

# Crittenden Real Estate Buyers™

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## RETAIL BUYING TO HEAT UP?

Retail mergers and acquisitions may be a saving grace for a competitive real estate market as dominant REITs are gobbled by more diverse entities. A slip from its slot as a top investor choice may further stimulate retail growth if companies such as **Centro Properties Group**, **Simon Property Trust** and **Developers Diversified Realty** return some properties to sale blocks.

Centro Properties Group prepares for its largest retail REIT deal yet, with a scheduled \$6.2B purchase of **New Plan Excel Realty Trust** and its 467-center/67 million s.f. portfolio. The company could fold some of the properties into its four-year-old venture with Watt Commercial Properties, a private REIT called Centro Watt. Centro Properties Group and Centro Watt also own the former **Kramont Realty Trust** and **Heritage Property Investment Trust** REITs, acquired for a combined \$3.4B in separate deals in 2003 and 2006. Centro Properties joins other buyers of late, including Simon Property Group's pairing with hedge fund **Farallon Capital Management** for the \$1.64B contract of beleaguered **The Mills Corp.**, and Developers Diversified Realty's \$6.2B purchase of **Inland Retail Real Estate Trust's** 160 million s.f. portfolio.

### Merger Benefit

One of the companies who could benefit from recent mergers and acquisitions is **Intercontinental Real Estate Corp.**'s recently introduced U.S. Real Estate Investment Fund (U.S. REIF). Initially, the fund can support \$160M of investments following an initial \$50M equity close. Annual cash-on-cash returns are targeted in the 6% to 8% range. The fund makes room for retail throughout the U.S., in addition to multifamily, office and other property types. Dealmakers at the company anticipate retail will be a minority focus that's overshadowed by a 25% to 30% focus on apartments and 40% push into office assets. Core and core plus assets are a focus, followed by value-added acquisitions. U.S. REIF will consider properties in markets such as Austin, Texas; Dallas, Charlotte, N.C.; Chicago, West Palm Beach, Fla.; Raleigh, N.C.; and South Florida.

Intercontinental bought a 230,000 s.f. center in the Chicago suburb of Palatine, Ill., on behalf of its U.S. REIF. The 92%-leased center's acquisition is part of Intercontinental Real Estate's present incarnation as a fund manager, which began 11 years ago. The 49-year-old company started as a builder, followed by an expansion into development in 1972. The private buyer manages a \$1.6B portfolio stocked with core, core-plus and value-added developments nationwide. There are 62 properties in the U.S. REIF's enhanced core fund.

### West Coast Expansion

**Gumberg Asset Management** moves to further expand along the West Coast this year in pursuit of properties valued at more than \$30M. The investor acquired more than \$100M worth of properties last year and desires to exceed this mark in 2007. Other areas of interest include Florida and Georgia. The investor's under contract on a mixed-use asset in Pennsylvania, which is mostly office with some retail, that's slated to close later this quarter.

The Fort Lauderdale, Fla.-based buyer holds medium to long term depending on the type of asset. It isn't particular about the stripe of retail property, with an exception for single-tenant properties, with value-added plays in mind, including redevelopments. The company bought a super-regional mall in the Southeast late last year, its most recent purchase.

## CAP RATE BOOST IN SELF STORAGE?

As major self-storage investors take time to assess what internal opportunities the mergers and acquisitions of 2006 now bring to them, a handful of smaller investors make the most of the diminished competition by taking advantage of one-off and smaller portfolio acquisitions that went unnoticed or hadn't fit the buying strategy of the larger firms like **Sovran Self Storage**, **U-Store It**, and the biggest storage REIT of them all, **Public Storage**. The name of the game for some right now is the building of portfolios with the hope of eventually selling to a larger storage firm within a few years. Others look at the market being ripe for value-added and opportunistic storage deals where in many cases they can bring in new management, provide for some site upgrades and flip the property over to a more long-term investor inside of a year.

