CRITTENDEN Real Estate Buyers™

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APARTMENT BUYERS PLAN BIG PURCHASES, SALES

A surge of private investment funds and joint ventures target the apartment segment as established public REITs prepare more sales and development. Private REITs and investors **Canyon Capital Realty Advisors, KBS Legacy Partners Apartment REIT** and **Lubert-Adler Partners** should be among companies drilling deeper into primary and secondary markets for value-added Class A and Class B units. Dedicated and diversified public REITs **Camden Property Trust, Essex Property Trust, Home Properties, Mack-Cali Realty** and **Post Properties** will also vie for assets, even as they look to sell off properties.

Because cap rates are expected to remain in the 4% to 5% for coastal properties, count on increased interest in value-added and stabilized Class B units targeting renters by need in secondary and suburban markets, in addition to stabilized assets in rebounding markets including Las Vegas, as a recent big-ticket deal there illustrates. Competition will also mount for Southeast acquisitions because of continued population growth and positive employment trends. Established investors will selectively consider new properties as they work on new construction and increase sales. Western U.S. investor interest outside the smoking hot Houston, Seattle, San Francisco Bay area and Silicon Valley regions will translate into more volume for units in Salt Lake City, Southern California, plus Las Vegas and Phoenix.

Active West Coast buyer **Kennedy-Wilson Holdings** has bought more than $1.2B of real estate since January in and independent of joint ventures. The international buyer, which spends most of its time and capital in the West Coast apartment and office markets, can be expected to shop existing joint ventures for interest purchases as well as fee-simple buys of assets in suburban and secondary markets. For many, including KW execs, the $64,000 question concerns the Las Vegas' apartment market's rebound. Count on more activity to follow **The Wolff Co.**'s estimated $64,250 per-unit purchase of a 3,100-unit portfolio from Camden Property Trust. The stabilized and value-added apartment buyer will court additional properties ranging from 50 to 500 units in mostly off-market deals. Judging past action, the company could top $500M of apartment and land acquisitions this year.

Essex Property Trust eyes another $200M-plus of acquisitions in meeting a $400M goal by December. It acquired $800M of properties during 2012. Count on interest in core markets throughout California, Oregon and Washington. The REIT could book more deals in Los Angeles, Orange and San Diego counties, where it notices improved employment growth. It will encounter Canyon Capital Realty Advisors and other workforce housing buyers pursuing value-added deals.

The targeted $200M-equity Canyon Multifamily Impact Fund JV with Citi Community Capital could bankroll more than $800M of value-added apartment buys in California, Illinois and Texas. Canyon Capital Chairman and CEO **Robert Turner** will encounter PCCP and WNC & Associates among a variety of value-added and workforce housing buyers. The venture considers 200-unit minimum sizes for one-off and portfolio deals ranging from $20M to $90M. Perhaps the venture will be among companies scanning some of BRE Properties' units up for sale, as part of $350M to $400M of planned dispositions this year.

A host of hungry buyers will scope assets throughout the Mid-Atlantic, including Home Properties, KBS Legacy Partners Apartment REIT and Mack-Cali Realty. Home Properties plans to decrease acquisitions and increase dispositions in response to buyer demand for assets. Look for $150M to $250M of acquisitions that will include an estimated $30M land parcel buy in Tysons Corner, Va., this year, in addition to $250M to $350M of sales, including more in the Washington, D.C., area. The value-added buyer will encounter area buyers **CAPREIT, Carmel Partners, Federal Capital Partners**, KBS Legacy Partners Apartment REIT, Lubert-Adler Partners, Post Properties and **Greystar Partners**.

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In the Washington, D.C. metro area, Camden Property Trust notices a market rich with more than 10,000 units in various stages of construction, and that number will grow even further with regional buy and build plans from Mack-Cali Realty. Count on Camden Property Trust's interest in off-market properties similar to the $304,000 per-unit Post Oak Houston it recently acquired from **Gables Residential**, while adding to a growing stable of new development in the market and divesting properties.

