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THE GRAPEVINE

Apartment pro **Mark Peppercorn** has parted ways with **JLL**, where he was a managing director. Best known in the industry as a former acquisitions executive for once-mighty multi-family REIT **Archstone**, Peppercorn left JLL's Denver office two weeks ago. His next move is unknown. Peppercorn was one of a handful of former Archstone executives who became available when the apartment giant was broken up in early 2013. He joined **JLL** last September.

Acquisitions pro **David Israel** has parted ways with **Joe Sitt's Thor Equities**. He was an executive vice president at the New York investment shop, which has

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Eastdil Takes Wide Lead in Brokerage Contest

Eastdil Secured pulled far ahead of the field midway through the annual race for the commercial-property brokerage crown, largely due to its dominance of big office trades.

As overall sales of large properties grew by a third, Eastdil notched a 57% increase in its first-half volume, with \$21.2 billion of deals. That accounted for 29.3% of all brokered trades of \$25 million or more, according to **Real Estate Alert's** Deal Database. Perennial rival **CBRE**, meanwhile, saw its sales fall off by 12% from a year earlier, to \$13.6 billion, for an 18.8% market share. Rounding out the top five were **HFF, JLL** and **Cushman & Wakefield**.

Across the five major property types, trades in the first six months of the year totaled \$85.8 billion, up from \$64.3 billion in the same period of 2013. If that 33% growth rate were sustained for the full year, 2014 would replace 2006 as the second-busiest year on record.

Brokers report full pipelines of offerings for the second half, and investors remain

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Paramount Lands San Francisco Office Tower

In one of the largest off-market transactions of the year, **Paramount Group** has agreed to buy a well-leased San Francisco office building from **Rockefeller Group** for \$395 million.

The 662,000-square-foot property, at 50 Beale Street, is 90% leased, with **Blue Shield of California** occupying roughly 40% of the space under a long-term lease. At the \$597/sf valuation, New York-based Paramount's capitalization rate would be a skimpy 4.5%.

Rockefeller Group bought the property in September 2012 from a **Fortress Investment** partnership for \$305 million, or \$461/sf. The New York investment shop, which was founded by **John D. Rockefeller Jr.**, is now owned by Japanese developer **Mitsubishi Estate**.

The 23-story building, at Mission Street in the heart of downtown, was developed in 1968. It has since had several major renovations, including a lobby makeover

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REIT Marketing Big Industrial/Office Package

A nontraded REIT sponsored by **Dividend Capital** is marketing a portfolio of industrial and office properties valued at roughly \$500 million.

The 14 properties, which encompass 3.7 million square feet, are 97% leased. They are being offered as a package via **Eastdil Secured**. At the estimated value, the buyer's initial annual yield would be about 6.1%.

Denver-based Dividend Capital controls the properties via a REIT called Dividend Capital Diversified Property Fund. They were among 32 properties that the vehicle acquired in 2010 from **iStar Financial** of New York for \$1.4 billion. At the time, the REIT was called Dividend Capital Total Realty.

Industrial space at five distribution centers and an industrial/R&D facility account for 57% of the listed space. The offering also includes seven office properties and a data center. Many of the 13 tenants are brand-name companies, such as

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TIAA Shopping Class-A Tower in SF

TIAA-CREF is marketing a trophy office building at the Embarcadero Center complex in San Francisco, one of the nation's hottest markets.

The 475,000-square-foot tower, at 275 Battery Street in the heart of the Financial District, could attract bids of \$650/sf, or \$309 million. At that valuation, the capitalization rate would be roughly 4.5%. **Eastdil Secured** has the listing.

The 30-story property is 88% leased. A buyer could boost its return by leasing vacant space and raising rents on the small

amount of space that rolls over in the near term. But as is, the tower will likely be attractive to core investors eager to buy into San Francisco.

The 3.8 million-sf Embarcadero Center is a five-building complex that was constructed in phases starting in the early 1970s. The listed building, which was completed in 1988, is the newest and smallest of the five. TIAA acquired it in 2005 from **Boston Properties** for \$206 million, or \$434/sf.

The tenant roster is dominated by law firms, including **Squire Sanders** (66,000 sf until 2022), **Gordon & Rees** (50,000 sf until 2024) and **Crowell Moring** (33,000 sf until December 2016).

Since the recession, San Francisco office properties have been in especially high demand among institutional buyers, thanks to strong market fundamentals. Rapid expansion by technology firms has caused rents to soar by as much as 10% annually. The resulting increase in valuations has compressed cap rates for top properties below 4%. While many of the city's highest-profile buildings traded in 2011 and 2012, rising prices are spurring some of those buyers to cash out sooner than expected. ❖

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Mall Next to French Quarter on Block

A partnership is marketing an upscale mall next to the French Quarter in New Orleans that is worth about \$200 million.

The offering encompasses 217,000 square feet at the 271,000-sf Shops at Canal Place. At the estimated value, a buyer's initial annual yield would be only about 4.5%, reflecting the intense demand for high-end malls.

Eastdil Secured is handling the offering for the partnership, which includes **Darryl Berger** of New Orleans-based **Berger Co.** and **Roger H. Ogden**, a co-founder of **Stirling Properties** of Covington, La.

The offered space is 98% leased. The anchor tenant, Saks Fifth Avenue, generates impressive sales of \$651/sf. In-line sales average \$512/sf.

The partnership obtained a \$111 million fixed-rate loan last December that a buyer must assume. The 5% mortgage, which is interest-only for three years, matures in 2024.

The mall, at the foot of Canal Street near the Mississippi River, is part of the 2.2 million-sf Canal complex, which also includes a 438-room Westin Hotel and a 641,000-sf office building. The offering also includes a seven-story garage with 1,600 spaces that serves the mall and hotel. A Harrah's casino directly across the street draws customers to the garage and the mall.