Such is the case with Farmington Hills, Mich.-based **Storage Opportunity Partners**, a start-up self-storage firm launched in November with the intention of acquiring, repositioning and selling individual properties. Also flying above the radar for one-off and smaller portfolio deals is Pasadena, Calif.-based **Evergreen Realty Group**, which completed \$27M in storage acquisitions last year and at the end of February had nine deals worth \$49M in escrow, with their eye on the steady income stream that self storage is known to generate.

Along the same vein are the young and old private buyers who look to storage as being a kind of cottage business sector where they can run their own business that will carry them through their retirement. These buyers are wise to look toward Florida as a place where the owners of smallish portfolios, like **ASAP Storage**, have been selling off their assets in record numbers with the help of specialty broker **Mele Storage Group**. A regional **Marcus & Millichap** subsidiary, Mele has been putting together deals left and right in recent months and generating cap rates on some deals that are above 8%. Perhaps getting wind of the higher cap rates that can be found in single-asset deals, Public Storage casts its nets over to Honolulu, where it is presently under contract to pick up a 79,000 s.f. facility for \$29M.

After a heavy year of competition that for storage acquisitions, Evergreen Realty Group comes on strong in 2007 with \$40M in acquisitions under its belt by the end of February, and a voracious acquisition appetite to snatch up as many self-storage properties as it can lay its hands on throughout the year. Evergreen has promoted insider **Matt Arnold** to acquisition specialist, a position in which he will work with recently appointed COO **Carl Willgeroth** to drive the firm's storage sector business. Meanwhile, company president **Luke McCarthy** will pursue student housing and senior housing deals for the firm's 1031 Exchange, REIT and other commercial real estate ventures. In the storage sector, Evergreen has been successful in the one-off and small portfolio deals, which have been generating cap rates in the 7.5% to 8.5% range, compared to the 6% caps that some of the larger portfolio deals have been seeing.

Evergreen recently acquired nine self-storage facilities in separate transactions totaling \$43M, with properties located in the Texas cities of Dallas, Houston and San Antonio. The deals bring the Evergreen portfolio to 17 assets, each acquired for \$3M to \$7M. One of the recently acquired assets was a seven-facility portfolio while the rest were one-off transactions. Last year's \$27M in acquisitions was indicative of the hearty M&A activity that was going on nationwide that drove competition in the segment to new highs and cap rates to new lows. Evergreen looks for self-storage real estate nationwide and goes after properties with amenities such as air conditioning but are in need of a small amount of repositioning to generate heftier NOI. A typical upgrade might include the addition of a van for customer use or minor building upgrades. Evergreen utilizes private financing and looks at hold periods of three to 10 years for its self-storage assets.

Storage Opportunity Partners favors properties that have low occupancy, have been poorly managed, are in need of repairs – or a combination of all three scenarios. Storage Opportunity Partners is taking advantage of investor interest in the sector by acquiring assets via an opportunistic strategy and selling them after a short-term hold. An example of the Storage Opportunity Partners strategy can be found in the acquisition of a 300-unit facility in Farmington Hills that was 90% occupied at time of acquisition but had \$60T in receivables. The asset was essentially running at 50% of its potential, largely due to the previous management not collecting rents. At the time of acquisition, monthly revenues were settling out at about \$16T Four months after acquisition, and with new management in place, that figure has risen to \$27T.

Storage Opportunity Partners was founded in late 2006 by business partners, **David Levenfeld**, a former VP of development for **Storage USA** and **Ian Burnstein**. Target markets are in Michigan, Connecticut and Massachusetts. Storage Opportunity Partners has also acquired properties in Florida, New Jersey and Chicago. The firm has acquired more than 2.7 million s.f. of properties since November in separate deals and is eyeing 2- to 10-acre parcels of land for development.

**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>
Newark, Del.	Apartments	83 units	\$5.9M	4.61%	90%	37 yrs.

NOTES: Empire Realty Investments paid an estimated \$71,084 for each unit of the five-story Chasemont Apartments building, at 54 Cheswold Blvd. Property features and amenities include balconies, air conditioning, laundry rooms, cable TV and Internet connections. The mid-rise building is about 10 minutes east of several employers, including Christiana Hospital, Chrysler Corp., DuPont Co. and Bank of America. The private investor might renovate the asset purchased earlier this year from Fairfield Residential, perhaps excluding 17 units renovated in 2006. The Philadelphia-based family owned and operated company seeks apartments, retail and other asset classes in Delaware, Florida, New Jersey, New York and Pennsylvania.

