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Real Estate ALERT

THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

SEPTEMBER 13, 2017

Brookfield Puts Big Bet on Houston Recovery

A **Brookfield Asset Management** fund has agreed to pay roughly $875 million for Houston Center, making a blockbuster bet on a city battered by Hurricane Harvey and still struggling with the oil-price slump.

The seller, **J.P. Morgan Asset Management,** picked the winning bidder for the 4.2 million-square-foot downtown office complex just days after the record-breaking storm. The value-added offering drew strong interest from major investors, and reached its pricing expectations even as the hurricane pummeled the city during the wrap-up of the bidding process. The property — and most of Houston's office market — escaped damage.

The deal, brokered by **HFF** and expected to close by yearend, would be by far the largest office trade in Houston's history and a sign of faith in the market's long-term resilience.

The four-building Houston Center has 4 million sf of office space that is only

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Prime Central Loop Office Tower Up for Grabs

Olen Properties is shopping a premier office building in Chicago's Central Loop that's expected to attract bids topping $400 million.

The 830,000-square-foot property, at One South Dearborn Street, was completed in 2005 with trophy finishes. Its stable rent roll and recent vintage are likely to attract bids from core investors. **JLL** is representing Olen, of Newport Beach, Calif.

The 40-story tower is 88% leased. That's slightly below the 91% average for Chicago's top properties, as calculated by JLL's Skyline report, leaving some room for a buyer to lift revenues by filling vacant space.

Two tenants occupy almost three-quarters of the building under long-term leases. Law firm **Sidley Austin** recently signed a lease extension for its headquarters that runs until 2030. The other major tenant is **ArcelorMittal,** a steel and mining company based in Luxembourg. Overall, the weighted average remaining lease

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JP Morgan Selling SF Complex to Spanish Firm

Spanish investment shop **Ponte Gadea** has struck a deal to buy the landmark Pacific Place complex in San Francisco from **J.P. Morgan Asset Management** for about $475 million.

The 436,000-square-foot property, at 12 & 22 Fourth Street in the Union Square neighborhood, encompasses a 192-room hotel, 202,000 sf of office space and 129,000 sf of retail space. **Eastdil Secured** is brokering the sale.

The deal will mark Ponte Gadea's second major purchase in San Francisco within a year. In December, the company acquired a 97,000-sf retail property — the Tiffany Building, at 360 Post Street — for $135 million, or almost $1,400/sf. **Cushman & Wakefield** advised the seller, a **Greenstone Realty** partnership.

Pacific Place, which is fully leased, encompasses two buildings between Mission and Market Streets in the tony South of Market area. A nine-story building at 12 Fourth Street consists of the 192-unit Hotel Zelos — leased to **Pebblebrook Hotel** of Bethesda, Md., until 2097 — and 100,000 sf of retail space. A 16-story building at

See COMPLEX on Page 4

THE GRAPEVINE

New York investment pro **Mo Beler** has left **Innovo Property,** where he was a principal. The buzz is that he's headed to an investment-sales role at **JLL** in Manhattan. Beler joined **Andrew Chung's** New York-based Innovo in January 2016. He told colleagues last week that he had left the firm and would announce his next move soon. Beler previously spent seven years at **Rockwood Capital** of New York.

Michael Zietsman, a **JLL** international director and veteran broker in Los Angeles, is relocating to Houston to help the firm land more large office assignments in Texas and the Denver area. In

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Blackstone Nabs More Warehouses

Still hungry for warehouses, **Blackstone** has agreed to pay **Prologis** about $325 million for a bundle of properties in the strong markets of Chicago, South Florida and New Jersey.

The deal encompasses 4.6 million square feet of light-industrial buildings and larger warehouses. Most of the 36 properties were built in the 1970s and 1980s and are in heavily populated areas with little room for development. At the valuation of about $71/sf, Blackstone's initial annual yield will be in the vicinity of 6%.

Eastdil Secured is advising San Francisco-based Prologis. The REIT initially pitched a 3.6 million-square-foot portfolio, with about 70% of the space in Chicago. It was valued at about $220 million, or $61/sf. But Blackstone wanted a bigger deal, so Prologis added properties, mostly in South Florida. The additions boosted the average occupancy rate to 88%, from about 85%.

The specific breakdown of the final package couldn't be learned. The original offering encompassed 27 mostly multi-tenant buildings, with 13 in Chicago totaling 2.5 million sf, 13 in South Florida totaling 881,000 sf and a 143,000 sf-building in Northern New Jersey. The weighted average remaining lease term was 5.1 years. Just over one-third of the space was light industrial, with the rest in larger warehouses. On average, the buildings were 36 years old, with ceiling heights of 26 feet and truck courts 121 feet deep.

Blackstone has been involved in several of the biggest industrial purchases of the year. In April, it paid $402 million for 55 warehouses totaling 6 million sf, heavily concentrated in the Atlanta and Chicago areas. **CBRE** advised the seller, **High Street Realty** of Boston. This summer, Blackstone agreed to pay a **DRA Advisors** partnership about $600 million for an 8.7 million-sf portfolio of mainly Sacramento-area properties. Eastdil marketed that package for New York-based DRA and its partner, **Westcore Properties** of San Diego. ❖

Value-Added Rental Play Outside DC

Ares Management is pitching a sprawling suburban Washington apartment complex as a value-added play.

