CRITTENDEN Real Estate Buyers™

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SECONDARY OFFICE BUYERS POUNCE AS RENTS RISE

Public, non traded REITs and private buyers will increase transactions in secondary office markets as they aim to take advantage of steadily rising rents. Value-added and core-plus strategies will take center stage as competition heightens for buildings that can be repositioned. At least 2% rent growth is expected for many secondary markets.

Franklin Street Properties (FSP) positions itself to be one of the largest buyers of the year, in evaluating $1.5B of acquisitions. The company will consider familiar secondary markets Denver and Minneapolis, in addition to Atlanta, Dallas and Houston. Industry watchers expect rents in Denver to be among markets posting up to 2% growth, which will put even more pressure on value-added buyers. With competition rising, FSP could buy a slight majority of properties off market. It shops $50M-plus transactions and bought approximately $560M of properties in 2013.

The Shorenstein Co. this year will pursue an $800M acquisitions goal and will likely roll out a successor to its tenth investment fund. Look for the private buyer to shop $50M-plus buys in secondary and primary markets that include downtown Houston, Boston and San Francisco. *Continued on next page*

TOP HOTEL BUYERS

PROJECTED 2014 ACQUISITIONS

BUYER	VOLUME	DETAILS
Carey Watermark Investors	$600M	Buys select- and full-service hotels in primary markets nationwide. Bought $750M of assets during 2013.
Sunstone Hotel Investors	$500M+	Full-service hotels in primary and secondary markets nationwide.
RIM Hospitality	$500M	Limited- and full-service hotels nationwide.
Inland American Lodging Advisors	$500M	Urban, upper-upscale and suburban markets nationwide.
American Realty Capital Hospitality Trust	$425M	Targets $1.6B equity raise for mostly midscale select-service acquisitions during the next three to five years.
Thayer Lodging Group	$400M	Private investor works with cash from the targeted $500M-equity Thayer Hotel Investors VI.
Hyatt Hotels	$375M+	Acquires full-service hotels in gateway cities worldwide, including Los Angeles and Miami.
Apple REIT X	$300M	Acquires limited- and full-service hotels in secondary markets nationwide; recently bought a newly constructed asset in Oklahoma City.
Host Hotels & Resorts	$300M	Acquires full-service and resort hotels nationwide.
Summit Hotel Properties	$250M	Upper-upscale select service buyer.

Other hotel buyers to watch: Kimpton Hotels & Resorts, Wheelock Street Capital Partners, La Quinta Inns & Suites, Ultima Hospitality, DiamondRock Hospitality and Dow Hotel Co.

2014 numbers are based on interviews, editorial assumptions and recent acquisitions activity.

SECONDARY OFFICE BUYERS

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Non traded REIT sponsor **KBS Realty Advisors**, fresh from a big-ticket deal for an 85%-leased building in downtown Salt Lake City, should roll out a successor fund to KBS REIT III, which powered more than $1.5B of office purchases during 2013. Expect the buyer to show interest in secondary and primary markets for a core-plus and value-added strategy. Markets on the radar include Atlanta, Boston, Chicago, Dallas, Denver, Houston, Los Angeles, Minneapolis and Phoenix, plus the greater Philadelphia market. It recently hired a VP and market leader for the Dallas region, so expect an increase of acquisitions and sales there this year.

Nearing its first anniversary as a public REIT, **Columbia Property Trust** — formerly Wells REIT II — brings up to $350M for acquisitions and could sell an equal amount of assets. The company will encounter Franklin Street Properties in Atlanta and Houston, along with crossing Shorenstein Co.'s path, as well as regional buyer Keystone Property Group. A core-plus and value-added preference that includes short-term lease rolls will propel acquisitions in key secondary and primary markets Atlanta, Baltimore, Chicago, Cleveland, Houston, Pittsburgh, Pa., and northern New Jersey. Buys there will complement interest in Boston, New York, Washington, D.C., and San Francisco — where rent growth should average 3% this year.

Colombia Property Trust will appoint a new chief investment officer in coming weeks, as part of a broader push that includes additional hires and potential joint ventures in its footprint markets. The six-month-old REIT, which sold off more than $500M of assets last year, has a $3.6B portfolio. It will encounter eastern U.S.-focused Highwoods Properties, which will hotly vie for urban infill and CBD market properties.

