

Crittenden Research, Inc.
P.O. Box 1150, Novato, CA 94948
Customer Service: (800) 421-3483

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REITs TO LEAD RETAIL BUYING SPREE

Readily available financing paves the way for increased acquisitions and sales from top public retail REITs. **Kimco Realty, DDR, Federal Realty Investment Trust, Regency Centers and Weingarten Realty Investors** will cross paths with smaller REITs **Acadia Realty Trust, Inland American Real Estate Trust, Ramco-Gershenson Properties Trust, Slate U.S. Opportunity (No. 2) Realty Trust, Urstadt Biddle Properties**, as well as a host of private investors hungry to widen their retail footprints, especially in highly trafficked urban areas.

Besides fee-simple purchases, buyers will plumb retail management portfolios and joint ventures to dig up deals in a compressing cap rate environment, where returns have dipped less than 5% for stabilized assets, to 6%-plus for value-added and opportunistic assets. In response, REITs will pump development, sales and joint ventures. Institutional players can be expected to plumb stabilized buys and consider core-plus plays. The financing market has improved for Class B centers in secondary markets. Expect buyers to take advantage of this change.

Public REITs plan to buy and sell big. At Kimco Realty, joint venture purchases and development will supplement fee-simple acquisitions that will likely top \$400M this year. Expect an equal or higher number sales following more than \$300M of dispositions so far this year. Count on the leading REIT to delve into a \$10B-plus management portfolio for additional deal flow that could resemble recent action in Anchorage, Ala. and Wilton, Conn., in small-cap REIT Urstadt Biddle's strike zone.

Targeting \$500M of buys this year across funds, Acadia Realty Trust can be expected to play up stabilized and value-added retail with an eye towards urban retail boxes in Chicago and the Boston-to-Washington, D.C. corridor. Dealmakers will also be in the market for value-added acquisitions for its \$1.5B all-in/\$540M equity Fund IV scanning opportunistic buys. Acadia Realty Trust dealmakers will encounter DDR, Regency and others in this space.

DDR, which can be expected to acquire more deals beyond a recent \$1B-plus package of power centers, should make further inroads into urban retail. Additional competition for highly trafficked single-tenant grocery stores, grocery-anchored centers and power centers will follow recent activity. Moving forward, expect more sales to balance fee-simple and partnership interest purchases similar to recent deals in Atlanta, Dallas, Oakland, Calif.; Tampa, Fla., and the Virginia cities of Norfolk and Richmond. DDR also plans sales.

In the South, count on surging competition for all types of centers as buyers respond to a population upswing. DDR will encounter foreign buyers **Slate U.S. Opportunity (No. 2) Realty Trust, Inland American Real Estate Trust** and its foreign partner, plus U.S.-based Excel Trust and Regency Centers. Expect Slate to continue its buying spree of Northeast and Southeast grocery-anchored centers after booking nearly \$75M of acquisitions between early May and late April. Count on action in primary and secondary markets in the Charlotte, N.C., Madison, Ala., and the northwest Florida city of Fort Walton Beach. Activity follows predecessor vehicle **Slate U.S. Opportunity (No. 1) Realty Trust**, also active in the U.S.

Joint ventures will leverage their weight in upcoming deals. Among partnerships getting a mandate to go big this year include the Phillips Edison-ARC Shopping Center REIT and Inland American Real Estate Trust's joint venture with Dutch pension fund adviser PGGM. Targeting \$1.2B of grocery-anchored buys this year, look for the Phillips Edison-ARC Shopping Center REIT to pound pavements nationwide, including footprint expansions in California and Oregon. The venture acquired an estimated \$300M of properties during 2012.

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Inland American Real Estate Trust can shop for more than \$600M of real estate in Oklahoma and Texas, on behalf of its nascent joint venture with Netherlands-based adviser PGGM's Private Real Estate Fund.

Smaller buyers also go big. **Urstadt Biddle Properties** books nearly \$60M of acquisitions and contracts this year and will eclipse 2012 activity. Subsequent to a nearly \$35M buy New Jersey, expect additional interest in the New York Tri-State area for \$5M to \$100M deals. Value-added centers will top the buyer's go-to list – with a mix of short-term lease rollovers complementing anchor space under long term leases.