The 1,128-unit property, in Alexandria, Va., could attract bids of about $230 million, or $204,000/unit. **HFF** is representing Los Angeles-based Ares.

The 10-acre complex, at 140 South Van Dorn Street in the city's East End submarket, was developed in 1972. Ares is touting the potential to renovate apartments and boost rents.

The units, spread across 20 four-story buildings, are 95% occupied. They range in size from studios to two bedrooms and have three different levels of finishes. Some apartments were recently upgraded to include washer/dryers, stainless-steel appliances and other high-end touches. A buyer could continue that effort and seek to raise rents.

The property, called EOS-21, has two swimming pools, a 24-hour fitness center, volleyball and tennis courts, a grilling station, a day care center and a dog park.

The offering should attract strong interest from institutional investors seeking the higher yields available on older, suburban properties. Value-added plays can command cap rates of 6% or slightly more, compared to 4% for new properties in Washington.

Steady development of luxury apartments has weighed on Washington's fundamentals. Over the past year, the average occupancy rate slipped by 50 bp, to 95.1%. Some 13,600 apartments came on line last year, and another 15,700 are on track this year. ❖

Rockwood Pitches California Offices

A **Rockwood Capital** partnership is marketing a renovated office complex in El Segundo, Calif., that's suitable for core and core-plus investors.

The 204,000-square-foot property, at 2100-2150 East Grand Avenue, is 94% leased, exceeding the local 87.9% average. Bids could weigh in at about $115 million, or $564/sf. **Newmark** is shopping the Class-A property for New York-based Rockwood and its partner, **Marshall Property** of Newport Beach, Calif.

The largest tenant, online marketing firm **Wpromote,** has a lease on 33,000 sf. The rent roll also includes **Alpha Animation** and manufacturer **Cherryman Industries.** The weighted average remaining lease term is 5.4 years. Rents are 16% below the average Class-A asking rate in El Segundo, providing the potential to lift rates as leases roll over.

The three-building complex, called Campus 2100, was developed in 1981. The Rockwood team acquired it in 2013 for $25 million and subsequently poured more than $25 million into improvements, gearing it toward technology companies and other "creative" firms. The duo upgraded the lobby, added a bistro and a meeting area, improved the landscaping and put European-style furniture in common areas. ❖

Well-Leased Offices Listed Near Phila.

Liberty Property is pitching a Class-A office building in suburban Philadelphia that's expected to fetch about $55 million.

The 190,000-square-foot property, at 2301 Renaissance Boulevard in King of Prussia, Pa., is 90% occupied by a single tenant. A trade at the estimated value of $289/sf would produce an initial annual yield just topping 7%. Liberty, a REIT based in Malvern, Pa., has given the listing to **HFF.**

Tax-software company **Vertex** recently relocated its headquarters to the building after completing substantial renovations to upgrade the space. Its lease runs for just over 10 years. Vertex is likely to expand into the vacant space, located on the fifth floor, or a buyer could work to recruit new tenants.

The occupancy rate in the surrounding King of Prussia/Valley Forge submarket is 88%, and asking rents average $26.78/sf. That makes it an alternative to the neighboring Conshohocken and Bala Cynwyd submarkets, where occupancy tops 90% and average asking rents are at least $6/sf higher.

The five-story building, completed in 2002, includes a multi-story lobby, high-end finishes and a garage. It's about 15 miles northwest of downtown Philadelphia, in a well-developed area with nearby shops, restaurants, recreation facilities and residential neighborhoods. ❖

REIT Marketing Honolulu Hotel

Xenia Hotels & Resorts is pitching the leasehold interest in an oceanfront hotel in Honolulu valued at up to $200 million.

The ground lease on the 645-room Aston Waikiki hotel expires in 40 years — relatively soon for a buyer. To compensate for the risk, bidders are expected to demand an above-average capitalization rate. At the projected price range of $190 million to $200 million, or up to $310,000/room, the capitalization rate would be in the vicinity of 9%. **Eastdil Secured** has the listing.

InvenTrust Properties, of Oak Brook, Ill., acquired the leasehold interest in the property in 2014 for $183 million, or $284,000/room. A year later, the company, then known as **Inland American Real Estate,** spun off 46 of its hotels, including the Aston Waikiki, into Orlando-based Xenia, a public REIT.

The 23-story property, at 2570 Kalakaua Avenue, is being offered unencumbered by brand or management agreements. The property is currently managed by **Aston Hotels & Resorts** of Honolulu, but that contract can be terminated without a fee.

The one-acre site faces Waikiki Beach on the island of Oahu. Most rooms have ocean views.

The property has maintained an average annual occupancy rate of 87%, according to marketing materials. Each of the past six years, the Waikiki market has had an average occupancy rate exceeding 85%, and revenue per room has grown 7.6% on average. High barriers to development have hindered construction.

The hotel, which was completed in 1970 and renovated in 2015, includes 19,000 square feet of fully occupied retail space, 3,000 sf of meeting space, an outdoor pool, a restaurant and a fitness center. ❖

Complex ... From Page 1

22 Fourth Street has 202,000 sf of office space and 29,000 sf of retail space.

Software company **Intuit** has a lease on all of the office space until 2025. The retail tenants include Old Navy (59,000 sf at 12 Fourth Street until 2023) and Container Store (the 29,000 sf of retail space at 22 Fourth Street). The office and retail space have a weighted average remaining lease term of about seven years.