Saks Fifth Avenue's lease for 107,000 sf runs until 2019. Other tenants include the nine-screen Theaters at Canal Place multiplex (22,000 sf until 2030), Anthropologie (14,000 sf until 2021) and Banana Republic (9,000 sf until 2021). Retailers with stores that aren't part of the offering include Brooks Brothers and Tiffany & Co.

The mall was built in 1982. It was most recently renovated in 2006, after a fire in the aftermath of Hurricane Katrina destroyed most of the Saks store, according to **Moody's**. The property, however, isn't in a flood zone, nor was it affected by flooding in that hurricane. ❖

Metzler Pitching Atlanta Offices

Metzler Real Estate is marketing an office building in Atlanta's rebounding Buckhead submarket that could fetch about \$140 million.

The 462,000-square-foot One Buckhead Plaza, at 3060 Peachtree Road NW, is 87% leased. At the estimated value of \$303/sf, a buyer's initial annual yield would be about 6%. **Eastdil Secured** is advising Seattle-based Metzler, the North American real estate investment arm of **Bankhaus Metzler** of Frankfurt.

The marketing pitch is that a buyer could boost the capitalization rate to 7% within three years by leasing vacant space and boosting below-market rents as leases roll over. The asking rents are \$32.50-\$34.50/sf.

Tenants include architectural firm **Niles Bolton Associates** (36,000 sf until 2016), investment bank **J.P. Turner & Co.** (24,000 sf until February 2015) and real estate investment manager **RCG**

Ventures (17,000 sf until 2017), according to **CoStar**.

Buckhead, the city's most prestigious submarket, has been leading Atlanta's recovery, with steady gains in occupancy for the past several years. The average occupancy rate at midyear was 83.6%, up from a dismal 64% in 2010, when the submarket was a national symbol of overbuilding.

The Class-A One Buckhead Plaza was completed in 1987. **Crescent Real Estate Equities** of Fort Worth, Texas, acquired it in April 2005 from Los Angeles-based **CBRE Global Investors** for \$103.5 million. Two months later, Crescent sold a 65% stake to Metzler for \$85 million. Metzler bought Crescent's remaining 35% stake in 2008 for \$52 million, according to CoStar. ❖

DRA Dealing Pa. Office Portfolio

A **DRA Advisors** joint venture has teed up a portfolio of Pennsylvania office buildings that will test the willingness of investors to move out on the risk spectrum.

The 1.6 million-square-foot package, made up of 29 buildings in suburban Philadelphia and the Lehigh Valley, is being pitched to core-plus and value-added investors who can work to lease up vacant space. It is expected to fetch around \$130/sf, or \$208 million, which would translate to an 8% initial annual yield.

DRA and its partner, **Brandywine Realty**, are shopping the properties as a package via **CBRE**, but will consider breaking them into four geographic clusters.

The Class-A office buildings are all close to the Pennsylvania Turnpike or its Northeast Extension. Eleven, totaling 669,000 sf, are in Allentown, in the Lehigh Valley submarket about 60 miles from Philadelphia. The rest are within 20 miles of Philadelphia, in Fort Washington (six buildings, 458,000 sf), Horsham (nine buildings, 318,000 sf) and Bensalem (three buildings, 168,000 sf).

The portfolio is 86% occupied, but pending lease expirations will drop that figure to 82% within two years. The vacancies are concentrated in a handful of properties, while about a dozen are fully occupied. The buildings range in size from 18,000 sf to 132,000 sf and have amenities such as conference centers, restaurants and walking trails.

The 16 largest tenants occupy 39% of the space and have a weighted average remaining lease term of five-and-a-half years. No tenant takes up more than 5% of the space, limiting rollover exposure. The roster includes **Hartford Fire Insurance** (99,000 sf), **ADP** (68,000 sf), **Berkadia Commercial Mortgage** (60,000 sf), **Research Pharmaceutical** (56,000 sf) and **Quest Diagnostics** (51,000 sf).

The portfolio is the largest office listing in the Philadelphia region — outside the city itself — since the downturn. Most offerings that have emerged in that area have involved stabilized properties suitable for core investors.

DRA Advisors of New York acquired a majority stake in the portfolio from Brandywine, a REIT in Radnor, Pa., in a 2007 deal that valued the properties at \$245.4 million. At the time, the portfolio was 96% occupied. ❖

Apartment Sites in San Diego for Sale

Two multi-family development sites in San Diego are being pitched as a way for investors to get in on one of the country's strongest rental markets.

Both parcels are in the East Village, an emerging retail and business district once dotted with rundown warehouses. **JLL** has both listings.

A **Lennar Corp.** partnership is offering a three-acre parcel at 10th Avenue and Park Boulevard, across from the home stadium of the **San Diego Padres** baseball team. The site is slated for the development of a 36-story tower with more than 600 luxury condominiums or apartments. Many of the necessary approvals are in place. Bids are expected to be in the vicinity of \$40 million.

The project, called Ballpark Village, has an estimated cost of about \$225 million. Miami-based Lennar and its partner, **JMI Realty**, the San Diego real estate shop of former Padres' owner **John Moore**, originally planned to develop the property themselves, but the project never got off the ground.

Separately, **Lowe Enterprises** of Los Angeles is looking for an equity partner to pump in about \$31 million of equity for the development of a 218-unit apartment building at 13th Street and Park Boulevard that would also include about 60,000 square feet of office space and 10,000 sf of retail space. The development cost is estimated at \$90 million. The site is in a

35-acre redevelopment area known as the IDEA District, where the city hopes to lure technology and design firms. ❖

Bank-Leased Delaware Offices Listed

M&T Bank is pitching a Class-A office building in Wilmington, Del., that is virtually fully occupied by **Capital One**.