KBS Legacy Partners Apartment REIT, a nationwide buyer recently active in the Mid-Atlantic and Southeast regions, should be expected to hunt for additional Maryland properties after a recent $143,000 per unit buy in Frederick, Md. It's likely the nontraded REIT will meet or exceed $100M of acquisitions this year; it has acquired $83M of properties since January. More purchases will expand the company's 1,476-unit portfolio of properties in Illinois, Maryland, Minnesota, South Carolina and Texas. Since January, affiliate KBS Realty Advisors has acquired $645M of commercial real estate.

In pursuing acquisitions for its seventh fund, don't be surprised to see Lubert-Adler Partners form joint ventures with **Laramar Group**, among others. Anticipate the pair to strike additional deals together and separately in the Washington, D.C., metro area, following a recent 530-unit apartment in Alexandria, Va.. Count on additional action through its Fund VII, as Southeast region Managing Principal **Neill B. Faucett** and others apply a nationwide value-added strategy to all property types including apartments.

Mack-Cali Realty has another $100M for additional apartment buys beyond recent acquisitions and construction action in the Mid-Atlantic and Northeast regions. It has acquired nearly $150M of assets since January. While company dealmakers lament a frustratingly slow office market recovery, perceptions won't smother plans to cast off $200M-plus of office properties this year.

Post Properties will continue to pursue acquisitions and will divest its portfolio of condominiums in Atlanta and Austin, Texas, by December, as part of a plan to match acquisitions with sales in coming months. In Atlanta, there should be sales of older properties to pave the way for development and new acquisitions. For its first deal of the year, Post Properties paid $161,666 per-unit for a Class A asset in Orlando, Fla., after a recent sale in Atlanta. In the Southeast, execs will encounter **CNL Growth Properties**, formerly known as Global Growth Trust, in the market for a targeted-$200M equity raise to bolster acquisitions and deliver $400M of planned developments that will grow a portfolio of properties in Florida, Georgia, North Carolina, South Carolina and Texas.

FUTURE YIELD ATTRACTS BUYERS TO VACANT BUILDINGS

Private and public buyers will increase their appetite for vacant buildings nationwide. Active investors will include **Meadow Partners, M&J Wilkow Ltd., RLJ Lodging Trust, Ridge Capital Investors, Village Green Co.** and **SL Green Realty**. Low-interest rates have trickled into the value-added market to compress cap rates, which will make investors take a second look at vacant properties that can be acquired at discounts to well-leased counterparts.

Private investor Meadow Partners could buy another $300M of New York real estate for its Meadow Real Estate Fund II. Count on interest in value-added and vacant apartments, office and retail properties throughout the region. The company is working on an office in Queens to convert to apartments, part of $150M of properties acquired since January. Partner **Timothy Yantz** is among Meadow dealmakers pursuing deals for the $400M-equity Meadow Real Estate Fund II, which could support a $1B portfolio. The buyer has likely crossed paths with SL Green Realty, which has acquired more than $200M of properties since January and is expected to continue acquiring vacant or poorly leased buildings for redevelopments and conversions throughout Manhattan.

Count on a growing group of regional private investors to join and share risk for vacant buildings. Ridge Capital Investors targets $120M worth of value-added apartment and office building acquisitions this year in Seattle, including East side and downtown submarkets, the San Francisco Bay area — particularly the Silicon Valley — while also pursuing a new entry into Portland, Ore., within the next 12 to 18 months. Deals will include vacant and low-occupancy buildings.

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Trevor Wilson, a Ridge Capital managing director, will consider $10M to $50M acquisitions of office buildings and office parks in the 50,000 s.f. to 100,000 s.f.-plus range, as well as value-added Class A and Class B apartment complexes. Dealmakers will strike fee-simple and off-market transactions, and may acquire three to four additional properties on the heels of a $138 psf buy of a nearly 100,000 s.f. building in north San Jose, Calif., with JV partner Contrarian Capital Management. It may encounter Kennedy-Wilson Holdings, which has also acquired vacant buildings in the western U.S.