J.P. Morgan acquired the property in 2014 for $415 million and then pumped $20 million into upgrades.

San Francisco continues to produce big-ticket sales even though many pros believe the current real estate cycle is near the peak. For example, **Blackstone** acquired a 49% stake in the 596,000-sf office building at 45 Fremont Street from **MetLife** in June for $203.4 million, or $696/sf. ❖

New Apartments Available in Harlem

A developer is marketing a just-completed apartment property in Manhattan's Harlem neighborhood.

The 75-unit complex, called Harlem 125, could fetch bids of roughly $55 million, or $733,000/unit. At that price, the buyer's initial annual yield would be 4.5%. **HFF** is representing **Greystone,** the New York development firm that delivered the building this summer.

The property, at 69 East 125th Street, includes 5,600 square feet of ground-floor retail space. It's in the initial lease-up period, and both the apartments and the retail space are about 50% leased.

The units range from studios to three bedrooms. Fifteen are set aside as affordable rentals, in exchange for a 25-year tax abatement. The other 60 are market-rate apartments, with rents starting at about $2,000.

Units feature stainless-steel appliances, custom tiling and washer/dryers in all but the studios. Amenities include a furnished rooftop terrace and courtyard, a virtual doorman, a fitness center, bicycle storage and 15 underground parking spaces.

Some 40% of the retail space is leased to the Metropolitan Transportation Authority, which uses it as an information center for the new Second Avenue subway line.

The property is about midway between Park and Madison Avenues and extends through the block, encompassing a 12-story building facing East 125th Street and a seven-story building that fronts on East 126th Street.

Marketing materials said that institutional investors have become more interested in Harlem in recent years, as the neighborhood "is poised to outperform rent growth in other Manhattan submarkets due to a lack of competitive supply and reasonable in-place rents."

The area has seen a wave of recent development, including a Whole Foods supermarket that opened in July a few blocks away on West 125th Street. ❖

Tower ... From Page 1

term is 12.5 years.

One South Dearborn Street is among a half-dozen large office buildings completed in Chicago over the past 12 years. The developer, Houston-based **Hines,** sold it to Olen in 2006 for $350 million. That $422/sf valuation was a market high at the time.

The property has a three-story glass and marble lobby, street-level retail space, a fitness center, conference facilities and a 173-space garage. There is also a 16,000-sf outdoor plaza made of Italian granite.

The property is at West Madison Street, between South Dearborn and South State Streets. It's within a block of all seven lines on the "L" commuter rail system. ❖

This announcement appears as a matter of record only

September 2017

Kayne Anderson

Real Estate Advisors

Sale of a 25 Building / 1.4 Million Square Foot Medical Office Portfolio to

CBRE GLOBAL INVESTORS

Evercore acted as exclusive financial advisor to Kayne Anderson Real Estate Advisors

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Class-A Minneapolis Tower for Sale

A **Hines** vehicle is marketing a prime office property in downtown Minneapolis.

The 699,000-square-foot tower, at 50 South Sixth Street, is expected to attract bids of $250 million, or $358/sf, from core investors attracted by its trophy quality and the stability of its rent roll. Hines Global, a REIT managed by Houston-based Hines, has given the listing to **JLL.**

The 31-story building, completed in 2001, was designed by architectural firm **Skidmore Owings.** Hines recently completed $2.6 million of renovations that included adding an amenity center. That ninth-floor facility has a fitness center, a conference center, event and kitchen space, and an outdoor patio.

The property is 93% occupied, with a weighted average remaining lease term of 11.5 years. The anchor tenant is law firm **Dorsey & Whitney,** with a lease on 240,000 sf. Law firm **Stinson Leonard** is in the process of relocating into 105,000 sf, and big-four accounting firm **Deloitte** occupies 83,000 sf. Other tenants include **BMO Harris Bank** and **RBC.** There is retail space on the bottom two floors and a six-level garage with 629 spaces.

The property is along Nicollet Mall, a 12-block shopping and dining promenade that's undergoing a $50 million renovation. That work is slated for completion in time for the city to host the 2018 Super Bowl.

Hines developed and managed 50 South Sixth Street on behalf of a client until 2005, when it was sold to **KanAm Group** for $193 million. The Hines vehicle acquired it from KanAm for $180 million in 2010, as the German fund operator was liquidating its U.S. assets

The estimated per-foot price would be the second-highest for a Minneapolis office property, according to **Real Estate Alert's** Deal Database. The record of $441/sf was set in March by a much smaller property, the 222,000-sf Mayo Clinic Square, which has high percentages of medical-office and retail space. **LaSalle Investment** of Chicago paid $98 million to buy it from **Provident Real Estate** of Plymouth, Minn., represented by **CBRE.** ❖

Revived Florida Hotel Changes Hands

A foreign partnership has paid $120 million for the Hyatt Regency Jacksonville Riverfront, marking a substantial turnaround for the once-troubled hotel.

A joint venture between **Westmont Hospitality** of Toronto and an unidentified Singapore investor bought the 951-room hotel from **Fortress Investment** of New York late last month. **Cushman & Wakefield** brokered the trade, which valued the property at $126,000/room.