The 292,000-square-foot Wilmington Plaza is expected to attract bids of about \$75 million, or \$257/sf. The offering includes 570 parking spaces that generate substantial revenue. **JLL** has the listing.

Capital One has a lease on 99% of the space that runs until 2023, with two five-year extension options. The bank has a credit rating of Baa1/BBB from **Moody's** and **S&P**.

The 10-story building, completed in 1997, was formerly part of the headquarters of **Wilmington Trust**, a Delaware bank acquired by M&T Bank.

Wilmington Plaza has high-end finishes and amenities, and has undergone improvements to maintain its Class-A status. There are 93 underground parking spaces and another 477 spaces in an adjacent seven-story garage.

The building is at 301 West 11th Street in the central business district, near shops, restaurants and hotels. Wilmington is about 30 miles south of Philadelphia, roughly halfway between Washington and New York. ❖



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Class-A Offices Available in Cincinnati

A joint venture is offering two Class-A office buildings in downtown Cincinnati that are expected to fetch up to \$110 million combined.

The listing encompasses 609,000 square feet in the heart of the central business district. At \$180/sf, the initial annual yield would be 7.5%. **Smith/Halleman Partners** of Nashville and **Harbert Management** of Birmingham, Ala., are marketing the properties as a package via **Cassidy Turley**.

The buildings are a block apart, at 312 Elm Street (379,000 sf) and 312 Plum Street (230,000 sf). The pitch is that they

offer strong cashflow and an opportunity to lease up space as the market improves. The combined occupancy rate is 88%, slightly below the 90% rate for Class-A space downtown and below the buildings' average of 92% over the last 14 years.

The average remaining lease term is 5.3 years. Tenants include the **Cincinnati Enquirer**, which is owned by **Gannett, DH USA, KAO USA** and the federal government. Nearly 70% of the tenants have investment-grade credit ratings or are publicly traded.

The 25-story Elm Street building was completed in 1992, and the 13-story Plum Street property was developed in 1988. They have garages with 1,285 total spaces.

The buildings are across Interstate 71 from the home of the **Cincinnati Bengals**, and from The Banks, an 18-acre mixed-use development that's between the football stadium and the home ballpark of the **Cincinnati Reds**. The ongoing project, alongside the Ohio River, includes residential, retail and entertainment space, as well as the site of a planned \$90 million global operations center for **General Electric**.

The Cincinnati area has drawn increasing interest recently from institutional buyers seeking higher yields than can be found in primary markets. In February, **Lone Star Funds** of Dallas paid \$39 million for the 487,000-sf Executive Centre in nearby Springdale, Ohio. ❖



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62%-Leased Complex Listed in Minn.

An **Invesco Real Estate** joint venture is pitching a Minneapolis office complex as a leasing play.

The partnership acquired the 1 million-square-foot Fifth Street Towers out of foreclosure in 2012 and completed a substantial renovation. A buyer would have to boost the 62% occupancy rate, which is well below the 88% average for Class-A space in the surrounding central business district.

Bids could approach \$150 million. Dallas-based Invesco and its partner, **Zeller Realty** of Chicago, have given the listing to **Cushman & Wakefield/NorthMarq.**

Saudi Prince Abdul Aziz bin Fahd acquired the two-building complex for \$186 million in 2007, near the market peak. But the occupancy rate dropped during the downturn, and the property was surrendered to a lender in 2011 in lieu of foreclosure. Invesco and Zeller then scooped it up for \$110.7 million. They upgraded the common areas and amenities, and increased the energy efficiency in order to qualify the complex for LEED Gold designation. All told, some \$8 million has been spent on renovations in recent years.

The tenants include law firm **Moss & Barnett**, which signed a 40,000-sf lease last year, as well as **Stinson Leonard, Bowman & Brooke, BBDO, RBC Dain Rauscher** and **Augsburg Fortress.**

The complex, completed in 1985 and 1988, is at 100 and 150 South Fifth Street. One building has 36 floors, and the other has 25. There are conference rooms, a fitness center and underground garages. The site is at a prime location along Marquette Avenue, within a block of Nicollet Mall and a light-rail station.

Class-A rents are on the rise in the central business district's 26 million-sf office market. Asking rents average \$17.21/sf on a triple-net basis, up from \$16.99/sf in less than a year. ❖

Kushner Snaps Up Rental Complexes

Kushner Cos. is continuing its multi-family buying spree along the East Coast.

The New York investment shop, led by **Jared Kushner**, has agreed to acquire a 276-unit portfolio in Northern New Jersey for \$56.5 million, or \$205,000/unit. And it bought a 514-unit portfolio in suburban Baltimore two weeks ago for \$37.9 million, or \$74,000/unit. In both value-added plays, Kushner plans to upgrade the units and common areas.

Kushner owns some 20,000 apartments, split roughly evenly between the New York metropolitan area and Maryland. About 60% of those units were acquired since 2010. The shop also owns some 9 million square feet of commercial space.

The pending New Jersey acquisition encompasses three properties in Westwood and one in River Vale. Both towns are roughly 20 miles northeast of Midtown Manhattan. The properties, built from 1980 to 1986, are near two complexes that Kushner already owns, so the firm expects to cut management expenses via economies of scale. **HFF** is representing the seller, **Hartz Mountain Industries** of Secaucus, N.J.

The Maryland deal consists of three properties in Middle River, about 10 miles east of Baltimore. The seller was a local

family that had developed them in 1974. Kushner teamed up with **Aion Partners** of New York on the unbrokered purchase. ❖

Denver Rentals With Upside on Block

A development firm is marketing a Denver apartment complex that has some upside potential even though it was completed only four years ago.

