CRITTENDEN Real Estate Buyers™

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PRICEY REAL ESTATE, CAP GAINS TO ENLIVEN DSTs

Higher real estate values will support a renaissance of buys with the Delaware Statutory Trust structure, as tax deferred-minded sellers scan the market for ways to sidestep heftier capital gains taxes. Insiders expect sponsors' equity offerings to approach $300M this year for DST and scanty tenant-in-common transactions — a marked improvement compared to a 2010 nadir. Acquisitions financing has turned aggressive with 60%-range LTV paper from CMBS, life company and regional bank lenders.

Sponsors **Inland Private Capital Corp.** (IPCC) and **PASSCO Cos.** can be expected to lead the pack in buying and packaging DST real estate deals, with potential for more than $750M of combined acquisitions. These and other buyers will mostly eye stabilized, Class A apartments, single-tenant net lease buildings and grocery-anchored properties, in addition to gap equity and recapitalization structures.

Apartment and Retail Boom

IPCC aims to boost its apartment stable and shop for more grocery-anchored centers, in targeting at least $500M of acquisitions to outpace 2012 volume. Industrial will also catch attention from the buyer scoping Class A buildings in primary and secondary markets, including Boston, Chicago and New York, as well as assets in regional/secondary-market hubs including Denver, Oklahoma City, primary Texas markets and beyond. Class A apartments will be sought, in addition to value-added units and some ground-up development similar to a project in Denver. For retail assets, expect keen interest in centers where grocery anchors carry 15- to 20-year lease terms. It will also consider gap equity and financing to TIC sponsors and investors. Roughly $100M of deals will be sourced through a joint venture with affiliate Inland Real Estate.

PASSCO could book well more than $250M in DST-related deals conducted in and outside a budding, multiyear joint venture with **Oaktree Capital Management**. On its own, look for PASSCO to concentrate on Class A and Class B apartment and retail buys in suburban-through-tertiary markets. Apartments with 200 to 250 units are of interest nationwide; dealmakers count substantial holdings in the Dallas, Houston and Seattle metro areas, as well as throughout the Southeast. Single-tenant and grocery-anchored big-box retail also attracts the buyer, which owns Target stores and other net-lease assets in such markets as Kansas City and Phoenix. Expect to see interest nationwide for properties in the $20M to $30M deal size range, in addition to several non-DST platforms shopping value-added and opportunistic retail.

PASSCO's $250M multiyear joint venture with private equity shop Oaktree Capital Management will drive preferred equity investments and recapitalizations, mostly for DST and TIC partnership investments requiring additional equity as 7- to 10-year loans mature. Gap equity amounts could range from $3M to upwards of $10M. Non-DST and TIC structured transactions will be considered selectively.

Additional buyers will return to the segment's market's fold and encounter newly formed companies aiming for a slice of the market. **Griffin Capital** this year could book an estimated $75M of DST-structured deals. It returned to the segment after a five-year absence in December, with a 660,000 s.f. investment-grade manufacturing building with 12 years remaining on the lease term. Count on buyer interest in single-tenant industrial and office space leased to investment grade tenants.

Relatively new **Capital Square Realty Advisors** will shop the investment-grade market for $80M to $100M of triple net-leased properties deemed essential to company operations; it wants lease terms of at least 10 years.

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DEALMAKER DATABANK

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DDR ***(retail)*****:** Mark E. Bratt, EVP Chief Investment Officer, and Daniel E. Branigan, VP Acquisitions and Dispositions, 3300 Enterprise Parkway, Beachwood, OH 44122-7249, (216) 755-5804, dbranigan@ddr.com

EAST GROUP PROPERTIES ***(industrial land)*****:** Brent Wood, SVP, 4220 World Houston Pkwy., Suite 170, Houston, TX 77032, (281) 987-7200, fax: (281) 987-7207, brent.wood@eastgroup.net

EQUITY ONE ***(retail)*****:** Lauren Holden, EVP Investments and Acquisitions, Northeast, 410 Park Ave., Suite 1220, New York, NY 10022, (212) 796-1746, lholden@equityone.net

