# CRITTENDEN Real Estate Buyers™

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## BIG MONEY BOOSTS MALL SECTOR

Rising Class A mall rents prompt public REITs, private equity buyers and pension fund advisers to expand their horizons for the best deals. Buyers will tweak strategies for more joint ventures, recapitalizations, plus Class B and secondary mall buys to squeeze higher per s.f. rents in rebounding markets. Because primary market sector cap rates can trend into the 5% range, expect more buyers to drill into the 7%+ cap rate market for Class B space. Raising the sector's profile are recent moves from big-ticket players **Kohlberg Kravis Roberts & Co.** (KKR) and **Starwood Capital Group** into the suburban and Class B segments. **CBL & Associates**' recent North Dakota expansion shows that big money will also pay more attention to moneymaking properties in smaller markets this summer.

Yield-seeking portfolio buyers will likely encounter public mall REIT leader **Simon Property Group** (SPG) in the short term. SPG will likely back off single-asset buys until consolidation shakes out or interest rates rise and cap rates plump past the current 5% to 7% averages that are rich by even 2007-08 standards. However, the company can access more than $1B for acquisitions or development. There's not much yield benefit from new mall development except outlet centers. Development-ready SPG will sidestep that road for the short term because of skinny yields and a lack of overwhelming shopper demand for new supply. So, they'll work with what's out there — buying portfolios and picking up joint venture interest purchases similar to a recent $1.5B deal from hedge fund adviser **Farallon Capital Management** and an interest purchase of the Del Amo Fashion Center. SPG's highest NOI markets of California, Florida, Massachussetts, New York and Texas are also on the short list for CBL & Associates, **General Growth Properties, Glimcher Realty Trust, The Macerich Co.**

Outside [illegible]

[illegible] averages near the 96%-leased center. In late 2011, it bought into The Summit Mall in Birmingham, Ala. Company dealmakers need $400-plus sales psf to justify interest for additional purchases. Dominant Class B malls that can be turned into Class A product will be considered in secondary markets, although primary market malls account for more than 90% of Miller Capital's portfolio, which spans coast-to-coast from Boston to Seattle, and Minneapolis to Phoenix.

Miller Capital isn't the only buyer with an eye on Phoenix. More deals will happen in the primary Arizona market now that life is returning to the apartment sector. Macerich dealmakers will acquire malls there, while also searching for deals in Chicago, Los Angeles, New York and Washington, D.C. The public REIT, which partners with the Alaska Permanent Fund, has made $70M of acquisitions this year; last year it bought $494M. Macerich plans to be an active buyer, and could be a net seller if volume falls short of $350M worth of expected sales by December. Planned asset sales from the company and other REITs will stimulate regional players into action, similar to the company's defaulted Valley View Center in Dallas that sold to **Beck Ventures**.

Meanwhile, Class A buyer **Glimcher Realty Trust** [illegible]

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Glimcher also plans to sell off and exit Oklahoma with the Tulsa Mall Promenade. The company has approximately $380M of debt and cash available.

**Starwood Capital Group** will ante up cash for Class B product and will likely scan additional REIT sales in coming months. Talk on the street says the company will buy a portfolio from **Pennsylvania Real Estate Investment Trust**. The purchase follows the **Canada Pension Plan Investment Board**'s minority interest purchase into a portfolio of Westfield America malls, and **Kohlberg Kravis Roberts** purchase of a suburban Chicago mall for a little less than $200M, right in **General Growth Properties**' backyard.

## SECONDARY MARKET APARTMENTS ATTRACT

Opportunistic apartment buyers will pursue distressed Class A and value-added Class B properties in secondary markets home to rental growth and less competition. More buyers will mimic national buyer **Camden Property Trust**'s move earlier this year, when it acquired a majority position in a portfolio with assets in Las Vegas, Phoenix and other cities ahead of the curve. **The Praedium Group** uses cash from its fund to burrow east of San Francisco for a $185,000 purchase of a distressed Class A property — its second area buy in less than a year. **Home Properties** primarily scans the East Coast and gets active in development while keeping tabs on new purchases. Equity Residential could also peruse the sector, now that it has a fresh $150M from the squashed deal to acquire an Archstone stake.

Funds and joint ventures can be expected to drive more action regardless of low interest rates that have justified cap rates into the 4% or less range in marquee cities. Buyers will look within big metro areas but farther away from primary market hot spots because of severely compressed cap rates. Funds and joint ventures will drive much of the action as other investors plan to add supply to buyer and renter markets through sales and new development, respectively.