CONTACT: Empire Realty Investments, 3901 Manayunk Ave., Suite 103, Philadelphia, PA 19128. Michael Pearlstein or Robert Pearlstein, (215) 232-5400; fax: (215) 482-3560.

**RESORT BUYERS WANT MORE DEALS**

Improvements are at the heart of recent resort trades finding **Low Hospitality Investment Partners**, **Behringer Harvard** and **Broadreach Capital Partners** in the pool for posh assets in California and Florida. More deals may be afoot for Low Hospitality and Behringer Harvard through forthcoming offerings.

Whether more sellers will be inspired to unload resort properties in coming months is a hit-or-miss proposition. There promises to be an abundance of capital seeking deals regardless, although larger investors with blanket insurance policies may find it easier to stomach the most expensive premiums in the sector. Estimates peg per hotel coverage at more than \$1,000 per available room during 2005 compared to about \$260 per key for limited service.

Low Hospitality Investment Partners could ramp up its value-added approach in coming months as it prepares to introduce a new fund that may support upwards of \$1B worth of investments. Discounts at significantly below replacement costs prompted Low Hospitality Investment Partners into Florida, where it paid an estimated \$39.8M — or \$187,835 per key—to Atlanta-based seller **Noble House Hotels and Resorts**, for **The Shores Resort & Spa** in Daytona Beach, Fla. Per-key replacement costs for the 11-story hotel would likely be in the \$250T range. The asset's cap rate was likely in the high 5% to high 6% range.

Low Hospitality Investment Partners II may raise about \$350M for approximately \$1B worth of hotels. An initial close may happen in April. Low Hospitality Investment Partners Fund I was capitalized with \$266M of equity for a \$750M investment pool. Separate from its forthcoming hospitality fund sequel, Low Investment Partners targets \$500M to \$600M worth of acquisitions in the retail, industrial and office worlds — an increase compared to 2006 activity.

Behringer Harvard might not have made an initial Florida entry, or found out about the selectively marketed Hawk's Cay Resort, if not for its relationship with **Five Star Realty Partners**. Relationships between some of the companies' principals go back more than a decade, so it was natural that the two would connect with a third, **Northview Hotel Group**. The trio paid around \$75M — Behringer Harvard eyed the deal for six months — for the resort with 177 rooms and 297 private villas. The Addison, Texas-based business has a majority interest, but don't expect it to give everything over to hotels. Paperwork was recently filed for Behringer Harvard Opportunity Fund II that may fuel more than \$1B worth of investments nationwide. Apparently, the second fund will closely follow the inaugural opportunity fund's parameters, making room for office, industrial and value-added hotel and resort investments.

**Hawk's Cay** was the company's second hotel purchase in 18 months, following a deal in Los Angeles' Westwood submarket. San Francisco-based Broadreach Capital Partners took a fistful of interest in its first hotel property since inception, in a recapitalization of the **Four Seasons Aviara Resort** in the north San Diego suburb of Carlsbad, Calif. The 329-room property features a 15,000 s.f. spa and an Arnold Palmer-designed 18-hole golf course.

The \$700M equity Broadreach Capital Partners II fund made the purchase; the company will consider additional assets one a one-off basis alongside of a main focus on industrial, office and mixed-use buildings nationwide. **Maritz, Wolff & Co.** was the venture partner. Broadreach took out a group of investors Maritz paired to resuscitate the construction project that stalled for four years.

