TOP BUYERS
HOTEL REIT ACQUISITIONS FOR 2013

BUYER	VOLUME	DETAILS
Inland American Lodging Group	$900M	has bought $869M of upper upscale hotels YTD
Hyatt Hotels	$800M	plans to acquire a New York asset for $375M in 2014
Summit Hotel Properties	$600M	has acquired $445M of assets YTD, with plans to buy at least another $100M of assets by December
Sunstone Hotel Investors	$572.5M	includes pending $262.5M purchase
Carey Watermark Investors	$400M	acquires full- and limited-service keys
Chesapeake Lodging Trust	$400M	has acquired $330M of assets since January
La Salle Hotel Investors	$304M	buys upscale, luxury in convention, resort and urban markets
Apple REIT X	$300M	has acquired more than $155M of properties since January
Hersha Hospitality Trust	$225M	has acquired $217M YTD
Blackstone	$200M-plus	contracts to buy a limited-service portfolio by first quarter 2014
Pebblebrook Hotel Investors	$200M-plus	has bought close to $200M of properties YTD; targeting West Coast
Chatham Lodging Trust	$200M	has acquired approximately $190M YTD; enters Washington
Ashford Hospitality Trust	$200M	may acquire more opportunistic properties after spin-off of Ashford Prime, focused on core properties

U.S. MARKET GOLDEN FOR FOREIGN INVESTORS...

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With a $100M acquisitions target for market-rate and affordable apartment complexes, **Henderson North America** can be expected to shop for properties nationwide. **Pure Multi-Family REIT** dealmakers target primary Sun Belt markets California, Florida, Georgia, Nevada and contiguous states for areas with population and job growth. The company would like to acquire $100M or more each month. Also watch **Brookfield** to exceed $500M with partner **Fairfield Residential**, for value-added apartments. The pair will be active in 2014 with at least $300M of equity. For luxury product, **Land & Houses PLC** has been active in Oakland, Calif.

BIG REITs AVOID MALLS, LEAVE ROOM FOR SMALLER COMPETITORS

Expect private investors and smaller REITs to be active and angle for more market share in the mall segment while REIT leaders **Simon Property Group, General Growth Properties (GGP)** and **Macerich** mainly focus on non-mall buys. For those actively pursuing malls, anticipate a sharpened focus on urban, primary market properties, as well as secondary markets that meet stabilized to opportunistic criteria.

As part of a larger retail focus, $1B-plus buyer **Ashkenazy Acquisitions** will scout urban infill malls in primary markets nationwide and prepare for $500M to $1B of acquisitions in 2014. Future acquisitions could complement new non-mall retail entries into Seattle and San Francisco. On its radar are properties with upside potential through lease rolls, rent increases or debt assumption, in addition to stabilized properties with low occupancy costs. Stabilized and value-added malls in markets where at least 100,000 residents live within a three-mile radius will rate attention.

Regional buyer and value-hunter **GK Development** eyes $30M to $70M of acquisitions during 2014, which would fall short of its $75M of buys during 2013. Further expansion outside the Midwest into such western markets as Denver, Las Vegas, Phoenix and Salt Lake City are likely in the coming year, plus acquisitions in Florida and Texas and possibly Indianapolis. A preference for $5M to $10M and $30M to $50M deals will apply to regional malls in secondary and tertiary markets, complemented by open-air, power, community center and lifestyle center buys. Although GK Development won't likely purchase another property this year, its new-market entry into Michigan and recent buy in Texas lend perspective on future purchases. Count on continued interest in properties turning overall IRRs in the high-teens to low-20% range. Recently it bought a $60.9M mall outside Fort Worth, Texas.

Meanwhile, smaller REIT **CBL & Associates Properties** aims to pay down its debt line to zero and will wrap up the year as a net seller. That action could result in higher deal flow for 2014, likely through joint ventures for malls in its footprint markets throughout the Midwest, Northeast and Southwest. In the Northeast it could encounter **Pennsylvania Real Estate Investment Trust (PREIT)**, which can be expected to reactivate its mall appetite in 2014. East Coast assets priced at more than $20M should be of interest. Deals next year will follow a hearty sales trend, although the company did acquire a $60M mixed-use building in Philadelphia, for a concept called Gallery.