Buyer and developer Camden Property Trust is almost halfway to meeting a $250M acquisitions goal for the year that will be balanced with a similar amount of sales. Similar transactions could occur following a 4,000-unit cash/assumed debt purchase of a portfolio with units in Dallas, Houston, Las Vegas, Phoenix and Southern California, in addition to a separate buy in Raleigh, N.C. The buyer has a $500M to $750M credit line to support acquisitions of more than 200 unit complexes constructed less than 17 years ago. The company also works on 2,000 units of new construction beyond recent action in Austin and Houston, Texas, and Washington, D.C.

In the mid-Atlantic and East Coast, Home Properties could compete for opportunistic Class A and Class B fare while pursuing developments and renovations in Silver Spring, Md., Conshohocken, Pa., and Fredericksburg, Va. It didn't make any deals earlier this year but could still acquire nearly $400M worth of properties if it mimic's last year's pace. The buyer has a $275M-plus offering in the market that could pump up acquisitions and rehab volume throughout the region.

In California and the West Coast, **Kennedy Wilson** will see The Praedium Group and **BRE Properties** while searching for Class A and Class B properties. KW put another dent in its $6B-plus worldwide acquisitions goal for the year with a purchase in downtown Sacramento, a market that's reeling from state furloughs and cutbacks that may drive up apartment demand. KW's estimated $156,479 per unit buy of a Class B complex renovated four years ago is near transit — right up the buyer's alley. KW used $1.1B for acquisitions last year and will compete against The Praedium Group throughout the San Francisco Bay area and western U.S., as part of a national focus.

The Praedium Group used nearly $1B for acquisitions last year on behalf of its seventh fund, and its purchase of a Richmond, Calif., financially distressed complex takes the buyer closer to potentially meeting or exceeding 2011 activity. Appealing to the buyer are primary and secondary market properties deemed opportunistic or distressed. These buyers could scope regional REIT BRE Properties' sales portfolio; it plans to sell off $130M to $180M worth of assets this year.

## DEALMAKER DATABANK™

| Company/Address | Contact/Phone/Fax | Property Type | Buying Criteria |
|---|---|---|---|
| AFL-CIO BIT<br>1425 K St. NW<br>Suite 900<br>Washington, DC 20005 | Jim Lingberg<br>(202) 898-9190<br>Fax: (202) 898-9194<br>jlingberg@aflcio-itc.com | Data Centers | Pension fund buys data centers. |
| CalPERS<br>400 Q St.<br>TechCore<br>Fourth Floor<br>LPE 4800<br>Sacramento, CA 95811 | Joseph Dear<br>(916) 795-3400<br>joseph_dear@calpers.ca.gov | All | Pension fund seeks tech sector and life science assets with new JV with GI Partners. |
| BRE Properties<br>5815-A Shellmound Way<br>Emeryville, CA 94608 | John Wayland<br>(510) 597-5325 | Apartments | Public REIT acquires, develops western U.S. complexes. |
| 525 Market St.<br>Fourth Floor<br>San Francisco, CA 94105 | Stephen C. Dominiak<br>(415) 445-3751 | | |
| Beck Ventures<br>12222 Merit Drive<br>Suite 120<br>Dallas, Texas 75251 | Scott Beck<br>(469) 828-4277<br>sbeck@beckventures.com | Malls | Opportunistic mall buyer acquires assets. |
| Camden Property Trust<br>3 Greenway Plaza<br>Suite 1300<br>Houston, TX 77046 | Laura Little<br>(713) 354-2511<br>Fax: (713) 354-2708<br>llittle@camdenliving.com | Apartments | Public REIT plans acquisitions, sales. |
| CBL & Associates<br>2030 Hamilton Place<br>Suite 500<br>Chattanooga, TN 37421 | Keith Honnold<br>(423) 855-0001<br>Fax: (423) 893-4302<br>keith_honnold@cblproperties.com | Malls | Public REIT expands into new market after an outlet center expansion earlier this year. |
| CPPIB<br>One Queen St. East<br>Suite 2600<br>PO Box 101<br>Toronto, Ontario M5C 2W5<br>Canada | Graeme Eadie<br>(416) 868-4075<br>pac@cppib.ca | Malls | Canadian pension fund acquires retail interests. |
| CoreSite Realty Trust<br>12100 Sunrise Valley Drive<br>Reston, VA 20191 | Rob Rockwood<br>(703) 391-5986<br>rob.rockwood@coresite.com | Data Centers | Public REIT acquires, develops data centers. |
| Corporate Office Ppts. Trust<br>6711 Columbia Gateway Drive<br>Suite 300<br>Columbia, MD 21046 | John Norjen<br>(443) 285-5704<br>Fax: (443) 285-7650<br>john.norjen@copt.com | Office | Public REIT may increase data center presence. |
| Digital Realty Trust<br>Four Embarcadero Center<br>Suite 3200<br>San Francisco, CA 94111 | Scott E. Peterson<br>(415) 738-6500<br>speterson@digitalrealty.com | Data Centers | Buys, redevelops data centers. |
| DuPont Fabros Technology<br>1212 New York Ave. NW<br>Suite 900<br>Washington, DC 20005 | Maria Kenny<br>(202) 728-0044<br>Fax: (202) 728-0220 | Data Centers | Acquires data centers nationwide. |
| Federal Realty Investment Trust<br>2041 Rosecrans Ave.<br>Suite 245<br>El Segundo, CA 90245 | Jeff Chambers<br>(310) 414-5286<br>jchambers@federalrealty.com | Retail | REIT buys, develops retail centers nationwide. |
| GI Partners<br>2180 Sand Hill Road<br>Suite 210<br>Menlo Park, CA 94025 | Howard Park<br>(650) 233-3600<br>Fax: (650) 233-3601 | Data centers | Institutional adviser to acquire data centers, technology-related real estate for CalPERS account. |