FEDERAL CAPITAL PARTNERS ***(apartments)*****:** Eric Weinberg, Senior Associate, Commercial Acquisition, and Bryan Kane, VP, Acquisitions, 5425 Wisconsin Ave., Suite 202, Chevy Chase, MD 20815, (240) 395-2000, fax: (240) 395-2050, eweinberg@fcpdc.com and bkane@fcpdc.com

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FIRST INDUSTRIAL REALTY TRUST ***(industrial land)*****:** Kevin Czerwinski, SVP, Development Services Group, 2425 E. Camelback Road, Suite 785, Phoenix, AZ 85016, (602) 381-6824, fax: (602) 381-6830

GOODMAN-BIRTCHER NORTH AMERICA ***(industrial land)*****:** Brandon Birtcher, CEO, 18201 Von Karman Ave., Suite 1170, Irvine, CA 92612 (949) 502-5500, brandon.birtcher@goodman.com.

GRIFFIN CAPITAL ***(apartments, industrial, retail)*****:** Michael Escalante, Chief Investment Officer, 2121 Rosecrans Ave., Suite 3321, El Segundo, CA 90245, (310) 469-6100, fax: (310) 606-5910, mescalante@griffincapital.com

INLAND PRIVATE CAPITAL CORP. ***(apartment, industrial, retail)*****:** Rahul Sehgal, Chief Investment Officer, 2901 Butterfield Road, Oak Brook, IL 60523, (630) 586-6381, fax: (630) 645-3783, sehgal@inlandprivatecapital.com

KIMCO REALTY ***(retail)*****:** Ross Cooper, VP Asset Management, Acquisitions and Dispositions, 1 Oakwood Blvd., Suite 70, Hollywood, FL 33020, (954) 956-2105, rcooper@kimcorealty.com

LENNAR CORP. ***(land)*****:** Ian Boyd, Acquisitions VP, 12301 Research Blvd., Bldg. 4, Suite 450, Austin, TX 78759, (512) 418-0258. Jim Davousett, Regional Director of Land Acquisitions, 700 NW 107th Ave., Miami, FL 33172, (561) 998-9200, ext. 7204

MATTESON CO. ***(apartments)*****: Seattle, Portland and San Diego:** Jill Russell, VP and Investment Officer, 1825 S. Grant St., Suite 700, San Mateo, CA 94402, (650) 802-1800, ext. 131, jrussell@mattesonrealty.com; **Los Angeles and Orange Counties:** Herb Canada, VP and Investment Officer, (650) 458-2619, hcanada@mattesonrealty.com, Harry C. Arthur, VP and Investment Officer, (650) 458-2614, harthur@mattesonrealty.com

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McCAFFERY INTERESTS ***(mixed use land)*****:** Juan Cameron, Senior Managing Director of Acquisitions and Development Opportunities, 2200 Clarendon Blvd., Suite 1125, Arlington, VA 22201, (703) 351-9500, fax: (703) 351-7707, jcameron@mccafferyinterests.com

NATIONAL HEALTH INVESTORS ***(senior housing)*****:** Mandi Hogan, National Director of Originations and Acquisitions, 222 Robert Rose Drive, Murfreesboro, TN 37129, (615) 890-9100, mhogan@nhireit.com

PASSCO COS. ***(apartments, retail)*****:** Gary Goodman, SVP of Acquisitions, 96 Corporate Park, Suite 200, Irvine, CA 92606, (949) 442-1000, ggoodman@passco.net

PHILLIPS EDISON & CO. ***(retail)*****:** Hal Scudder, Chief Investment Officer, 175 E. 400 S., Suite 402, Salt Lake City, UT 84111, (801) 983-6302, fax: (801) 521-6952, hscudder@phillipsedison.com

PIEDMONT OFFICE REALTY TRUST ***(office)*****:** Carroll A. (Bo) Reddic IV, EVP Real Estate Operations, Brent Smith, SVP of Strategic Investments, 11695 Johns Creek Pkwy., Suite 350, Johns Creek, GA 30097, (770) 418-8800, bo.reddic@piedmontreit.com and brent.smith@piedmontreit.com

LAND ACTION TO HEAT FOR INDUSTRIAL, RESIDENTIAL...

