTIES (Office): 5501 Granite Pkwy., Suite 800, Plano, TX 75024, Bill Brown, Chief Investment Officer, (972) 731-2300, bbrown@graniteprop.com; Greg Fuller, Chief Operating Officer, (972) 731-2300, gfuller@graniteprop.com and Michael Dardick, CEO, (972) 731-2300, mdardick@graniteprop.com

L3 CAPITAL (Urban Retail): Greg Schott, Managing Principal, 400 N. Michigan Ave., Suite 800, Chicago, IL 60611, (312) 878-4847, greg.schott@l3capital.com

BUYERS IN BRIEF...

► Private equity investor **Stockbridge Capital**'s $1.2B-plus of planned volume this year will focus on apartments, O&I, retail and manufactured housing communities nationwide. The budget marks a 60% increase compared to $750M spent during 2013.

► Urban retail buyer **L3 Capital**'s $300M acquisitions purse will support expansion into Miami and Washington, D.C., this year, as well as existing markets of Chicago, Los Angeles and New York. The core-plus to value-added investor will consider $10M to $100M transactions for all types of infill boxes. It spent $200M on acquisitions last year, including an atypical buy in suburban Chicago.

► If office buyer **Granite Properties** hews to a typical acquisitions year, it could buy $200M to $300M of properties this year in Atlanta, Boston, Denver and Los Angeles, as well as Austin, Dallas and Houston, Texas. Some of those deals will include development. It bought and built approximately $250M of properties last year, including an initial entry into Boston — where it'll build a mixed-use retail/office asset in suburban Cambridge. The private investor considers $10M-plus acquisitions, with an average $50M deal size. Count on the buyer to also pursue mezzanine debt and preferred equity investments.

► Diversified buyer **Tryperion Partners** targets $110M of acquisitions and will use cash from its newly minted $50M-equity ($200M all-in) Tryperion Real Estate Fund I. The company looks for value-added apartments, office, hospitality and retail. The private investor, which recently expanded into Missouri with an $80M, six-building property buy from Duke Realty, bought $110M of assets in 2013.

► Regional retail buyer **Blue Ridge Capital** looks to spend up to $15M this year, as it evaluates assets in Alabama, Georgia, North Carolina, South Carolina and Tennessee. The buyer, which booked upwards of $10M of buys last year, can be expected to pursue retail properties and non-performing mortgages secured by such assets — in transactions ranging from $500,000 to $30M. In Florida, the buyer plans to scoop its second property since 2003, via a non-performing note purchase; it has also contracted to acquire a property in Alabama. The buyer acquires Class B and Class C properties in primary through tertiary markets.

LARGER DEALS TO DOMINATE SELF-STORAGE

Big deals will comprise the bulk of this year's self-storage activity, which is expected to reach $1.5B of overall transactions volume, less than last year because insiders anticipate a scarcity of large portfolios. Larger one-off properties will be put on the block. Declining cap rates will move sellers to take advantage of higher pricing before interest rate increases that could make refinancing a pricier prospect.

Public REITs will leverage their portfolio values and increasingly buy properties using operating partnership (OP) units. OP unit deals will be especially attractive to full-leverage buyers-cum-owners holding maturing loans and looking to sell. Public REIT leader **Public Storage** should continue its acquisition momentum if it finds more Class A and Class B portfolios and single assets.

More off-market deals will occur. Purchases will complement nearly $200M of development and redevelopment projects. Future deals may resemble a recent $750M multistate portfolio of newly built and seasoned assets. Judging that portfolio, Public Storage won't be averse to vacant, new properties at 0% cap rates or to value-added assets at cap rates in the 8% to 9% range. *Continued on Next Page*

SELF STORAGE

CUBESMART: Christopher P. Marr, President, Chief Operating Officer and Chief Investment Officer, 5 Old Lancaster Road, Malvern, PA 19355, (610) 535-5700

EXTRA SPACE STORAGE: Scott Stubbs, EVP and CFO, 2795 East Cottonwood Pkwy., Suite 400, Salt Lake City, UT 84121, (801) 552-5556, sstubbs@extraspace.com

HEITMAN: James Bachner, EVP, 191 N. Wacker Drive, Suite 2500, Chicago, IL 60606, (312) 541-6770, fax: (312) 855-0455, james.bachner@heitman.com

PUBLIC STORAGE: 701 Western Ave., Glendale, CA 91201, David Doll, SVP and President of Real Estate Group, (818) 244-8080, fax: (818) 543-7341, ddoll@publicstorage.com; Mike McGowan, VP, Acquisitions, (818) 244-8080, mmgowan@publicstorage.com

SOVRAN SELF STORAGE: Paul Powell, EVP of Real Estate Investment, 6467 Main St., Williamsville, NY 14221, (716) 633-1850, fax: (716) 633-3397, ppowell@sovranss.com

LARGER DEALS TO DOMINATE SELF-STORAGE...

Continued from Previous Page

Second-largest REIT **Extra Space Storage** could meet or eclipse $500M-plus of properties bought or put under contract last year. The buyer can be expected to buy out JV partners and pursue new deals within their 6% to 7% cap rate strike zone.

CubeSmart's JV with **Heitman** presages increased private equity interest for multistate portfolios in various stages of stabilization. Private equity competitors will increasingly team with REITs on new construction and property buys. With and without JV partners, CubeSmart should grow its portfolio in Florida's Jacksonville and Orlando; Columbus, Ohio; Nashville, Tenn., and Austin, Texas, plus core markets including Houston, Miami, New York and beyond. Look for Heitman and the targeted $500M-equity Heitman Value Partners III to scout for more newly constructed to stabilized assets. The fund likely teamed with CubeSmart on an estimated $300M/6% cap-rate-upon-stabilization purchase in Austin, Texas, Houston and Charlotte, N.C., bought in late 2013. Including the joint venture, CubeSmart clocked in more than $400M of buys during 2013.

Sovran Self Storage will spend more time in the Class A segment, building upon deal flow in Colorado, Massachusetts, Texas and the New York Tri-State Area. The buyer will eye smaller deals in the $15M to $30M range, as well as portfolios. Also watch for more long-term lease agreements. The fourth-largest REIT bought approximately $50M during 2013 and will likely at least meet that number this year.

The Real Estate Buyers Team
E-mail: editor@crittendenrealestatebuyers.com

Customer Service
Tel: (800) 421-3483 Fax: (619) 923-3518
E-mail: membership@crittendenresearch.com

Newsroom Fax: (415) 475-1576

Crittenden Real Estate Buyers™ is published by Crittenden Research, Inc., 45 Leveroni Court, Suite 204, Novato, CA 94949. Send address changes to *The Crittenden Real Estate Buyers*™, P.O. Box 1150, Novato, CA 94948-1150.