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## DEALMAKER DATABANK™

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|---|---|---|---|
| Glimcher Realty Trust<br>180 East Broad St.<br>Columbus, Ohio 43215 | Christopher Ellis<br>(614) 621-9000 | Mall | Public REIT acquires malls, |
| Home Properties<br>850 Clinton Square<br>Rochester, NY 14604 | John Smith<br>(585) 546-4900<br>Fax: (585) 546-5433<br>johns@homeproperties.com | Apartments | REIT acquires value-added units, develops. |
| Kimco Realty<br>1631-B S. Melrose Drive<br>Vista, CA 92081 | Matt Golden<br>(760) 598-2032<br>Fax: (760) 727-1430<br>mgolden@kimcorealty.com | Retail | Public REIT to pursue JVs for core strategy and switches opportunistic approach. |
| Rothberg Kravis Roberts & Co.<br>9 West 57th St.<br>Suite 4200<br>New York, NY 10019 | Ralph E. Rosenberg<br>Roger Morales<br>(212) 750-8300 | Malls | Private equity investor acquires suburban malls. |
| The Macerich Co.<br>401 Wilshire Blvd.<br>Suite 700<br>Santa Monica, CA 90401 | Mike Cherrin<br>(310) 394-6000<br>Fax: (310) 395-2791 | Malls | Public REIT plans sales, buys. |
| PO Box 52383<br>Atlanta, GA 30355 | Tom Pendergrast<br>(404) 231-1606<br>Fax: (404) 795-0799<br>tom.pendergrast@macerich.com | | |
| Miller Capital Advisory, Inc.<br>6730 Old Orchard Road<br>Suite 400<br>Skokie, IL 60077 | Andrew Miller<br>(847) 966-5600<br>Fax: (847) 966-5628 | Retail | Private investor and institutions' adviser wide-ranging criteria. |
| Starwood Capital Group<br>591 West Putnam Avenue<br>Greenwich, CT 06830 | Jeffrey O. Dishner<br>(203) 422-7709<br>dishnerj@starwood.com | Retail | Portfolio fund adviser and investment manager acquires mall stakes. |
| TNP Strategic Retail Trust<br>1900 Main St.<br>Suite 700<br>Irvine, CA 92614 | Tony Thompson<br>(949) 833-8252 | Retail | REIT focused on West Coast growth. |
| The Praedium Group<br>825 Third Ave.<br>36th Floor<br>New York, NY 10022 | David Dowell<br>(212) 224-5647<br>ddowell@praediumgroup.com | Apartments | Private investor buys assets for opportunistic and distressed strategy. |
| West Coast Realty Trust<br>650 Howe Ave.<br>Suite 730<br>Sacramento, CA 95825 | Jeffrey B. Berger<br>(916) 925-9278<br>Fax: (916) 925-6759 | Retail | Private company plans to take small regional portfolio public. |

## BUYERS CHARGE RETAIL

Dramatic pricing increases for grocery-anchored centers in primary markets will proceed through summer. Public REITs and institutional partners drive growth and pay cap rates into the sub-6s for stabilized space. Buyers will switch up opportunistic strategies for growth and sell off secondary market product. Smaller regional players will pump up the volume in secondary markets where REITs decide to cast off assets, which will lead to a decrease in cap rates in both primary and secondary markets. Pundits expect nationwide vacancies into the 11% range this year; cap rates will maintain or decline from 6% to 8% averages.