The 328-unit complex, at 9601 East Iliff Avenue in the southeast section of the city, is 95% occupied. But the rents lag behind those at other Class-A properties nearby. A buyer could achieve value-added returns by increasing rents as leases roll over.

Bids are expected to weigh in at about \$50 million, or \$152,000/unit. The owner, **GenCap Partners** of Dallas, has given the listing to **HFF.**

The units have 1-3 bedrooms, central air conditioning, granite countertops and washer/dryers. Most have balconies or patios. The property, called Lugano Cherry Creek, has a year-round heated pool, complimentary bike rentals, a dog park, a lounge and a game room.

There is also 13,000 square feet of ground-level retail space, some of which is vacant.

Denver has seen strong job growth in recent years, particularly for high-paying technology and financial-services positions. That has fueled demand for apartments, driving rents up by 4% annually and triggering a construction boom. About 4,500 apartments came on line in the metropolitan area last year, and another 10,000 or so will be completed this year. Still, the average occupancy rate remains a stellar 95.4%. Development is expected to slow dramatically next year because permits for projects have tailed off. ❖

Correction

An Aug. 6 article, "Epic Inks Deal for Charlotte Tower," misidentified a member of the partnership that has agreed to sell the office building at 440 South Church Street in Charlotte. **Trinity Capital Advisors**, not its affiliate Trinity Partners, developed the property and is selling it via a joint venture with **Principal Real Estate Investors.** Trinity Partners manages the property. Also, the occupancy rate is 99%, not 90%. ❖

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Texas Native and International Real Estate Veteran Joins IPA Texas

Institutional Property Advisors (IPA) is proud to welcome Nester Clark to its growing team of senior advisors. With more than 16 years of commercial real estate experience, Mr. Clark has managed real estate investment funds in the U.S., Japan, China, Thailand and Korea. He began his career at Goldman Sachs and later became the youngest partner ever to join Soros Real Estate Partners. He joins IPA from Jade Hill Investments, an equity and debt placement firm.

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Package ... From Page 1

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In addition to the portfolio's stability and strong rent roll, the marketing campaign is touting the geographical diversification. There are four properties in Southern California, two in the Dallas area and one each in Denver, Houston, Miami, Kentucky, Illinois, New Jersey, Ohio and Northern Virginia.

The buyer would have to assume a \$173.5 million senior mortgage, with a 5.5% rate, that matures in 2020. When that loan was originated in 2010, the REIT also lined up \$26.9 million of mezzanine debt, but the marketing materials make no mention of it, and its status is unclear.

No single tenant leases more than 20% of the space or generates more than 15% of the net operating income. The tenants have been in the properties for an average of 13 years, and the weighted average remaining lease term is nearly seven years. The leases, which include rent bumps, are on a triple-net or absolute-triple-net basis, minimizing capital obligations for the owner.

The distribution centers are at: 1150 South Columbia Drive in Campbellsville, Ky. (727,000 sf), 200 Corporate Drive in Dixon, Ill. (575,000 sf), 15350-15390 Vickery Drive in Houston (465,000 sf), 3201 Columbia Road in Richfield, Ohio (188,000 sf) and 18300 East 28th Avenue in Aurora, Colo. (85,000 sf).

There are three office properties in Southern California: 2100 Corporate Center Drive in Thousand Oaks (218,000 sf), 3701 Doolittle Drive in Redondo Beach (124,000 sf) and 5200 Shelia Street in Commerce City (108,000 sf). The other Southern California property is a 107,000-sf data center at 1920 East

Maple Avenue in El Segundo.

In suburban Dallas, there is a 294,000-sf office property at 6000 Connection Drive in Irving as well as a 121,000-sf industrial/R&D facility at 1460 North Glenville Drive in Richardson.

The remaining office properties are at: 1600-1601 SW 80th Street in Plantation, Fla. (240,000 sf), Six Sylvan Way in Parsippany, N.J. (213,000 sf) and 11493 Sunset Hills Road in Reston, Va. (178,000 sf). ❖

Paramount ... From Page 1

and elevator modernization two years ago.

Blue Shield leases 252,000 sf, according to **CoStar**. Other large tenants include **Bechtel Group**, **Regents of the University of California**, the **U.S. Department of Education** and **University of California at San Francisco**.

The property is across the street from the \$4.2 billion Transbay Transit Center, a 1 million-sf public transportation hub scheduled to open in 2017. That development, on the southern edge of the Financial District, has spurred multiple retail and residential projects in the surrounding area.

The Beale Street building was formerly owned by New York fund shop **Broadway Partners**, which acquired it in 2007 via a \$5 billion portfolio purchase from a fund sponsored by **Beacon Capital** of Boston. At the time, the property was appraised at \$354 million. When Broadway, hit hard by the market crash, was unable to repay bridge equity and debt supplied by **Lehman Brothers**, it surrendered a majority interest to the investment bank. New York-based Fortress acquired Lehman's stake in 2011. ❖

NEW DEALS

Phoenix Multi-Family Portfolio

A joint venture between **P.B. Bell Cos.** and **Stonecutter Capital** will see an initial annual yield of about 6% from its \$168.5 million purchase of seven apartment complexes in Greater Phoenix. The partnership paid roughly \$67,000/unit for the 2,759-unit portfolio, which is 95% leased. **Colliers International** brokered the trade for **Standard Portfolios** of Hermosa Beach, Calif. Standard bought the package in 2010 for \$133 million, or \$48,000/unit, from **LaSalle Bank**, which had assumed control from now-defunct **Bethany Group** after the market crash. P.B. Bell, of Scottsdale, Ariz., will operate the properties. New York-based Stonecutter provided the bulk of the equity. The team expects to spend some \$14 million on renovations and upgrades.