## LEASE RATES DRIVE CBD OFFICE

Stabilized cap rates combined with strong demand for Class A office drives acquisitions and dispositions around the downtown central business districts of many major metro areas. The fact that office is in such demand is of no surprise to anyone but the increases in lease rates that owners have been able to get over the past six months does lend credibility to the market and encourages investors to look downtown for core opportunities. The prognosticators at Colliers International highlighted the trend of rising rents in a recent report which indicated that some markets have topped the 10% increase predicted over the same time last year. CBD rents are expected to further increase by as much as 12% to 15% in 2007, according to the report.

The boom market may be what created the conditions that saw **The Blackstone Group** and **Vornado Realty Trust** in a bidding war for the assets of **Equity Office Properties**, as well as **SL Green's** acquisition of **Reckson Real Estate Group** in recent weeks. As is public knowledge, Blackstone outbid Vornado and was selling off key assets from the mega-portfolio even before the deal closed. Waiting in the wings to pick up an assortment of office properties were **Beacon Capital**, **The Macklowe Co.**, **Maguire Properties**, **Shorenstein Properties** and **The Irvine Co.**, among others.

With millions of square feet of office space being traded to a handful of investors in separate transactions totaling \$21B, the deal effectively made kingmakers of companies like **Morgan Stanley Real Estate**, which acquired 10 premiere office properties in San Francisco totaling 1.5 million s.f. for \$2.5B. This effectively put the company on the map in the City by the Bay as being the largest single holder of office properties there. Morgan Stanley has been trying to buy up Class A office space in San Francisco for some time and these acquisitions now paint Morgan Stanley as a serious player in the city.

Maguire Properties paid \$2.8B, or \$355 psf, for a portfolio of 8.1 million s.f. in Los Angeles, a figure that was considered to be a screaming deal, given the inflated price of commercial real estate properties in L.A. The key to the SoCal portfolio is understanding that while the assets are collectively 98.1% leased, many tenants are still paying below market rents. Rollover is expected in a three to four year time period, which will provide opportunities for rate increases and revenue parking.

California was the strongest state represented in the portfolio, particularly in the San Francisco and San Diego markets, which stand the most chance of benefiting from increased lease rates in the coming years. Los Angeles is considered by many to be overpriced right now and investors who are tired of the low cap rates have been exiting the market. Buyers in California, however, should keep their eye on the relationship of increased property taxes and NOI goals, as the sale is likely to signal a hefty tax increase thanks to the Golden State's Prop. 13-era tax rules. Subsequent sales could do the same and if property values have gone up enough, signaling a higher property tax, the balance between taxes and rents could create a hindrance to future buyers.

The California buyers who plan to sell, particularly in the San Francisco Bay Area, may be well-advised to do so in the short-term, before property values increase by a significant amount, and then sell each piece individually where they can net a higher return. After all, new owners of office properties can only realistically charge lease rates that the market can bear — so the end result could be smaller profit margins for those who wait.

With lease rates topping \$1,000 psf in New York City, the Big Apple is even looking pricey to some who have looked inland to still-recovering markets to fulfill their strategies. Any piece of Manhattan commercial real estate is always going to hold its value, so the acquisition by Macklowe of 6.6 million s.f., which presents some opportunities for lease roll-over in the short term, is looked at as being solid. If the Shorenstein purchase of 45 office buildings in greater Portland, Ore., goes through, the investor will have gotten its hands on some of the most well-leased, desirable Class A properties in the Portland market, a low vacancy, slow-growth region. This could signal a long-term hold for Shorenstein on the 4 million s.f. of properties.

Rumors of the Washington, D.C., office market slowing are dispelled and Beacon Capital Partners stands to benefit from the acquisition of 6 million s.f. of well-leased properties in and around the nations capital, if Beacon opts to sell or just holds onto the properties. Lease rates in the D.C. area are presently between \$38 psf and \$55 psf and slated to only go up. The \$6.5B Beacon deal included nine properties in the Northern Virginia suburbs, an area that has been staked out by D.C. area office investors for the past year.