Mirroring an economic shift, primary California, Oregon, Texas and Washington state cities move higher on institutional radars because of oil and technology growth.

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Until construction threatens supply in these markets, expect buyers to drill into urban markets for highly infill and pricey assets. East Coast action will return with more joint venture buys, recapitalizations or mergers and acquisitions.

Public REIT leader **Kimco Realty** switches opportunistic strategies to complement a core primary market focus. **Regency Centers** could be a net seller this year, but will acquire more than $30M by December. **Federal Realty Investment Trust**, with a $400M credit line, is bearish on rich per s.f. pricing.

Kimco Realty has acquired nearly $300M of assets so far this year. It picks up single-tenant restaurant pads responding to niche growth, and plans to let go of mixed-use properties. Dealmaker hunger remains for core grocery-anchored product. However, a recent multistate restaurant pad play at a 200 to 300 bp premium over core, primary market grocery-anchored retail attracted interest and capital, and the buyer may demand more. Additional deals could happen and put the buyer in competition with a slew of net-lease buyers including **Angelo, Gordon & Co.**, **Cole Real Estate Investments** and **National Retail Properties.**

### Institutional Buyers Abound

On the institutional buy-side, **Kimco Realty** dealmakers will likely expand with major JV partners **BIG Shopping Centers**, **GE Pension Trust**, **Prudential Real Estate Investors** and coastal-heavy **UBS Wealth Management**, for expensive top-shelf product. Or the company could expand smaller joint ventures with **La Salle Investment Trust**, foreign capital **Canada Pension Plan Investment Board** and **SEB Immobilien**, or with buyer developers **Cisterra** and **Crow Holdings**.

In California, where Kimco Realty counts a major percentage of big-money joint venture assets, competitors will include smalle[illegible] **TNP Retail Trust** and **West Coast Realty Trust**. TNP Retail Trust buys in secondary and suburban markets. It acquired $48M worth of properties during the first quarter, which puts it on pace to meet or exceed last year's $102M worth of acquisitions. In the San Francisco Bay area, West Coast Realty Trust aspires to become a public REIT and targets community and neighborhoo[illegible] centers in high-population areas to build a two-property portfolio. If the offering gains traction, the aspiring REIT could compete on a micro-market level for stabilized deals.

### Coastal Competition Heats Up

Kimco Realty competitors on the East and West coasts are Regency Centers, which follows its competition into Long Island, N.Y., with a recent buy and, among others, **Equity One** and **Weingarten Realty Investors**. Regency Centers expects to sell off $150M worth of properties this year, in and independent of joint ventures. The company plans new development and should buy more than the one asset it has acquired since January. If the company sells more, expect it to buy more also, but it will likely remain a net seller by year's end. Product in top performing company markets Atlanta, Chicago, Dallas, Denver, Los Angeles and Southern California will be high on the buy list. More deals could occur in Portland, Ore., and Raleigh, N.C. — two markets that will be blazing hot by this fall.

Federal Realty Investment Trust sees anemic supply in its $15M-plus deal size range. It hasn't yet acquired a property this year. Development will pick up and acquisitions may follow when pricing decreases. Given its bearish pricing view, dealmakers won't likely match $300M of acquisitions booked in 2011. California-infatuated Equity One will bore deeper into urban markets and sell secondary market product. It targets $200M to $300M of grocery-anchored centers this year and plans $50M to $75M of sales in secondary markets. A partnership with **New York Common Retirement Fund** could support top-shelf asset purchases in infill, expensive areas throughout coastal California, Florida and the East Coast.

Weingarten Realty Investors' nearly $400M industrial portfolio sale could jumpstart grocery-anchored and power center buys throughout the Sun Belt and Southeast. The REIT should acquire more than the estimated $20M of deals booked this year, although it has been focused on new development.

## TECH HIGHS SPUR DATA CENTER EXPANSION

Following the large[illegible]s $500M vote of confidence for data centers, there's more action headed towards the sector. Competition for data center real estate — a specialized hybrid of warehouse and office space — is central to cloud computing, which benefits from a vibrant tech industry. A newly minted part[illegible]