Rouse Properties will end this year with nearly $400M of buys in Maryland, North Carolina and Virginia — in its most active year since its 2011 inception. The company could dip into $300M of cash and credit for more infill suburban malls nationwide. Another potential mall buyer is **Boxer Property**, which has recently focused on office but is now willing to buy highly to completely vacant malls.

Other REITs and private buyers may follow GGP and Simon's lead, opting to diversify into pricey submarkets for urban retail or secondary markets for power centers. **GGP** could acquire more beyond $232M of deals since January, following a credit line boost to $1.5B. The investor appears more smitten with urban retail and development than fee-simple mall buys. Given its development action, it's likely the company will focus on new construction and redevelopment and leave room for land and urban retail buys with JV partners including TIAA-CREF. Simon Property Group, an active seller, developer and overseas mall buyer, could follow a power center buy in Portland, Ore., with action next year through the Institutional Mall Investors JV. Net-seller Macerich Co., with a $1B development pipeline, could shop for redevelopment assets and land next year. Sales could bode well for deal flow in early 2014 if big REITs decide to route cash into new buys.

DEALMAKER DATABANK

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DEALMAKER DATABANK

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RETAIL PROPERTIES OF AMERICA ***(retail)***: 2021 Spring Road, Suite 200, Oak Brook, IL 60523, (630) 634-4184, wright@rpai.com, Gerry Wright, SVP and Director of Asset Management, and Shane Garrison, EVP, Chief Investment Officer and COO,

ROUSE PROPERTIES ***(malls)***: Benjamin Schall, COO, 1114 Ave. of the Americas, Suite 2800, New York, NY 10036-7703, (212) 608-5108

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BUYERS IN BRIEF...

► **Boxer Property** will aim for $200M to $250M of value-added office purchases next year, mostly in the Sun Belt. Count on more interest in high-vacancy or completely vacant multitenant office buildings in large metro areas including Atlanta, Chicago, Dallas, Denver, Houston, New Orleans and Phoenix. Typical deal sizes will range from $2M to $100M. Although the company wants 75,000 s.f. plus properties in newer markets, it will consider smaller assets in footprint markets. Recent action has included purchases in Atlanta, suburban Chicago, Dallas and Houston. On its way to $200M to $250M of acquisitions this year, the private buyer will also consider completely and highly vacant mall space — particularly in markets with substantial Latino populations.

► Opportunistic buyer **PASSCO Cos. Development** will pursue five- to 500-acre unentitled residential land parcels throughout Southern California, for a newly minted opportunistic strategy.

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Deals in Detail

CBRE Michael Hines, EVP 1200 Liberty Ridge Drive Suite 320 Wayne, PA 19087 (610) 251-5185 michael.hines@cbre.com	New York Life Real Estate Investors pays an estimated $72.5M, nearly $50 psf, for an eight-building asset measuring 1.47 million s.f., in West Deptford, N.J. The early October deal for the 12- to 18-year-old property took 40 days to close from initial contract. The 81%-leased property comprises bulk distribution/warehouse and shallow-bay buildings, plus a fully-leased single-tenant office building. The cap rate is an estimated 6.5% based on in-place income, with a projected 8.2% cap rate upon stabilization. CBRE brokered the deal on behalf of New York Life Real Estate Investors and the seller, Bentall Kennedy.
The Shopping Center Group Anthony Blanco, Director of Investment Sales 5201 Blue Lagoon Drive Suite 550 Miami, FL 33126 (305) 262-8877; fax: (305) 262-7180 anthony.blanco@tscg.com	Former leasehold tenant Publix Supermarket paid less than $90 psf for a fully-leased grocery-anchored center in Cocoa Beach, Fla., at a 6.5% cap rate. The 28-year-old property, called Banana River Square, was renovated around 2000 and is 91.5% leased to mostly local tenants and co-anchor Family Dollar. The Shopping Center Group represented the Columbus, Ga.-based seller, Victory Real Estate Investments. Victory Real Estate hasn't bought any buildings this year, but seeks mostly off-market purchases of grocery-anchored centers with 9%-plus cap rates. Active throughout the Southeast, the buyer considers properties leased to top area grocers, excluding Walmart, in secondary and tertiary markets.