**DEALMAKER DATABANK™**

<u>Company/Address</u>	<u>Contact/Phone/Fax</u>	<u>Property Type</u>	<u>Buying Criteria</u>
AMB Property Corp. 60 State St., Suite 1200 Boston, MA 02109	Eugene Riley (617) 531-9000 Fax: (617) 531-9001	Industrial	Acquirer, developer and owner of industrial real estate assets.
Beacon Capital Partners 1 Federal St. Boston, MA 02110	Alan M. Leventhal (617) 457-0400 Fax: (617) 457-0499	All	Acquirer, developer and financier for core and value-added office properties.
Behringer Harvard 15601 Dallas Parkway Suite 600 Addison, TX 75001	Jim Fant (866) 655-3600 Fax: (469) 341-2400 jfant@behringerharvard.com	Hotels	Private investor is interested in resorts and other value added hotels nationwide.
The Blackstone Group 345 Park Ave. New York, NY 10154	James E. Hamilton (212) 583-5000 Fax: (212) 583-5712	Office	Buyer and developer of institutional caliber real estate assets. Recently acquired Equity Office Properties.
Broadreach Capital Partners 235 Montgomery St. Suite 850 San Francisco, CA 94104	Trevor Wilson (415) 354-4640 Fax: (415) 354-4651 www.broadreachcp.com	Hotels	Private investor acquires resorts and other assets nationwide.
CalSTRS 7667 Folsom Road, Room 250 Sacramento, CA 95826	Mike DiRie (916) 229-3722 Fax: (916) 229-0502	All	State pension fund with recent increase in allocation to commercial real estate. Has appetite for industrial and office.
Corporex Cos. 100 E. Rivercenter Blvd. Suite 1100 Covington, KY 41011	Mark Arstingstall (859) 292-5500 Fax: (859) 292-5599 info@corporex.com	Hotels	Private investor to acquire REIT Eagle Hospitality.
Eagle Hospitality Properties Trust 100 E. Rivercenter Blvd. Suite 480 Covington, KY 41011	Brian Guernier (859) 581-5900 Fax: (859) 581-4650 bguernier@eaglehospitality.com	Hotels	Public REIT to be sold to Corporex Cos. for \$260M.
Evergreen Realty Group 225 S. Lake Ave. Suite 230 Pasadena, CA 91101	Matt Arnold (800) 990-8448 (626) 568-1416 matt@evergreenrealtygroup.com	Apartments Industrial Self Storage	Sponsor of private REIT acquires and operates self-storage, apartments and industrial properties.
First Industrial Realty Trust 311 S. Wacker Drive, Suite 4000 Chicago, IL 60606	Johansson Yap (312) 344-4300 Fax: (312) 922-6320 ir@firstindustrial.com	Industrial	Acquirer, developer and owner of industrial real estate assets.
Gumberg Asset Management 3200 N. Federal Highway Fort Lauderdale, FL 33306	Jack Pansegrau (954) 537-2700 Fax: (954) 568-5340 jackp@gumberg.com www.gumberg.com	Retail	Private investor aims to acquire more than \$100M worth of properties during 2007.
Intercontinental Real Estate 1270 Soldiers Field Road Boston, MA 02135-1003	Peter Palandjian (617) 779-0461 Fax: (617) 782-9442	Retail	Private investor seeks community and neighborhood centers with new fund, U.S. Real Estate Investment Fund.
The Irvine Co. 550 Newport Center Drive Newport Beach, CA 92660	Clarence Barker (949) 720-2000 info@irvinecompany.com	Office	Investor buys office properties.
Liberty Property Trust 500 Chesterfield Parkway Malvern, PA 19355	Michael T. Hagan (610) 648-1700 Fax: (610) 644-4129 mhagan@libertyproperty.com	Industrial Office	Acquirer, owner, manager of industrial and office real estate in 20 U.S. markets.
Lowe Enterprises 11777 San Vicente Blvd. Suite 900 Los Angeles, CA 90049	Bleecker Seamon (310) 571-4220 Fax: (310) 207-1132 www.lowenterprises.com	Hotels	Private investor acquires resorts and other properties.
Maguire Properties 333 S. Grand Ave. Suite 400 Los Angeles, CA 90071	Philip Orosco (213) 626-3300 Fax: (213) 533-5158 philip.orosco@maguireproperties.com	Office	Acquirer and developer of Class A office assets with special focus on Southern California.