Manhattan Office Condo

Fordham University bought an 89,500-square-foot office condominium on Manhattan's Upper West Side for \$49.6 million, or \$445/sf. When the seller, **College Board**, put it on the market last fall, it was seen as a likely target for redevelopment as a

hotel or apartments. But the school, which has a campus across the street, plans to use it as office and educational space. **Casidy Turley** brokered the deal, under which Fordham will take possession early next year after New York-based College Board moves out. The condo is on the second through ninth floors of the 27-story building at 45 Columbus Avenue, between West 61st and West 62nd Streets. The upper floors are devoted to residential condos.

Portland Office Building

ScanlanKemperBard has bought back a Portland office building it sold near the bottom of the market. The local investment shop paid \$45.1 million two weeks ago for the 169,000-square-foot American Bank Building, at 621 Southwest Morrison Street. At the \$267/sf valuation, the initial annual yield is just over 7%. **CBRE** arranged the sale for **LaeRoc Partners** of Hermosa Beach, Calif. LaeRoc had acquired the property and two others in Portland from ScanlanKemperBard in 2008 for \$63.3 million, or \$223/sf. The 15-story building is about 93% leased. About half of the tenant roster rolls over within four years, giving the buyer an opportunity to boost rents. ❖

RANKINGS

First-Half Hotel Sales Up 44%; Eastdil Again Takes Lead

Sales of large hotels jumped 44% in the first half, putting the sector on track for one of its strongest years.

Some \$9 billion of trades closed in the first six months of the year, up from \$6.3 billion in the same period last year, according to **Real Estate Alert's** Deal Database, which tracks deals of at least \$25 million. **Eastdil Secured** took the lead in the broker race with a 46.9% market share — right where it was for full-year 2013, when there was \$15 billion of trades.

Continued strong growth could push 2014's volume toward peak levels, but market pros are divided on whether that's in the cards. Some buyers say the flow of listings has slowed recently. But brokers say a full pipeline of offerings slated to roll out in September will keep up the momentum.

"We expect the pace of transaction activity to remain robust through the balance of the year," said **Larry Wolfe**, a senior managing director at Eastdil and head of its hospitality practice. "Both strong performance and favorable capital flows into lodging will keep upward pressure on pricing."

Eastdil closed \$3.2 billion of sales from January through June, 79% ahead of the same period last year, and boosted its first-half market share by just over a percentage point. Second-place **JLL** nearly doubled its first-half volume with \$1.9 billion

Hotel Sales

	Amount (\$Bil.)	No. of Hotels
2005	\$14.4	222
2006	21.9	347
2007	20.4	421
2008	6.8	120
2009	1.2	23
2010	7.4	127
2011	14.1	316
2012	11.1	156
2013	15.0	208
1H-14	9.0	198

of deals. That translated into a 27.7% share of brokered sales, up from 24.4% at the mid-point of 2013.

Boutique brokerage **Hodges Ward Elliott** saw its activity remain flat at \$593 million, causing its market share to drop six-and-a-half percentage points to 8.8% — still enough for third place. Fourth-place **HFF** saw the largest gains by far, as its volume increased nearly ten-fold to \$435 million, driving up its market share to 6.5% from 1.2%. **CBRE's** sales grew 38% to \$402 million, putting it in fifth place at the half with a 6% market share, down from 7.5% a year earlier.

The surge in trading is being fueled by an abundance of equity that investors have earmarked for the sector, enticed by steadily improving hotel performance. The continued availability of low-cost debt gives buyers further incentive.

At the same time, however, favorable financing conditions give many owners a viable alternative to selling, noted **Arthur Adler**, Americas chief executive for JLL's hotels and hospitality group. "You can finance now, hold the asset and collect several more years of increased income," he said. "Even if you sell two years later at the same price, you are ahead of the game on an equity-multiple basis."

One hotel acquisitions specialist said he's "surprised that

See **HOTEL** on Page 13

Top Brokers of Hotels in First Half

Brokers representing sellers in deals of at least \$25 million

	1H-14 Amount (\$Mil.)	No. of Hotels	Market Share (%)	1H-13 Amount (\$Mil.)	No. of Hotels	Market Share (%)	'13-'14 % Chg.
1 Eastdil Secured	\$3,153.0	73	46.9	\$1,766.5	18	45.6	78.5
2 JLL	1,862.3	39	27.7	944.3	12	24.4	97.2
3 Hodges Ward Elliott	593.0	18	8.8	594.9	13	15.3	-0.3
4 HFF	435.0	22	6.5	46.0	2	1.2	845.5
5 CBRE	401.5	21	6.0	290.7	6	7.5	38.1
6 Colliers International	75.0	1	1.1	0.0	0	0.0	
7 Newmark Grubb	71.7	6	1.1	0.0	0	0.0	
8 Cassidy Turley	52.0	1	0.8	37.0	1	1.0	40.5
9 Savills	39.7	1	0.6	0.0	0	0.0	
10 Solid Rock Advisors	37.0	1	0.6	0.0	0	0.0	
OTHERS	0.0	0	0.0	196.3	7	5.1	-100.0
Brokered Total	6,720.1	161	100.0	3,875.7	57	100.0	73.4
No Broker	2,319.8	37		2,389.0	18		-2.9
TOTAL	9,039.9	198		6,264.7	75		44.3