The hotel, which opened in 2001, is at 225 East Coastline Drive, on the north bank of the St. Johns River. Hurricane Irma caused the river to overflow on Monday, flooding Jacksonville's downtown streets and sending water into the lobby of the Hyatt, which had been evacuated ahead of the storm.

Fortress acquired the upper-upscale hotel from special servicer **CWCapital** in 2014 for the bargain-basement price of $53 million. The previous owner, a **Marathon Real Estate** partnership, had paid $171 million to acquire it in 2007, financing the deal with a $150 million securitized loan. But revenues plunged in the recession. Unable to complete planned renovations or to keep up with debt payments, New York-based Marathon eventually surrendered the property.

Fortress completed $20 million of improvements and succeeded in attracting more group business, lifting revenues. The Hyatt Regency has 117,000 square feet of event space, making it one of the largest conference hotels between Atlanta and Orlando. There are multiple restaurants and bars, including a Morton's Steakhouse. Other amenities include a rooftop pool, a fitness center, a business center and a FedEx office. ❖

Value-Added Office Portfolio on Block

Value-added investors are getting a crack at six office properties — two apiece in the Atlanta, Dallas and Indianapolis markets.

The 949,000-square-foot portfolio has an estimated value of $100 million, or $105/sf. At that price, the initial annual yield would be about 7%. The seller, **Onward Investors** of Eden Prairie, Minn., is willing to entertain offers on individual properties or any combination. **HFF** has the listing.

The portfolio is 77.9% leased, with a weighted average remaining lease term of 5.3 years. Rents are 8.3% below the prevailing asking rates, on average. The marketing pitch is that revenue could be increased by filling vacant space and raising rents on occupied space as leases roll over.

The suburban Atlanta properties account for 46% of the portfolio. The rest of the space is divided between the Indianapolis (29%) and Dallas (25%) areas.

The properties are in submarkets that have experienced significant rent growth, according to marketing materials. Over the past five years, rents have climbed 27.8% in the Atlanta submarkets, 13.9% in Indianapolis and 28.3% in Dallas.

Many of the largest tenants have relatively long remaining lease terms, which should provide stability during the lease-up period. Among them are **Republic Airways** (91,000 sf until 2028), **Gruma Corp.** (60,000 sf until 2028), **Nolan Transportation** (42,000 sf until 2022), and **Synovus Bank** (27,000 sf until 2024).

The Atlanta-area properties are:

- The 202,000-sf Founders Park 1&2, at 1735 and 1750 Founders Parkway in Alpharetta, Ga. The one-story buildings, completed in 2000 and 2001, are 87.2% leased.
- A 101,000-sf building at 6465 East Johns Crossing in Johns Creek, Ga. The four-story property, completed in 1997, is 93.7% leased.

The Indianapolis properties are:

- The 228,000-sf River Road 1&2, at 9025 and 9045 North River Road. The four-story buildings, completed in 1997 and 2008, are 59.4% leased.
- The 181,000-sf College Park Plaza, at 8909 Purdue Road. The five-story building, completed in 1998, is 85.8% leased.

The Dallas-area properties are:

- The 152,000-sf Plaza 5601, at 5601 Executive Drive in Irving, Texas. The eight-story building, completed in 1981, is 71.4% leased.
- The 86,000-sf Woodcreek Plaza, at 101 West Renner Road in Richardson, Texas. The four-story building, completed in 1983, is 81.6% leased. ❖

TA Realty Snags Offices in Dallas

TA Realty has agreed to buy a Dallas office building from **Heitman** for about $70 million.

The investment manager would reap an initial annual yield of just under 5.5% on the 189,000-square-foot Berkshire at Preston Center at the $370/sf price tag, according to market pros.

Heitman's broker, **Eastdil Secured,** told investors during the marketing process that a buyer paying the anticipated price could generate a stabilized yield of 7.5% within three years by raising below-market rents as leases roll over and lifting the occupancy rate to 95% from the current 85%. Boston-based TA Realty could also boost revenues from the property's 572-space underground garage.

In-place rents average 16% less than the Class-A building's current average asking rates of $28-28.50/sf on a triple-net basis. The weighted average remaining lease term is three years. The 16-story property was built in 1984 and renovated in 2013.

The surrounding Preston Center submarket has 3.3 million sf of Class-A office space that was 89.9% occupied at midyear. The Class-A asking rent averaged $42.11/sf, far higher than the $29.11/sf overall Class-A average for the city. However, investors were told that the submarket is poised for rent growth as the average rate is still 30% below the neighboring Uptown submarket.

Preston Center is surrounded by the Preston Hollow and University Park neighborhoods, which are among Dallas' wealthiest residential areas. Offerings in the submarket are relatively rare, reflecting its small size and the large concentration of long-term institutional owners.

Chicago-based Heitman purchased Berkshire at Preston Center from **ING Clarion** of New York for $50 million in 2007. ❖

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July 2017

IC Berkeley Partners IV, L.P.

$275,000,000

IC Berkeley Partners IV, L.P
has been formed by Berkeley Partners
to invest in light industrial
real estate throughout the U.S.

**Greenhill & Co., LLC acted as
exclusive global capital advisor.**

Greenhill

Redevelopment Play Near Harvard

Two nearby buildings in the Harvard Square district of Cambridge, Mass., are being pitched to redevelopers.