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<u>Company/Address</u>	<u>Contact/Phone/Fax</u>	<u>Property Type</u>	<u>Buying Criteria</u>
Mele Storage Group 7650 Courtney Campbell Parkway Suite 920 Tampa, FL 33607	Michael Mele (813) 287-9777 Fax: (813) 287-9411 mmele@marcusmillicap.com	Self Storage	East Coast storage arm of large national brokerage.
Morgan Stanley 3425 Peachtree Road NE Atlanta, GA 30326	Ted Klinck (404) 848-8600 Fax: (404) 848-2938	All	Pension fund adviser and investor in institutional caliber commercial real estate assets.
Shorenstein Properties 555 California St. 49 <sup>th</sup> Floor San Francisco, CA 94104	Richard Underhill (415) 772-7000 Fax: (415) 772-7048 skeaton@shorenstein.com	Office	Acquirer and developer of institutional caliber office assets. Works with pension funds and endowments as well as other types of investors.
Simmons Vedder & Co. 1300 Post Oak Blvd., Suite 1650 Houston, TX 77056	Tom Simmons (713) 626-9102 Fax: (713) 626-9110	Industrial Office	Player in commercial real estate markets with focus in office and industrial.
S.L. Green Realty Corp. 420 Lexington Ave. New York, NY 10170	Andrew Mathias (212) 594-2700 Fax: (212) 216-1785	Office	Commercial real estate investor that focuses on Manhattan office acquisitions and development.
Sovran Self Storage, Inc. 6467 Main St. Buffalo, NY 14221	Kenneth F. Myszka (716) 633-1850 Fax: (716) 633-3397	Self Storage	Owner and operator of self-storage facilities.
Storage Opportunity Partners 32255 Northwestern Highway Suite 380 Farmington Hills, MI 48334	David Levenfeld (617) 658-1200 Fax: (617) 658-1201 dlevenfeld@storageop.com	Self Storage	New player in self storage market. Value-added and opportunistic buyer in Midwest and New England.
U-Store It Trust 6745 Engle Road, Suite 300 Cleveland, OH 44130	Christopher P. Marr (440) 234-0700 cmarr@u-store-it.com	Self Storage	Acquirer, Developer and manager of storage facilities throughout the U.S.
UBS Realty Investors 242 Trumbull St. Hartford, CT 06103	Ronald Urdanick (860) 616-9000 Fax: (860) 616-9008	Industrial Office	Acquirer and developer of industrial Apartments properties. JV partner with First Industrial for net lease.
Vornado Realty Trust 888 Seventh Ave., 44 <sup>th</sup> Floor New York, NY 10019	Michelle Felman (212) 894-7000 Fax: (212) 894-7035	Gov't. Buildings Office Retail	Office and industrial buyer. Looks for long-term investments with stable yields. Minimum deal size is \$50M.
Wilbur Acquisition Holding Co. 9 W. 57 <sup>th</sup> St., 39 <sup>th</sup> Floor York, NY 10019	Steven Orbuch Paul Wasserman (212) 790-0120	Hotels	Affiliate of hedge fund Och-Ziff Real Estate and Norge Churchill contract to New acquire WXH and de-list the company.
Winston Hotels 2626 Glenwood Ave., Suite 200 Raleigh, NC 27608	Robert W. Winston III (919) 510-6010 Fax: (919) 510-8187	Hotels	Public REIT to be acquired by Wilbur Acquisition Holding Co. Trades under WXH on the NYSE.