RANKINGS

Top Overall Brokers in First Half

Brokers representing sellers in deals of at least \$25 million

Broker	Office	Retail	Multi-Family	Industrial	Hotel	1H-14 Total	Market Share (%)	'13-'14 % Chg.
1 Eastdil Secured	\$13,097.6	\$3,826.6	\$93.5	\$1,055.4	\$3,153.0	\$21,226.1	29.3	56.8
2 CBRE	4,937.6	1,349.2	5,380.4	1,570.0	401.5	13,638.7	18.8	-11.7
3 HFF	4,830.1	1,215.4	2,663.2	405.2	435.0	9,548.8	13.2	46.2
4 JLL	2,843.9	262.0	986.4	547.8	1,862.3	6,502.4	9.0	7.8
5 Cushman & Wakefield	2,643.7	685.6	1,582.8	458.9	0.0	5,371.0	7.4	64.7
6 Apartment Realty Advisors	0.0	0.0	3,317.1	0.0	0.0	3,317.1	4.6	42.3
7 Cassidy Turley	1,533.4	44.5	179.5	68.7	52.0	1,878.1	2.6	216.8
8 Newmark Grubb	808.7	27.1	417.0	205.8	71.7	1,530.3	2.1	121.2
9 Marcus & Millichap	50.8	145.9	1,141.1	0.0	0.0	1,337.8	1.8	-4.8
10 Colliers International	510.8	150.9	261.6	305.1	75.0	1,303.3	1.8	21.0
11 Massey Knakal	89.3	148.8	406.0	76.4	0.0	720.5	1.0	471.8
12 Moran & Co.	0.0	0.0	594.1	0.0	0.0	594.1	0.8	-18.3
13 Hodges Ward Elliott	0.0	0.0	0.0	0.0	593.0	593.0	0.8	-0.3
14 Eastern Consolidated	72.0	80.0	257.7	0.0	0.0	409.7	0.6	1,166.8
15 Transwestern	114.6	0.0	276.0	0.0	0.0	390.6	0.5	-51.3
16 Engler Financial	0.0	0.0	381.1	0.0	0.0	381.1	0.5	64.8
17 Sage Capital	315.0	0.0	0.0	0.0	0.0	315.0	0.4	
18 Studley	293.4	12.9	0.0	0.0	0.0	306.3	0.4	33.2
19 BlueGate Partners	0.0	0.0	240.0	0.0	0.0	240.0	0.3	
20 Savills Studley	0.0	156.7	68.2	0.0	0.0	224.9	0.3	
21 Prince Realty Advisors	200.0	0.0	0.0	0.0	0.0	200.0	0.3	716.3
22 Hendricks-Berkadia	0.0	0.0	180.5	0.0	0.0	180.5	0.2	182.9
23 C-III Realty	150.8	18.7	0.0	0.0	0.0	169.5	0.2	147.0
24 Westwood Realty	0.0	0.0	152.0	0.0	0.0	152.0	0.2	
25 Rosewood Realty	0.0	0.0	127.3	0.0	0.0	127.3	0.2	-43.0
26 Savills	83.5	0.0	0.0	0.0	39.7	123.2	0.2	
27 Cohen & Co.	0.0	0.0	0.0	110.0	0.0	110.0	0.2	275.9
28 Avison Young	25.7	0.0	0.0	80.7	0.0	106.4	0.1	
29 Mid-America	0.0	95.9	0.0	0.0	0.0	95.9	0.1	43.1
30 Voit Commercial	0.0	0.0	0.0	91.8	0.0	91.8	0.1	
31 GFI Realty	31.0	0.0	55.6	0.0	0.0	86.6	0.1	
32 Walchle Lear Multifamily Advisors	0.0	0.0	84.0	0.0	0.0	84.0	0.1	
33 Berkeley Capital	0.0	76.7	0.0	0.0	0.0	76.7	0.1	109.3
34 First Capital Realty	0.0	0.0	75.3	0.0	0.0	75.3	0.1	90.2
35 Collins Co.	0.0	61.8	0.0	0.0	0.0	61.8	0.1	
36 RKF	0.0	0.0	0.0	60.0	0.0	60.0	0.1	-5.3
37 Lee & Associates	56.0	0.0	0.0	0.0	0.0	56.0	0.1	
38 Faris Lee Investments	0.0	54.0	0.0	0.0	0.0	54.0	0.1	
39 HFO	0.0	0.0	51.3	0.0	0.0	51.3	0.1	
40 Ross Brown Partners	50.0	0.0	0.0	0.0	0.0	50.0	0.1	
OTHERS	79.5	232.9	118.3	56.0	37.0	523.7	0.7	-60.4
Brokered Total	32,817.2	8,645.4	19,089.9	5,091.7	6,720.1	72,364.3	100.0	30.2
No Broker	5,104.7	2,095.3	3,722.0	159.0	2,319.8	13,400.8		
TOTAL	37,921.9	10,740.7	22,811.9	5,250.7	9,039.9	85,765.1		33.3

RANKINGS

Eastdil ... From Page 1

bullish on real estate, seeing it as a source of stronger and more predictable returns compared to other investments.

At the year's outset, many pros forecasted a modest uptick or even flat sales for 2014, figuring that the dramatic increases of the previous three years had left little room for growth. Instead, volume in all five asset classes rose by at least 20%, with office and hotel trades jumping 44% each over 2013's strong first half.

Both brokers and investors stress that the availability of cheap debt has been an essential part of the picture — meaning that a rise in interest rates could make a big difference going forward.

“As last year came to a close, many of us were expecting a material change in interest rates,” said **Chris Ludeman**, CBRE's president of global capital markets. “What's happened was a bit surprising. The economy has continued to improve, and the debt markets have been wide open — and well-priced.”

Developing trends this year include an increase in big portfolio trades, particularly in the multi-family and industrial sectors, and a rapid rise in sales of value-added assets and properties in secondary markets and submarkets.

