HOTEL REBOUND TO BOOST ACTIVITY...

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An urban focus on limited-service to resort hotels means the buyer will cross paths with **HEI Hotels & Resorts** and its $500M acquisitions target aimed at limited-service to full-service properties nationwide. **Concord Hospitality Enterprises**, which plans a West Coast expansion and $300M of acquisitions this year, can be expected to seek smaller, upscale full- and limited-service hotels in Los Angeles, Phoenix, Miami, Nashville and, eventually, Manhattan. It will make value-added plays in and outside joint ventures, including a recent buy with RockBridge, as it seeks to more than triple 2012 acquisitions volume with fee-simple and debt purchases.

Urban demand will spur a redevelopment and renovation renaissance. Investors are shedding their bearish outlook. **Gemstone Hotels & Resorts** targets upwards of $200M of primary, suburban and secondary market buys this year, after striking a new entry into the San Francisco Bay Area. The investor scopes four-star assets with 200 to 300 rooms, and has scouted Albuquerque, N.M., Fort Lauderdale and the broader South Florida region. It will encounter active investment advisers **Clarion Partners** and **GIC Real Estate**. An expected rise of redevelopment and adaptive reuse deals could give institutional buyers plenty to choose from in a few years. Big deal buyer **Joseph Chetrit**'s $1B-plus plan to convert a New York office building into hotel rooms and condominiums underlines this mounting trend. Developer **OSM Investment** wants Los Angeles apartments and hotels for adaptive reuse; it targets $5M-plus deals and could acquire for $100M to complement an apartment and affordable housing strategy.

Nontraded REITs will accelerate buys in secondary markets. **Apple REIT Ten**'s $500M of targeted acquisitions will include a new entry into Oklahoma and a doubling of assets in Alabama and Texas, as part of $107M of deals under contract. Look for the Midwest- and Sun Belt-heavy buyer to continue shedding tertiary market assets and rerouting cash into larger secondary and primary markets this year.

DATA CENTER ACQUISITIONS HEAT UP

Data center specialists **CoreSite Realty**, **Digital Realty Trust** and **DuPont Fabros Technology** respond to a growing need for space with more acquisitions and development this year. There will be plenty of competition in this hot niche as healthcare, internet service providers and other technology users require more space to store data, in addition to the evolving cloud computing segment. As more companies are flooded with data as a result of technological advances, a need for off-site storage becomes more acute.

The sector leaders will notice increased competition for new construction sites and existing as well as redevelopment-ready properties. New REIT **CyrusOne** and **GI Partners** want to buy and build. CyrusOne could use part of a $200M development budget for existing property fee-simple and sale/leaseback acquisitions this year. It plans to expand an existing market presence in Cincinnati and Phoenix, plus Austin, Houston and San Antonio, Texas, while eyeing new markets in New Jersey, New York, North Carolina and northern Virginia. It has bought data centers in the 700,000 s.f., range, and will shop 20 acre-plus land parcels for development.

If REIT leader Digital Realty Trust dials up a stateside focus, up to $400M could be used for buys in existing markets that include Dallas, San Francisco, Seattle, New Jersey and Virginia. It acquired $1.4B of properties during 2012, including a New Jersey building and a portfolio of U.K. properties.

CoreSite Realty, which counts Los Angeles, San Francisco and northern Virginia as top markets, could acquire land for development as it grows through acquisitions of tech platform operating companies. DuPont Fabros Technology acquired a small amount of land during 2012 and doesn't expect new acquisitions this year.

Institutionally backed funds and office buyers are also shopping for space. GI Partners will follow late 2012 deals in San Diego, Calif., Washington, D.C., and the San Francisco Bay Area with additional primary and core market buys nationwide, for its $500M equity Tech Core fund. Count on interest in data centers and tech corporate buildings this year, powered with cash from the California Public Employees' Retirement System. Other buyers acquiring in the space include **Corporate Office Properties Trust**. The public REIT specializes in government-leased buildings, but has paid up for newly constructed and established data centers and office parks in primary markets.

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