**JVs DRIVE INDUSTRIAL DEALS**

Joint ventures seal the deal for serious industrial investors that look for acquisitions in the under-supplied and competitive industrial market. JVs are a way for investors to take advantage of the hot industrial market by utilizing equity and capital from other investors. Returns in the industrial sector are among the highest in the commercial real estate sector, delivering cap rates as high as 8.5% for some core investments. **First Industrial Realty Trust** has found a way to butter both sides of its bread with separate JV relationships that target both acquisitions and developments in the tight market. On the acquisition side of the equation, the partnership looks for sale/leaseback transactions in and around major metropolitan areas. **Liberty Property Trust** and its JV with a pension fund investor aims to snatch up recently completed distribution center properties in Houston, as well as backing new ground up development in the burgeoning Phoenix market. **AMB Property Corp.** has had a long-term JV for industrial properties south of the border in Mexico, but now focuses on a JV for industrial acquisitions in Europe and development opportunities stateside.

A JV with a motivated and deep-pocketed institutional investor and cap rates in the 7.5% to 8.5% range is keeping First Industrial on the trail of net lease opportunities nationwide. The JV between First Industrial and **UBS Wealth Management** has been going great guns since the middle of last year.

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### **DEALMAKER OF THE WEEK**

Specialty buyer **PS Business Parks Inc.**, makes its first acquisition in the state of a two-property, 27-building office portfolio located next to the Microsoft corporate headquarters in Redmond, Wash., with an eye to increasing its presence in the suburban office market near Seattle, Wash. The acquisition price was \$76M, or about \$153 psf, but is only the tip of the iceberg with regard to the amount of capital that PS Business Parks plans on acquiring in the area that is home to Microsoft, among other giants of the technology and biomedical industries. A plethora of suburban office investments of late have boasted as being located next to Microsoft, and since the software giant owns 8 million s.f. of office in the vicinity, the claims have mostly been accurate. In this acquisition the claim is particularly true since the campus stretches around the perimeter of the offices, which total 494,236 s.f. This area of the state of Washington has been a go-to area for office investors in recent months with vacancy rates hitting new lows and rental rates climbing. These market conditions are what was on the radar of **Brett Franklin**, PS Business Park's senior vice president of acquisitions and development.

The seller, private real estate investors **Yett Family Partnership LLC**, had listed the property with CB Richard Ellis in mid-2006, just as the market began to turn for the better. PS Business Parks, a subsidiary of self-storage giant **Public Storage International**, buys commercial real estate with a long-term hold in mind so a stable market with rents in place are more than a consideration. In the Redmond acquisition, which is situated on 40 acres of land and consists of the 339,092 s.f. Overlake Business Center and the 155,144 s.f. Overlake Business Center North, the portfolio was 92% leased at time of acquisition with little lease rollover occurring in the immediate future. The average lifespan of a lease in the business park is three to four years, so PS Business Parks is willing to look to the future for NOI gains. The Overlake Business properties are made up of large and small offices spaces ranging in size from 10,200 s.f. up to 30,400 s.f. PS Business Parks owns one other asset in the region — a 27,900 s.f. office and warehouse facility in Renton, Wash., which it acquired in 2006.

Contact: PS Business Parks, Inc., 701 Western Ave., Glendale, CA 91201. Brett Franklin, (818) 244-8080, fax: (818) 242-0566, bfranklin@psbusinessparks.com.

### **JVS DRIVE INDUSTRIAL DEALS...**

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The solid rents that are in place with this kind of acquisition has contributed to First Industrial seeing an increase in NOI of 9% across the board, as well as an overall increase in rents of about 3%. First Industrial invested \$1.5B in industrial acquisitions and developments in 2006 and has a pipeline of \$1.9B in the works for this year. Of that figure, about \$1.2B is expected to be in the JV with UBS as well as a separate JV the REIT has with the **California State Teachers Retirement System** for developments.

About 70% of the acquisitions that First Industrial goes for these days are sale/leasebacks, a method of acquiring that neatly gets the firm around the supply-constrained industrial real estate market and into deals that are typically 100% leased with long-term leases in place — and have an immediate positive cash flow income stream in place. All of this has led to a series of recent deals, including two transactions valued at more than \$30M. First Industrial acquired two industrial properties in Delanco, N.J., one of which was a 100% leased sale/leaseback deal. First Industrial bought the two-building, 230,274 s.f. headquarters and warehouse facility of **Jevic Transportation**. The second acquisition was a 105,450 warehouse and distribution center in Mt. Laurel, N.J., for \$6M. In addition to the South Jersey industrial market where First Industrial and competitors have been pounding the pavement for deals, other markets of interest include Florida, where CIO **Johansson Yap** has been spending time in recent months, as well as warehouses and distribution centers in and around Philadelphia.