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EastGroup Properties, which spent 25% of 2012 acquisitions volume on land deals — some $13M — has been active in Dallas, Denver, Houston and Phoenix. It has acquired parcels ranging from 4.1 acres to 42 acres and priced from $404T to $6M.

First Industrial Realty Trust will buy more after a $6.25M parcel acquisition earlier this year, with more deals satisfying increased development plans. Land deals dominated last year's acquisitions, when the company acquired approximately $47M of buildings and acreage. Expect a ramp up of land and property acquisitions this year.

Residential

A lack of residential lot development means even more interest this year from developer/buyers. **Brookfield Homes/Brookfield Residential Properties** will shop the U.S. to likely match or surpass this year some $350M of buys made during 2012. A Phoenix entry is likely. More competition and less supply in infill markets means a balance between infill and suburban land acquisitions; it primarily acquired infill market properties during 2012, including a big buy in Los Angeles. Count on suburban market buys of 20-plus to 50-plus acres for low-density developments. Dealmakers will also snap up five plus-acre infill land. Entitlement risk will be taken if zoning is in place. Separately, expect the company to propel home building in Denver if it locks down tentative plans to roll out a financing division for independent developers.

Developers should expand land buys in anticipation of housing and multifamily builds. Don't be surprised if Lennar and Lennar Multi-Family/Lennar Multifamily Investors LLC make their presence known this year. Lennar, known as the country's third-largest home builder, has acquired nearly $500M of land since January. If this year's appetite matches the company's fourth quarter action, count on heavy interest for home sites in California, Florida, Nevada and Texas. The builder will acquire additional parcels nationwide, beyond a purchase agreement for more than 2,500 lots.

Meanwhile, Lennar Multi-Family enters its second year and can be expected to scoop acreage for new construction. If a recent deal offers insight, count on interest in two or more acres of infill urban and suburban acreage in markets including Atlanta, Charlotte, Chicago, Dallas, Denver, Miami, San Francisco, Seattle and Southern California. The Lennar affiliate, which has acquired in Charlotte, N.C., will encounter Post Properties in the Sun Belt region and BRE Properties on the West Coast.

Post Properties will likely entertain additional land deals to complement new builds in Atlanta, Dallas, Orlando, Fla. and Charlotte, N.C., among other markets. The public REIT can be expected to acquire parcels near company-owned assets. It progresses on $100M of new construction, and wrapping up development to lease-up of more than 2,000 units.

BRE Properties only bought land during 2012 and could do the same this year. Dealmakers plan to sell off $350M to $400M of properties by December. Sales could bankroll land buys. If that happens, count on action in go-to infill pockets in or near San Francisco, Seattle and Southern California.

Mixed-use

McCaffery Land Interests' mixed-use development will take it to cities and submarkets surrounding Chicago, New York, San Francisco and Washington, D.C., for land with entitlements ranging from 3,000 s.f. to six acres, for urban mixed-use developments. Dealmakers, anticipating from $10M to $15M of new buys this year, will only consider land with entitlements. It generally acquires with joint venture partners as part of a larger, annual $300M development and acquisitions pipeline.
McCaffery dealmakers will encounter Grosvenor, also a primary-market buyer active in the San Francisco and Washington, D.C. metro areas. The foreign investor, seeking land for mixed-use and retail construction, will consider land options and unentitled acreage. Other investors include a partnership between Wheelock Street Capital and Ronto Group. The pair recently scooped a 19-acre site zoned for mixed-use construction in southern Florida. Wheelock Street Capital's Wheelock Street Real Estate Fund, capitalized with approximately $1B, will shop for residential land and other property types.