The properties, which encompass 53,000 square feet of retail and office space, could be redeveloped and expanded. The potential size is unclear, but the current zoning should allow for a substantial increase in mixed-use space.

The combined valuation is estimated at more than $100 million. Investors can bid on either or both properties. The listings, with **CBRE,** follow a court order to sell to settle a dispute between the **Dow** and **Stearn** families, which have owned the buildings for a century.

The properties bookend a block along Brattle Street, with two separately owned buildings in between. A three-story building at 1-8 Brattle Street has nearly 18,000 sf of offices and street-level retail space. A single-story building at 17-41 Brattle Street has shops and restaurants totaling almost 36,000 sf.

The combined occupancy rate is about 90%. Leases on about half of the space expire next year and then convert to a month-to-month basis. That would give a buyer an opportunity to start emptying the space for redevelopment or to negotiate renewals that would increase the substantially below-market rents. The tenants include three high-end shops — Cardullo's, Moleskin and Origins.

Harvard Square is a business district in the center of Cambridge that abuts Harvard Yard, the 22-acre center of Harvard University's campus.

Cambridge has become the region's epicenter for property sales this year, with several high-profile office and laboratory properties trading. That activity has been spurred by a red-hot leasing market that has tightened vacancy across multiple sectors. ❖

Houston ... From Page 1

75% leased and 200,000 sf of retail space that's about 70% occupied. A big part of the pitch was that while other top markets are near or at peak pricing, valuations in Houston already have been reset by the impact of depressed oil prices on the region's economy. Some local pros speculated Houston Center could have fetched $1.5 billion a few years ago, when the city's sales market was red-hot.

Toronto-based Brookfield already has a sizable presence in Houston, most notably as owner of Allen Center, a 3.2 million-sf office complex a few blocks away in the city's downtown.

Hurricanes, tropical storms and floods are familiar to veterans of the region, with more than eight severely affecting the Houston metropolitan area since 1998, according to **CBRE.** Still, Harvey was the most severe in more than 50 years, with record-shattering rainfall that flooded large swaths of the metropolitan area.

While the storm destroyed an estimated 40,000 homes and caused massive property damage — pegged by **Moody's** at between $81 billion and $108 billion — the office market survived largely unscathed. Of the city's 1,200 office buildings totaling 214 million sf, fewer than 40 with 9 million sf suffered damage, mostly to lobbies and garages, according to a Sept. 8 report by CBRE. That was primarily contained to four submarkets outside of the Central Business District.

The Houston Center deal is being viewed as a major vote of confidence by the investment community. Before the storm, the listing was being tracked by local pros as a major test of the city's ability to bounce back from the oil-price crash.

After three years of falling investment-sales volume, which hit bottom in 2016, activity began to perk up this year. But uncertainty remained over valuations and leasing demand, which made some observers skeptical that the massive Houston Center would find a buyer.

Working in J.P. Morgan's favor, however, was demand from value-added buyers for large investments, especially well-located buildings in central business districts — a commodity in short supply nationally. The marketing campaign emphasized that the energy industry appeared to have bottomed out last year and that a rebound in leasing demand is expected in the next couple of years. The pitch was that a buyer could acquire Houston Center at a bargain price and benefit from a rebounding market.

The property is insulated from some of Houston's troubles. Only about 16% of the occupied space is leased to energy companies, while just about half is taken up by legal and financial firms. Major tenants include chemical firm **LyondellBasell Industries** and law firms **Haynes & Boone** and **Norton Rose.**

Investors were told the strong rent roll would provide stability while a buyer invested in improvements to attract new tenants. The Central Business District submarket has 42.3 million sf of office space that was 86.3% leased at midyear, according to CBRE — down from 87.1% in the first quarter, but still well above Houston's overall average of 82.6%. The submarket also has the city's highest average asking rent, at $40.54/sf.

Houston Center includes three Class-A skyscrapers: the 1.2 million-sf Fulbright Tower, at 1301 McKinney Street; the 1.1 million-sf LyondellBassell Tower, at 1221 McKinney Street; and the 1-million-sf Two Houston Center, at 909 Fannin Street. There is also a Class-B building — the 674,000-sf Four Houston Center, at 1221 Lamar Avenue.

J.P. Morgan acquired a 60% interest in the buildings in 2004 and later bought out its partners. The Houston Center development also includes the separately owned, 581,000-sf Five Houston Center. In January, Atlanta-based **Columbia Property** sold that building and two other Houston properties to **Spear Street Capital** of San Francisco for $272 million.

The largest Houston office trade to date came in 2012 between two local firms. **Enterprise Products** paid **Hines** $550 million for the 1.8 million-sf One and Two Shell Plaza, in a deal brokered by HFF. ❖