BUYERS IN BRIEF...

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Count on PASSCO's consideration of $1M to $20M transactions during a three- to four-year investment period. Southern California's Inland Empire, comprised of Orange, Riverside and San Bernardino counties, will be of particular interest. Count on attention to parcels in areas with established populations along the Interstate 15/Route 215 corridor in Orange and Riverside counties, and San Bernardino cities Fontana and Rancho Cucamonga, among others. Although there's a focus on land parcels, dealmakers could make an exception for a few mixed-use parcels allowing single-family residential, retail and other mixed-use construction.

► **Retail Properties of America** increases its acquisitions budget to $300M to $325M, as it nears its first purchases since 2008. More attention and deals are set to occur in target markets including the New York metro area and Seattle. The power center, community-center and net-lease property buyer, which has contracted to buy a pair of former Acadia Realty Trust centers and has bought out JV partner RioCan Investment Trust's majority stake, has acquired nearly $300M YTD at mid-6% cap rate. Most of its portfolio is anchored or shadow-anchored by grocery stores, discount or big box wholesale retailers; expect continued interest in the format as it evaluates about $2B of Class A centers moving forward. Retail Properties of America plan to add at least one person to its acquisitions staff in the next couple quarters, while planning to wrap up the year with upwards of $500M of sales at 7% to 7.5% cap rates.

► Smaller buyers will scout niche and core segments for properties attractive to private, high-net worth investors. **International Capital,** with a $100M acquisitions target for 2014, will cast a wider net for everything but coastal properties. More buys of shopping centers and single-tenant retail boxes, including Aldi's, will be planned alongside an imminent entry into self-storage market as an equity partner; dealmakers will consider most all other CRE buys including Fresenius dialysis centers and buildings partially or fully leased to Germany-based tenants. Minimum pricing has increased to $5M, generally speaking,from a previous $1M threshold. Acquisitions activity this year will total $10M and include medical office, mixed-use and single-tenant retail.

DEVELOPMENT SLUMP PROMPTS ACTION FROM INDUSTRIAL BUYERS

Top industrial REITs' appetite for deals will support stabilized and value-added property buys into 2014. Global REIT **Prologis** looks for $800M to $1B of mostly stabilized acquisitions this year. **DCT Industrial Trust** and **EastGroup Properties** will search established and growing markets where rent gains are expected to continue because of a lack of new construction. Cap rates will decline into the 6% or high-5% range for stabilized assets, causing a ripple effect into secondary markets where cap rates can trend north of 8%.

Value-added buyer DCT Industrial again bumps its acquisitions goal to $350M to $400M and can be expected to pursue additional buys of 80%-plus warehouse/distribution assets in primary and secondary markets. The buyer, which recently entered the growing northwest Chicago suburb of Elgin, should be expected to seek more new market entries, while developing and selling off non-core assets. Earlier this year it acquired properties in Atlanta, Dallas, Philadelphia, Phoenix and Southern California's Inland Empire region. It has acquired a little more than $300M this year.

DCT dealmakers aren't the only ones anticipating lower cap rates in response to continued demand for 500,000 s.f.-plus warehouse/distribution buildings. Recent deals have hovered in the low-7% range for properties with average 81% occupancy rates. In pursuing additional deals DCT could encounter diversified buyer and builder Duke Realty, which nears $500M of buys with recent purchases in central Pennsylvania and Southern California.

EastGroup Properties has acquired $72M of buildings and land since January. Expect more interest in land buys for the company's development program. Denver will rate high on its list, but pricey California won't. EastGroup this year has acquired buildings and land in Dallas and Charlotte, N.C., respectively.

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