Together, Eastdil and CBRE continued to account for nearly half of all large trades. Behind them, HFF maintained its status as the nation's third-busiest brokerage. Its first-half sales jumped 46% to \$9.5 billion. JLL's volume of \$6.5 billion was just 8% higher than the same point last year, but it held on to fourth place. Cushman's 65% year-over-year sales increase was the biggest among the top five. It chalked up \$5.4 billion of sales for a 7.4% market share.

Eastdil and CBRE have typically run a close race, and have swapped the lead repeatedly in REA's league table since 2005. Last year, CBRE led at the half but fell slightly behind Eastdil by yearend.

But this year, so far, has been different. Eastdil soared ahead in office, retail and hotel sales. CBRE continued to lead in sales of apartments — an asset class that traditionally hasn't been an emphasis for Eastdil — and industrial properties.

A big edge in office sales more than accounted for Eastdil's overall first-half lead of \$7.6 billion over CBRE. Eastdil put in strong performances in a handful of key markets where CBRE lagged. In New York, Eastdil brokered a market-leading \$4 billion of office sales, while CBRE's historically powerful team managed just \$346 million. In red-hot San Francisco, Eastdil's office sales market share was nearly 50%, and its volume was double CBRE's.

Eastdil, with just a half-dozen U.S. offices, is known for executing high-priced deals in gateway markets for elite institutional players and foreign investors, while CBRE's strength is its large army of investment-sales pros ready to market properties large and small.

Nationwide, Eastdil's average office sale in the half was \$147 million, fully double CBRE's average deal size of \$62 million. In

Los Angeles, for example, Eastdil brokered eight first-half office deals and CBRE came close, with six. But Eastdil landed some whoppers and closed \$2.6 billion of sales, almost quadrupling CBRE's total of \$677 million.

Ludeman sees CBRE's first-half dip as an anomaly. In New York, where its office team has typically been neck-and-neck with Eastdil's, the drop in sales is “a quarterly variance,” Ludeman said, and second-half figures will be different. As more investors look outside the largest cities for better returns, he said, CBRE's footprint will be an advantage. “We believe capital will continue to fan out, and platforms like ours will excel,” Ludeman said.

From Eastdil's standpoint, the desire of large foreign and domestic investors to own prime assets in core markets is driving the ongoing growth in sales. “Momentum and overall volume has been substantial this year, particularly with offshore investors seeking assets in the gateway markets,” said managing director **Stephen Van Dusen**, who leads Eastdil's West Coast practice.

Some think the sky-high prices being commanded in the top markets right now indicate many of those cities are hitting their peak. This stage of the cycle may be favoring Eastdil, they say, but if the trend toward secondary cities and older assets picks up, full-service firms with dozens of offices may be positioned to land more business. ❖

Hotel ... From Page 11

there aren't more owners selling, given the pricing that they are getting.” His high-yield fund shop has been a net seller this year, cashing in properties it acquired during the market downturn. But he noted that when his shop picked up those hotels, in 2010 and 2011, overall trading was still relatively slow. Investors who bought more recently are less likely to be ready to sell, which could hold down the number of deals coming to market.

The upshot: Bidding contests have become fiercely competitive, with final offers often exceeding the initial whisper prices. “We put in really solid offers and we get smoked,” said one veteran hotel investor. “They are getting a lot more aggressive.”

Buyers are also now willing to spread out beyond the core markets. There were sharp increases in sales in such cities as Philadelphia, St. Louis, Denver, Seattle and Dallas. Still, the busiest markets in the first half were top travel destinations: New York (\$929 million), South Florida (\$771 million), Los Angeles (\$518 million) San Francisco (\$471 million) and Hawaii (\$449 million).

The broker rankings are based on transactions of at least \$25 million that closed between Jan. 1 and June 30. When multiple brokers shared a listing, the dollar credit was divided evenly, but each broker was credited with one property. Only brokers for sellers were given credit. Portfolio transactions were included if the overall price was at least \$200 million or if at least one property in the portfolio had a value of \$25 million or more. ❖

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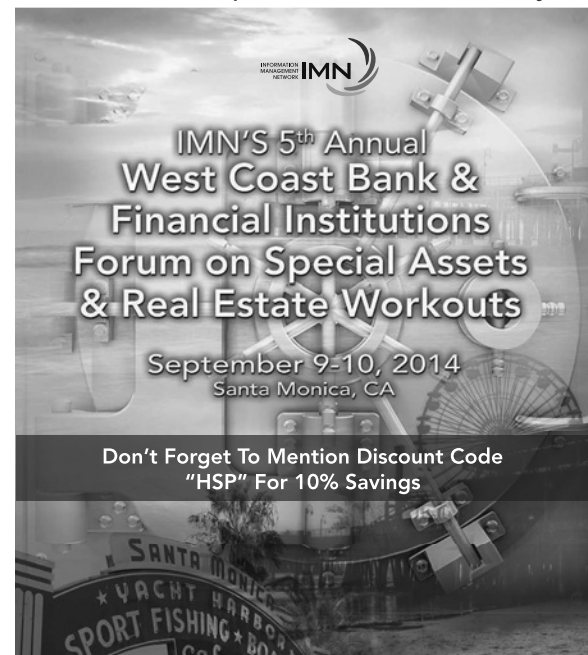
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Clarion Dealing CVS-Leased Condo

A **Clarion Partners** joint venture is shopping a retail condominium in Manhattan's Chelsea neighborhood that is fully leased to CVS.

The 18,000-square-foot block of space is at the base of the six-story building at 636 Avenue of the Americas. The CVS drug store, on the street level and in the basement, has a lease that runs until 2029 and includes rent bumps. The lease is backed by the investment-grade credit of CVS' parent, **Caremark**.