Farther east, M&J Wilkow is also active in the vacant and value-added segments and will shop familiar markets Florida, Georgia, Hawaii, Illinois, Massachusetts, Minnesota, New York, Oregon, Pennsylvania, South Carolina and Texas, for deals typically in the $20M to $150M range. M&J Wilkow principals **David Harvey** and **Greg Wilkow** recently teamed with Wayzata Investment Partners in the northern Atlanta suburb of Alpharetta, Ga., for a pair of office buildings measuring 376,000 s.f. Acquisitions in Chicago, Detroit, Indianapolis, Minneapolis, St. Louis and Ohio could bring competition from value-added apartment buyer Village Green Co., which shops downtown districts for vacant office buildings for conversion into apartment complexes., as well as Rushmore Properties.

Hotel buyers feeling the pinch of higher buy and build pricing will turn to conversions of infill assets. Similar to billionaire buyer Joseph Chetrit's plan for the Sony building in New York, count on RLJ Lodging Trust to tread similar but less pricey ground for conversions. Expect the hotel REIT to consider infill vacant properties following a recent buy of an 82-unit apartment complex that's part of the Humble Oil Building complex in downtown Houston.

DEALMAKER DATABANK

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IPO CASH TO BOOST ACQUISITIONS...

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Archstone would have been the largest, yet time will tell if smaller offerings from Independence Realty Trust and Trade Street Residential successfully follow. Instead, buyers can be expected to grow through mergers and acquisitions similar to **Mid-America Apartment Communities'** pending buy of Colonial Properties Trust, or large portfolio acquisitions. Count on additional consolidation to define the segment this year more than IPOs. However, new offerings from single-family residential and mortgage buyers could result in an uptick of activity. Pending offerings from single family and mortgage investors **Bridgewell Income Trust, Colony American Homes**, Javelin Mortgage Investment, Nationstar Mortgage and Western Asset Mortgage Capital may happen later this year to join a host of newly public companies including **American Residential Properties, Armada Hoffler Properties, Ellington Residential Mortgage REIT, Five Oaks Investments, Silver Bay Realty** and **ZAIS Financial** in the hunt for assets.

MANUFACTURED HOUSING ACTIVITY ON THE RISE

MHC buyers will expand as an influx of diversified buyers work on capturing a piece of a segment that will benefit from rising demand from a variety of age groups. Because of its position as an affordable alternative to single-family housing, there will be a host of buyers contending for properties.

Demand for product will stimulate more buys and sales similar to deals this spring from mortgage REIT **NorthStar Realty Finance** and private buyer **YES! Communities**. While plentiful financing supports big-ticket deals, more capital is also available to individual owners for successful refinancing of properties they'd otherwise sell. Expect buyers to lightly flex their big-equity muscles in off-market acquisitions to balance larger deals.

More dealmakers will follow NorthStar Realty Finance's lead in shopping the segment, where cap rates trend 1.5% or higher compared to core CRE property types. The mortgage REIT, which doubled its MHC portfolio with a 17,000-site/$850M purchase of MHCs in Florida and Utah, will cross paths with hungry buyer YES! Communities if it expands into Georgia and Texas, in addition to dedicated REITs Equity LifeStyle Properties, Sun Communities and UMH Properties.

Sun Communities has been active in the RV segment but will continue to shop for MHCs for a likely $250M acquisitions goal this year. The buyer can be expected to tap a $350M credit line for acquisitions of MHCs nationwide. **Equity LifeStyle Properties** has a $380M credit line but hasn't acquired a large deal this year. Expect to see the buyer in both the MHCs and RV parks this year. **UMH Properties** has acquired approximately $75M of sites this year and is expected to continue shopping the unrestricted- and senior housing segments in Indiana, Michigan, New Jersey, New York, Ohio, Pennsylvania and Tennessee. YES! Communities can be expected to expand in its major markets of Florida, Georgia, Tennessee and Texas after a 14,000-site purchase in Georgia and Texas this spring.

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