SINGLE TENANT HEAT FUELS BIG DEALS

Single-tenant buyers will ramp up portfolio acquisitions, joint ventures and development in response to an influx of readily available credit. Competition for retail boxes will heat to a fever pitch this summer, as buyers work to balance portfolios with a mix of investment and non-investment grade tenants. More big-ticket moves will follow American Capital Realty Properties, **Realty Income** and **Spirit Realty Capital**'s respective purchases of Caplease American Realty Capital Trust (ARCT) and Cole Credit Property Trust II, expected to close this summer.

Retail volume will again eclipse other property segments this year, judging momentum from specialized and diversified buyers Cole Real Estate Investments, Corporate Property Associates 18 – Global Inc., Getty Realty, National Retail Properties and Realty Income, among others. Combined, these companies will easily exceed more than \$5B of transactions by December.

Because competition for retail buildings has increased, cap rates could drop from the current mid-5% to 8%-plus ranges for investment to non-credit buildings. Buyers will put more pressure on the investment-grade segment favored by lenders. However, declining cap rates won't stifle buyer demand for portfolio acquisitions as buyers seek to bulk up before the low interest-rate climate cools.

Outside its blockbuster buy of ARCT earlier this year, **Realty Income** moves toward a \$550M acquisitions goal that will take the company to nearly \$4B of buys this year, making 2013 its most active year in history. Diversification outside retail is likely, as are more investment-grade buys later this year. Dealmakers have acquired more than \$100M of properties since January and plan to sell off \$100M of properties by December.

Also in the space is **National Retail Properties**, which recently increased its acquisitions goal to more than \$300M of properties this year. It has acquired \$150M-plus of properties since January. **Spirit Realty**, which plans to acquire Cole Credit Property Trust II later this year, will also be in the market for all stripes of retail, beyond \$57M of buys since January. It will encounter **Getty Realty**, which could acquire more than \$100M of gas stations and convenience stores this year. **Cole Real Estate Investments**, which recently scooped \$250M-plus of power centers, has an acquisitions target of \$1B for this year.

Office and industrial

Count on single-tenant office and industrial buyers to remain active this year despite ramping competition and capital from institutional buyers. Joint ventures will heat the market for Class A office properties as institutional partners vie for stabilized assets in core primary and secondary markets. Single-tenant office and industrial buyers **Cole Real Estate Investments**, **Gramercy Property Trust**, **Liberty Property Trust**, **Monmouth Real Estate Investment** and **STAG Industrial** could collectively spend \$2B-plus.

In pursuit of \$1B of industrial and office properties, **Cole Real Estate Investments** should form more joint ventures after partnering with Macfarlan Capital Partners on a purchase in Atlanta this spring. More institutional capital is expected to pour into the segment for stabilized buildings leased to top-flight tenants, for the yield and expected security that credit tenants bring. Count on action in primary and secondary markets to complement recent deals for nearly \$300M in Philadelphia, Seattle, Bridgewater, N.J., and Atlanta — where it teamed with Macfarlan Capital on a couple properties acquired from public REITs **Liberty Property Trust** and **Mack-Cali Realty**.

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DEALMAKER DATABANK

ACADIA REALTY TRUST (retail): Herb Eilberg, VP of Acquisitions, 1311 Mamaroneck Ave., Suite 260, White Plains, NY 10605, (914) 288-3324, heilberg@acadiarealty.com

AMERICAN REALTY CAPITAL PROPERTIES (single-tenant): 405 Park Ave., 15th Floor, New York, NY 10022, Nicholas Schorsch, CEO, and Carrington Guy, VP, (212) 415-6500, nschorsch@arlcap.com, cguy@arlcap.com

COBALT CAPITAL PARTNERS (industrial): 5605 N. MacArthur Blvd., Suite 350, Irving, TX 75038, David Broome, Acquisitions Director, (972) 893-7000, fax: (972) 893-7001, david.broome@cobaltcapitalpartners.com. Gray Bouchillon, Acquisitions Director, (972) 893-7000, fax: (972) 893-7001, gray.bouchillon@cobaltcapitalpartners.com

COLE REAL ESTATE INVESTMENTS (single-tenant): 2325 E. Camelback Road, Suite 1100, Phoenix, AZ 85016. Single-tenant retail: Brian Garrigan, VP of Acquisitions, (602) 778-6000. Office and industrial: Robert Micera, Chief Investment Officer, (602) 778-6000

DCT INDUSTRIAL TRUST (industrial): Phil Hawkins, CEO, 518 17th St., Suite 800, Denver, CO 80202, (303) 597-2400, fax: (303) 228-2201, poneill@dctindustrial.com