Liberty Property Trust has been on the prowl for warehouse and distribution center real estate in Houston, increasing its holdings in the city to 2.5 million s.f. since November. The buying spree that Liberty has been on is part of a JV with a New York pension fund, and has netted the firm 901,000 s.f. of industrial property in the northwest section of the city in February alone. The northwest sector is an area of the city which Liberty has targeted for growth and where competition for deals has been fierce. The JV partners recently won a bidding war on a newly completed warehouse/distribution center development with a top bid of \$20M. Most recently, the investors acquired the **Greens Crossing Distribution Center**, a 575,000 s.f. industrial/flex/distribution center, from sellers **Simmons Vedder & Co.** Look for Liberty to be on the prowl for industrial and office properties in Phoenix in the coming months where it plans to open an office in the coming months. Banking on the supply-constrained industrial market and Arizona being a sizzling area for real estate investments right now, Liberty has already acquired 115 acres of land in the town of Goodyear, Ariz., about 20 miles from Phoenix, where it plans on developing five industrial buildings over the next three to five years. Groundbreaking on the first two buildings that will total 729,000 s.f. is slated to begin this summer.

## HOTEL CO. M&As TO SPIKE

The latest in a series of pending hotel mergers and acquisitions signal more activity for smaller outfits. Small- and mid-cap REITs stand to become the next big trophy for companies wanting hotels but wary of unbalancing portfolios because of too many keys. A little is better than too much, at least for global hedge fund **Och-Ziff Capital Management's** JV partnership bid for **Winston Hotels**.

It may be the hotel market's turn in the M&A spotlight this year, since the sector was seldom represented in last year's record-breaking pace, where various companies traded hands for more than \$117B. A pending sale of **CNL Hotels & Resorts** — and **Ashford Hospitality Trust's** concomitant \$2.4B purchase of a 51-property portfolio — was preceded by trades of **Starwood Hotels & Resorts** and **Boykin Lodging Co.** in 2006.

Through-the-roof construction costs have boosted values of hotels and companies which many mainstream investors frowned upon only several years ago. A JV between New York hedge fund Och-Ziff Capital Management and Norway-based **Norge Churchill** hashed out details in a planned \$430M play to take public hotelier Winston Hotels private. The duo's **Wilbur Acquisition Holding Co.** could add interests in 52 hotels if escrow closes as expected within the next couple of months. Winston Hotels' portfolio is heavy with North Carolina assets; properties in Arizona, Connecticut, Florida, Georgia, Illinois, Iowa, Maryland, Michigan, Missouri, New Jersey, New York, Ohio, South Carolina and Texas round out the portfolio that includes **Hampton Inns**, **Courtyards by Marriott** and **Homewood Suites** flags.

Och-Ziff Capital Management offers a Goldman Sachs-like reticence in talking about various activities, which include an opportunity fund valued at more than \$400M, a \$1B joint venture with REIT **American Financial Realty Trust**, plus a recent minority interest purchase in Mumbai, India-based **Nitesh Estates** — a deal considered by observers to be the largest hedge fund-involved deal in Indian history.

An **Eagle Hospitality Properties Trust** findings committee apparently explored and found developer **Corporex Cos.**' waiting with offer in hand. But the company still wants adviser Morgan Stanley to see what else is out there. The Covington, Ky.-based companies have a long history together — Corporex took Eagle public — so the \$260M offer for the REIT may not come as a big surprise. Eagle Hospitality holds a 13-property/3,518-key portfolio of upscale full-service and all suites hotels and Corporex Cos. manages a majority of the properties. If this deal closes, Corporex will come close to doubling its 20-hotel portfolio with additions in Arizona, California, Colorado, Florida, Illinois, Kentucky, New Jersey, New York, Ohio and Puerto Rico.

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