FEE SCORECARD FOR FUNDS

Fee Scorecard for High-Yield Real Estate Funds

For vehicles raising equity

Opportunity

Operator/Fund	Equity Goal ($Mil.)	Net Return Goal (%)	Fees	Preferred Return For LPs (%)	Subsequent GP/LP split of profits	IRR Needed For GP to Get 20% of Profits (%)
Balfour Pacific Capital Balfour Pacific Opportunities 4-Mixed	$100.0	16+	1.5-2.0% management	8	75/25 to 20%, then 20/80	10.9
Balfour Pacific Capital Balfour Pacific Opportunities 4-Real Estate	200.0	16+	1.5-2.0% management	8	75/25 to 20%, then 20/80	10.9
CapitalFund Realty Capfundr Hamilton Multifamily Fund	50.0	16	1-1.5% management	7	80/20	9.3
GTIS Partners GTIS Partners Brazil Real Estate Fund 3	750.0	20+	1.6-2% management	12	60/40 to 20%, then 20/80	18.0
King Penguin Properties King Penguin Opportunity Fund 3	100.0	20	(None)	6-7	40/60	13.0
Northstar Commercial NCP Enterprise Opportunity Fund 1	350.0	17+	2% management, 1% acquisition	10	20/80	Never
Oaktree Capital Oaktree Real Estate Opportunities Fund 7	3,500.0	20	1.5% management	8	60/40 to 20%, then 20/80	12.0
Sylvan Road Capital U.S. Single Family Rental Fund 4	400.0	16+	1.75% management	8	80/20 to 20%, then 20/80	10.7

Value-Added

Operator/Fund	Equity Goal ($Mil.)	Net Return Goal (%)	Fees	Preferred Return For LPs (%)	Subsequent GP/LP split of profits	IRR Needed For GP to Get 20% of Profits (%)
Atlas Capital Atlas Capital Investors 5	$300.0	13-15	1.5% management	8	50/50 to 20%, then 20/80	13.3
BayNorth Capital BayNorth Capital Appreciation Fund	300.0	13-15	1.5% management	9	50/50 to 20%, then 20/80	15.0
Blackstone Blackstone Real Estate Partners Europe 5	7,500.0	15	1.1-1.5% management	8	80/20 to 20%, then 20/80	10.7
CapRidge Partners CapRidge Partners Value Fund 3	250.0	13-16	1.5% management	8	80/20	10.7
Harbert Management Harbert U.S. Real Estate Fund 6	500.0	15-17	1.5% management	9	60/40 to 20%, then 20/80	13.5
LaSalle Investment LaSalle Income & Growth Fund 7	750.0	15	1.5% management	9	20/80	Never
Lingerfelt Commonwealth Partners Lingerfelt Commonwealth Value Fund 2	100.0		2% management	9	20/80	Never
Woodside Capital Woodside Special Opportunity Fund	100.0	15	2% management	8	20/80	Never

Continued on Page 15

FEE SCORECARD FOR FUNDS

Continued From Page 14

Core-Plus

Operator/Fund	Equity Goal ($Mil.)	Net Return Goal (%)	Fees	Preferred Return For LPs (%)	Subsequent GP/LP split of profits	IRR Needed For GP to Get 20% of Profits (%)
Banner Apartments Banner Apartments Fund 3	$50.0	10-14	1.5% gross acquisition	8	20/80	Never
Newport Capital Newport Capital Partners 2	200.0	12.5	1.5% management	9	80/20 to 12%, then 75/25	12.0
Pathfinder Partners Pathfinder 2017 Multifamily Opportunity Fund	50.00	10-12	2% management	8-9	Unknown to 25%, then 25/75	

High-Yield Debt

Operator/Fund	Equity Goal ($Mil.)	Net Return Goal (%)	Fees	Preferred Return For LPs (%)	Subsequent GP/LP split of profits	IRR Needed For GP to Get 20% of Profits (%)
Calmwater Capital Calmwater Real Estate Credit Fund 3	$750.0	12-14	1.5% management	7	17.5/82.5	Never
G4 Capital G4 Capital Partners 3	250.0	9-11	1.5% management	8	20/80	Never
RCG Longview RCG Longview Debt Fund 6	400.0	12-14	1.5% management	8	50/50 to 20%, then 20/80	13.3
Seer Capital Seer Capital Commercial Real Estate Debt 1	250.0	15	1.5% management	8	17/83	Never
Talmage Talmage Total Return Partners	250.0	15	1% invested	10	10/90	Never
Thorofare Capital Thorofare Asset Based Lending Fund 4	300.0	10	1.25% management, 0.75% administration	8	20/80	Never

John Buck Passes Hat for Sixth Fund

John Buck Co. is soliciting $100 million of equity for its sixth fund.

The Chicago investment shop will target value-added and opportunistic returns via JBC Fund 6, which will invest in major urban markets nationwide. John Buck develops properties and acquires existing buildings that it then looks to upgrade.

The fund will target office, multi-family and mixed-use properties. John Buck teams up with large institutional investors, typically taking minority positions of 10-25% and serving as operating partner. With leverage and joint-venture partners, the fund could invest in more than $2 billion of deals.

An example of the shop's strategy was last year's acquisition of the 1.1 million-square-foot office tower at 333 South Wabash Avenue in Chicago, via the $84.2 million JBC Fund 5. The manager formed a joint venture with **Morgan Stanley Real Estate** to buy the building for $108 million, or $94/sf, and reposition it.

The seller was **CNA Financial,** which occupies 750,000 sf of the building as its headquarters — but is moving next year to a building that John Buck and Morgan Stanley are developing nearby, at 151 North Franklin Street. Last month, it was announced that **Northern Trust** signed a lease on 460,000 sf at 333 South Wabash, with options to expand to 750,000 sf. In addition to backfilling the CNA space, the John Buck duo is pumping millions into renovations of common areas and the creation of a food hall.