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

EXETER PROPERTY GROUP (industrial): Northeast, Henry Steinberg, Principal, Investment Officer and Asset Manager, 140 W. Germantown Pike, Plymouth Meeting, PA 19462, (610) 234-3215, hsteinberg@exeterpg.com; Southeast, Ralph Kittrell, Principal, Investment Officer and Asset Manager, 431 Seaside Lane, Juno Beach, FL 33408, (561) 302-1066, rkittrell@exeterpg.com; Southwest, Barney Sinclair, Principal, Investment Officer and Asset Manager, 301 Congress Ave., Suite 220, Austin, TX 78701, (214) 476-6554, bsinclair@exeterpg.com; West, Thomas Wang, Principal, Investment Officer and Asset Manager, 2121 N. California Blvd., Suite 290, Walnut Creek, CA 94596, (415) 971-1960, twang@exeterpg.com

INLAND AMERICAN REAL ESTATE TRUST (retail): 2901 Butterfield Road, Oak Brook, IL 60523 Stephen Janowiak, Director of Acquisitions, (630) 218-8000, sjanowiak@inlandgroup.com. Jeff Manno, SVP of Transactions, Acquisitions and Dispositions, (630) 218-8000

INDUSTRIAL INCOME TRUST (industrial): Peter Vandenburg, VP and Director of Acquisitions, Western region, 4675 MacArthur Court, Suite 625, Newport Beach, CA 92660, (949) 892-4900, pvandenburg@industrialincome.com

KTR CAPITAL PARTNERS (industrial): John DiCola, Partner, 140 Broadway, 43rd Floor, New York, NY 10005, (212) 710-5060, fax: (212) 710-5061, jdicola@ktrcapital.com

KILROY REALTY (office): 12200 W. Olympic Blvd., Suite 200, Los Angeles, CA 90064. Eli Khouri, EVP and Chief Investment Officer, 100 First St., Suite 250, San Francisco, CA 94105, (415) 243-8803, fax: (415) 243-8806, ekhouri@kilroyrealty.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

MONMOUTH REAL ESTATE INVESTMENT (single-tenant): Michael P. Landy, COO, 3499 Route 9 N, Suite 3-C, Freehold, NJ 07728, (732) 577-9996, fax: (732) 577-9981, mlandy@umh.com

NORGES BANK INVESTMENT MANAGEMENT (office): Karen Horstmann, Portfolio Manager, 505 Fifth Ave., 20th Floor, New York, NY 10017, (917) 542-8500, fax: (917) 542-8595, realestate@nbim.no

PARKWAY PROPERTIES (office): David O'Reilly, EVP and Chief Investment Officer, Bank of America Center, Suite 2400, 390 N. Orange Ave., Orlando, FL 32801, (407) 650-0593, doreilly@pky.com

PIEDMONT OFFICE REALTY TRUST (office): Brent Smith, SVP, Strategic Investments, 11695 Johns Creek Pkwy., Suite 350, Johns Creek, GA 30097, (770) 418-8800, brent.smith@piedmontreit.com

REALTY INCOME (single-tenant): John Case, Chief Investment Officer, 600 La Terraza Blvd., Escondido, CA 92025, (760) 741-2111, jcase@realtyincome.com

SIMON PROPERTY GROUP (retail): Brian Warnock, SVP, Acquisitions, 225 W. Washington St., Indianapolis, IN 46204, (317) 636-1600, fax: (317) 685-7336, bwarnock@simon.com

SLATE U.S. OPPORTUNITY REALTY TRUST (retail): Blair Welch or Brady Welch, partners, 80 Richmond St. W., Suite 1300, Toronto, ON M5H 2A4, (416) 644-4264, fax (416) 947-9366, blair@slateproperties.ca and brady@slateproperties.ca

SPIRIT REALTY CAPITAL (single-tenant): 16767 N. Perimeter Drive, Suite 210, Scottsdale, AZ 85260, Gregg Seibert, SVP, (480) 606-0820, fax: (480) 606-0826, gseibert@spiritrealty.com. Mark Manheimer, SVP, Head of Asset Management, (480) 606-0820, fax: (480) 606-0826, mmanheimer@spiritrealty.com

URSTADT BIDDLE PROPERTIES (retail): James Aries, SVP, Acquisitions Director, 321 Railroad Ave., Greenwich, CT 06830, (203) 863-8200, fax: (203) 861-6755, jaries@ubproperties.com