Bids are expected to weigh in at roughly \$45 million. **JLL** is advising New York-based Clarion and its partner, New York investor **Billy Macklowe**.

The joint venture bought the 90,000-sf building for \$45.2 million in 2011 from **APF Properties** of New York. It continues to own the office component, which is fully leased, according to **Mrofficespace.com**. Many investors have carved out retail condos in Manhattan over the past year amid rising valuations.

The property, constructed in 1915, is at the northeast corner of West 19th Street, along a corridor of big-box retailers. The store has 181 feet of frontage at the corner.

New York trading platform **SecondMarket** is the anchor office tenant, leasing some 50,000 sf until 2021 as its corporate headquarters. Other tenants include **Corcoran Group** and marketing firms **Movable Ink** and **Sequence**. ❖

MARKET SPOTLIGHT

Atlanta Office Properties

- ❑ The market ranked only 25th nationally in first-half sales of large properties. Trades plummeted 74%, to \$340.7 million, from a year earlier. But three pending deals already far surpass that total, and the pipeline of listings is filling up.
- ❑ Duke Realty found stronger-than-expected demand for its listing of 3630 Peachtree Boulevard, with broker CBRE fielding about 20 bids. The resulting per-foot price of \$390 was the highest since the downturn and one of loftiest in the city's history.
- ❑ In another sign of how prices are bouncing back, an AEW Capital partnership has agreed to sell Northpark Town Center for \$351 million, exceeding the \$335 million it paid in late 2007, just after the last cycle's peak. The deal is the market's biggest since the downturn.

On the Market

Property	Seller	Hit Market	SF (000)	Estimated Value (\$Mil.)	(Per SF)	Broker
Lenox Park	Columbia Property	June	1,000	\$290	\$290	JLL
One Buckhead Plaza	Metzler Real Estate	August	462	140	303	Eastdil Secured
Interstate North Office Park	Aegon	July	973	97	100	Cushman & Wakefield
1155 Perimeter Center West	Hart Realty	July	377	80	212	CBRE
Peachtree Corners Portfolio	LaSalle Investment	April	390	40	103	CBRE
Wells Fargo Operations Center	Oaktree Capital partnership	June	336	33	98	CBRE
Overlook 1	KBS Realty	July	140	25	179	CBRE

Recent Deals

Property	Buyer	Closed	SF (000)	Sales Price (\$Mil.)	(Per SF)	Broker
Northpark Town Center	Cousins Properties	(Pending)	1,530	\$351	\$230	Eastdil Secured
3630 Peachtree Boulevard	Heitman	June	436	170	390	CBRE
171 17th Street	KBS REIT III	(Pending)	509	133	260	Eastdil Secured
Towers at Wildwood Plaza	America's Capital Partners	(Pending)	716	119	166	CBRE
Town Park Ravine, Kennesaw	America's Capital Partners	August	367	55	150	Cushman & Wakefield

THE GRAPEVINE

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been one of the most-active buyers of Manhattan commercial properties this year. Except for a brief stint at **Fidelity Investments**, Israel had worked at Thor since 2005. He left in the past few weeks. His plans are unknown.

Veteran acquisitions staffer **Chris Rosenstock** has left **DiNapoli Capital** of San Jose. The buzz is he's launching a firm that will focus on value-added and opportunistic investments in senior-housing and other properties. Rosenstock joined DiNapoli two years ago as a managing director and principal, focused on hotel and multi-family acquisitions. He previously spent seven years at **Pacifica Equity** of San Diego, the real estate fund arm of the **Israni** family's Pacifica Cos.

A **Morgan Stanley** fund is the buyer in a blockbuster trade of retail properties in the upscale Lincoln Road shopping area of Miami Beach. Acting via its open-end Prime

Property Fund, Morgan Stanley has agreed to pay \$342 million for six buildings totaling 115,000 square feet. The seller is a joint venture between White Plains, N.Y., REIT **Acadia Realty** and **Terranova Corp.**, a local player that will stay on as the operating partner with a nominal stake. The deal caps a strong play for the Acadia-Terranova partnership, which acquired the properties for \$190.9 million combined via separate deals in 2011 and 2012 and spent another \$4.6 million on improvements. The pending sale price is 75% above the partnership's total investment.

Marcus & Millichap's Institutional Property Advisors unit has added real estate veteran **Nester Clark** as a director in Houston. He started Aug. 1, reporting to executive director **Will Balthrope**, who runs IPA's Texas practice. Clark came from **Jade Hill Investments** of Houston, which he helped found in 2011. The boutique capital-markets shop focused on raising equity for a British real estate fund. Clark had previous stints at **Hunter Hotel Advisors** of Dallas and

Westmont Hospitality of Houston. He also spent eight years working in commercial real estate in Tokyo, primarily for **Goldman Sachs** and **Soros Real Estate Partners**.

Gregory Biester joined **HFF's** Philadelphia-area outpost last month as an associate director and analyst. The office, in Conshohocken, Pa., is led by senior managing directors **Zac Pierce** and **Mark Thomson**. Biester spent the last nine years at **Hunt Cos.**, a development, management and investment firm in El Paso, Texas.

Jacob Feingold joined **Canyon Capital Realty** last month as a senior associate in New York. He works on debt and equity investments in the Northeast. Feingold was previously an associate at **iStar Financial**, where he spent six years working on debt and mezzanine investments before leaving to obtain a masters degree from **Columbia Business School**. Canyon Capital, the real estate arm of Los Angeles-based Canyon Partners, provides debt and equity to property owners, developers, operators, lenders and corporations.

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