Shelter Rock Capital of New York, the placement agent for JBC Fund 6, is pitching the fund to both institutions and family offices. Investors in John Buck's previous funds include **AXA US, Carpenters' Benefit Funds of Philadelphia, Chicago Municipal Employees, Cook County Pension, Laborers' and Retirement Board of Chicago, Michigan Department of Treasury, New York Life** and **State Farm,** according to **Preqin.**

John Buck, founded in 1981, set up its first fund in 2000. It has raised $712 million of equity for the series. JBC Fund 5 had its final close in 2015 and is roughly three-quarters invested.

The firm is led by chairman and founder **John Buck Jr.,** chief executive **Richard Lindsay** and chief investment officer **Kevin Hites.** ❖

Student-Housing Project Listed in NC

A family is offering the development rights for a student-housing complex near the University of North Carolina at Chapel Hill.

The 12-acre site currently houses a 111-unit student-housing property. A buyer would tear down that property and construct a 339-unit complex with 850 beds and a five-story garage.

The buyer's out-of-pocket cost is estimated at $72 million for the development. It would sign a long-term lease on the underlying land, which the local family would continue to own. The ground rent would be subject to negotiation. **Eyzenberg & Co.,** a boutique New York advisory firm that specializes in leasehold interests, has the listing.

The site is at 425 Hillsborough Street, about one-third of a mile off campus. The family, which has owned the property for decades, has already arranged approvals for the project. Construction could start as early as May.

The marketing pitch highlights a shortage of student housing in Chapel Hill, where development is tightly restricted. The campus has some 30,000 students, but just 10,000 beds are available. ❖

NEW DEALS

New Jersey Power Center

New York Life Real Estate Investors paid $76 million for a power center in Northern New Jersey. The 306,000-square-foot Mall at Mill Creek, in Secaucus, is about 85% leased. New York Life will work to lease up the 47,000 sf of vacant space to boost its yield. **CBRE** closed the sale within the past few weeks for **Hartz Mountain Industries** of Secaucus. Tenants include Bob's Discount Furniture, Kohl's and TJ Maxx. The property is part of Harmon Meadow, a 200-acre mixed-use complex that Hartz developed.

Philadelphia Multi-Family Property

A **Carlyle Group** partnership agreed to buy a Philadelphia apartment building from **TH Real Estate** for about $53 million. The deal would value the 184-unit Pepper Building, at 1830 Lombard Street, at $288,000/unit. The one- and two-bedroom apartments are 98% occupied. **Cushman & Wakefield** is representing TH, a unit of **TIAA.** Carlyle, a Washington fund manager, is partnering with local shop **Alterra Property** on the purchase. The 11-story property, in the Graduate Hospital neighborhood, is popular among students at the University of Pennsylvania's medical school. ❖

CALENDAR

Main Events

Dates	Event	Location	Organizer	Information
Nov. 14-16	REIT World	Dallas	NAREIT	www.reit.com
Jan. 17-19, 2018	Winter Forum on Real Estate Opp. & Private Fund Inv.	Laguna Beach, Calif.	IMN	www.imn.org
March 8-9	PREA Spring Conference	Beverly Hills	PREA	www.prea.org

Events in US

Dates	Event	Location	Organizer	Information
Sept. 18-19	Real Estate CFO & COO Forum	New York	IMN	www.imn.org
Sept. 19	North Pacific Institutional Real Estate Investor Forum	San Francisco	Markets Group	www.marketsgroup.org
Sept. 19	Big Retail South	Frisco, Texas	Bisnow	www.bisnow.com
Sept. 19	BOLD West	San Francisco	Bisnow	www.bisnow.com
Sept. 19	BLIS East	Washington	Bisnow	wwwbisnow.com
Sept. 19	Connect NY	New York	Connect Media	connectconferences.com
Sept. 19	Young Members Networking Reception	New York	RELA	www.rela.org
Sept. 19	Multifamily Summit	New York	Real Insight	nymultifamilysummit.com
Sept. 20	Young Members September Social	Boston	RELA	www.rela.org
Sept. 25-26	Real Estate Family Office & Private Wealth Mgmt. Forum	Chicago	IMN	www.imn.org
Sept. 27	Breakfast Meeting Featuring Jay Cross	New York	RELA	www.rela.org
Sept. 27-28	Global Leaders in Real Estate Summit	New York	iGlobal Forum	www.iglobalforum.com
Sept. 28	Connect Apartments	Los Angeles	Connect Media	connectconferences.com

To view the complete conference calendar, visit the Market section of REAlert.com

ON THE MARKET

Office

Property	Size	Estimated Value	Owner	Broker	Color
Capital Commerce Center, 2601 Blair Stone Road, Tallahassee, Fla.	261,000 sf 98% leased	$47 million $180/sf Yield: 7%	TerraCap, Bonita Springs, Fla.	Colliers International	Three connected building of 5-6 stories, developed in 1990. Florida Department of Business moved in last year. Its lease on 87% of the space will extend for 10 years from the time ongoing tenant improvements are completed. The 6.5-acre property has a five-level garage with 485 spaces plus 327 surface spaces.
400 John Quincy Adams Road, Taunton, Mass.	300,000 sf 100% occupied	$25 million $83/sf Yield: 7%	California State Teachers	CBRE	Office/R&D building is fully occupied by a General Dynamics unit on a triple-net lease that runs until 2028. The three-story building is used to design, manufacture and test communications systems.

Multi-Family

Property	Size	Estimated Value	Owner	Broker	Color
The Highlands, 1501 South Heatherwilde Blvd., Pflugerville, Texas	292 units 81% occupied	$44 million $151,000/unit	JourneyMan, Austin	HFF	Suburban Austin complex, completed this year and still in initial lease-up phase. Its one- to three-bedroom luxury units are targeted to Austin's growing professional class. Amenities include a dog park, a coffee bar, private yards and a swimming pool.
The Highlands at Cherry Hill, 1980 Route 70 East, Cherry Hill, N.J.	170 units 97% occupied	$40 million $235,000/unit Yield: 5.5%	Equity Residential, Chicago	HFF	Luxury complex encompasses 12 two-story buildings, a clubhouse and 280 parking spaces, some in garages. Developed in 2002. The one- to three-bedroom apartments have original finishes and below-market rents. A buyer could boost rents $200-300 after renovations, generating a projected 20% return on cost, according to marketing materials. Amenities include a fitness center and a swimming pool.

MARKET SPOTLIGHT

Chicago-Area Apartment Properties

- Some 8,400 apartments will come on line this year, the largest jump in supply since 2000.
- Many suburban firms are relocating to Chicago, swelling the ranks of prospective renters of high-end apartments downtown.
- Rents are expected to rise 4.5% on average this year, down from 5.4% last year.

On the Market

Property	Seller	Hit Market	No. of Apts.	Estimated Value ($Mil.)	Estimated Value (Per Apt.)	Broker
Five suburban complexes	Canyon Real Estate	August	2,407	$250	$104,000	HFF
Crossings at Danada, Wheaton	Invesco Real Estate	August	600	120	200,000	CBRE
York Terrace, Chicago	Canyon Real Estate	September	331	40	121,000	Moran & Co.
Sienna, Chicago	Golub, Diversified Real Estate	August	55	33	600,000	Moran & Co.

Recent Deals

Property	Buyer	Closed	No. of Apts.	Sales Price ($Mil.)	Sales Price (Per Apt.)	Broker
1333 South Wabash Avenue	Habitat Co.	August	305	$125	$410,000	Cushman & Wakefield
803 Corday Drive, Naperville	TH Real Estate	August	440	92	209,000	(None)
Tapestry, Glenview	Connor Group	August	290	81	281,000	ARA Newmark
Reserve at Glenview, Glenview	Lowe Enterprises	August	239	81	337,000	Moran & Co.
Retreat at Danada Farms, Wheaton	CBRE Global Investors	August	295	73	247,000	(None)
Legacy Fox Valley, Aurora	White Oak Partners	August	272	44	162,000	CBRE

THE GRAPEVINE

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the newly created role, he'll lead office investment sales in those markets, build relationships with institutional investors and make strategic hires. This is Zietsman's second stint at JLL, where he spent 17 years before jumping to **Lehman Brothers Global Real Estate** in 2000. He formed his own firm four years later and rejoined JLL in 2007 to build its practice in Southern California.

Grubb Ventures hired **Zac Vuncannon** late last month as a director of investments to help the Raleigh shop expand its relationships with equity partners. He reports to firm founder **R. Gordon Grubb.** Vuncannon previously was vice president of investments at **Moore & Associates** of Bethesda, Md., and has also worked at **USAA Real Estate** and **Carlyle Group.**

Adam Koplewicz joined **EJS Development** of New York late last month as a director. The firm seeks development deals from Boston to Washington, with a focus on Greater New York. It also can originate mezzanine loans. Koplewicz reports to president **Theodore Segal.** EJS is backed by the principals of energy conglomerate **LS Power.** The two shops will partner on some deals. Koplewicz came from **Quinlan Development** of New York and previously worked at **Thayer Street Partners, AllianceBernstein** and **Goldman Sachs.**

Ben Geelan joined **HFF** in Phoenix last week as a director. He focuses on office and industrial sales and reports to senior managing director **Jeremy Womack.** Geelan had been a Phoenix-based senior vice president at **Cushman & Wakefield,** where he spent three-and-a-half years.

Two Minnesota real estate pros have set up their own investment shop. **Water Street Partners** of Excelsior, Minn., was launched last month by managing partners **Joe Boone** and **Jim Hegedus.** They previously worked together at **Excelsior Group** of St. Louis Park, Minn. Before that, Hegedus was at **Prudential Real Estate Investors,** and Boone worked at development firm **Oppidan Investment.** Water Street will target industrial, office, retail, multi-family and senior-housing deals, mainly in Minnesota. It will form joint ventures to purchase properties of more than $20 million, working with Oppidan on some deals.

Joseph Goggiano has left **UBS Realty Investors** to join industrial development firm **McCarthy Ranch** in Los Gatos, Calif. He was an associate director of acquisitions in San Francisco at UBS, where he spent five years. Earlier, he had a three-year stint at **CAC Group,** a San Francisco boutique brokerage that **CBRE** acquired in 2013. Goggiano started at McCarthy last week as a senior development manager.

New York Life Real Estate Investors hired a business development pro last week. **Mary Smendzuik** will assist with raising capital and investor relations. She reports to **Paul Behar,** senior director and head of business development. Smendzuik came from **Capri Capital** of Chicago, where she spent the past four years. She had a prior stint in private banking at **Credit Suisse.**

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