On the high end, **Highwoods Properties** could acquire $300M of properties. Like its competitors, it will focus on urban infill and central business district properties as it revamps a suburban office-heavy portfolio. Transactions in Atlanta, Pittsburgh, Tampa, Fla., Nashville, Tenn., and the North Carolina markets of Raleigh-Durham and Winston-Salem will be among targeted markets. The public REIT could also sell up to $175M of properties this year.

Suburban specialist **Keystone Property Group**, seeking to buy one million square feet of properties this year, may diversify its portfolio with more infill CBD office space. *Continued on next page*

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Keystone Property Group recently teamed with Mack-Cali on a 2.2 million s.f. suburban office portfolio. However, it also holds a couple of CBD office buildings in Philadelphia, close to its headquarter city. More buys in secondary markets could occur as part of potential expansions in northern Virginia and suburban Washington, D.C. Deals will complement planned entries into Westchester County, New York and northern New Jersey. Value-added Class B properties that are 90% leased would be considered, but dealmakers need a good price to justify the deal; their bread and butter is vacant- to 80%- leased buildings.

City Office REIT will shop $20M to $50M assets under the radar of big-ticket buyers. Denver, Tampa and Orlando, Fla., Portland, Ore. and Allentown, Pa. are go-to markets for the company that plans to acquire more when it completes an initial public offering. Additional purchases made by the Canada-based buyer will grow a two million s.f. portfolio of six properties.

BUYERS IN BRIEF...

►With $1B for acquisitions during the next 12 to 18 months, **Inland Real Estate Group/Inland Real Estate Acquisitions** will likely pursue mostly retail assets occupied by both credit and non-credit tenants nationwide. There will be a lesser-but-significant emphasis on industrial buildings, corporate headquarters office space and medical office. Daycare assets may also be considered. Properties occupied by tenants with less than 10 years on leases, which can be released at higher rents, will fit the buyer's real estate strategy targeting cap rates in the 7% to 9% range.

Watch for the as-yet-unnamed fund to strike roughly $750M in all-cash deals throughout the retail and restaurant segments. Discount stores, grocery stores, quick-service restaurants and fast casual in primary and secondary markets nationwide will diversify a Texas- and Midwest-heavy footprint. Dealmakers will pay particular attention to Seattle and Portland, Ore. Transaction sizes will vary from $2M to upwards of $100M, for one-off and portfolio transactions.

►**Harbert Management** has a $200M acquisitions goal this year, which it will spend on apartments, industrial, office and retail properties nationwide. If successful, that goal will mark a twofold increase compared to 2013. The pension-fund adviser and private investor targets $20M to $100M acquisitions. It will consider joint ventures and prefers all-cash to seller, seller financing and new third party debt for transactions. It has a $1B portfolio.

►Following recent buy about 45 minutes northwest of Washington, D.C., **The Donaldson Group** will acquire at least one more Class B or Class C property in the Baltimore-to-Northern Virginia market. It will consider 100-plus units in urban and suburban areas in fee-simple transactions, as well as distressed properties and, potentially, mortgage note purchases. Stabilized core-plus properties are also considered if there's upside. The value-added buyer has acquired properties priced in the estimated $35M to $100M range. Joint venture partners include Angelo, Gordon & Co.

►A larger appetite for old-fashioned — or static — advertising billboard space can be expected from **CBS Outdoors Americas** and its recently inked $425M credit line. Because of declining costs to convert older vintage billboard space to digital billboards, don't be surprised if the company wants more deals from brokers as a result of its IPO. While most of the IPO-generated equity should be used to pay off $1B-plus of debt, some capital should also be used for acquisitions in the top 50 metro areas. New buys will support a portfolio of properties concentrated in Los Angeles and New York, plus Chicago, Detroit, Los Angeles, Miami, Houston and Washington, D.C.; smaller markets include St. Louis, Dallas, Orlando and Tampa, Fla., plus Phoenix. CBS Outdoors Americas plans a listing under CBSO on the New York Stock Exchange.

►With $2B for buys this year, look for East Coast-focused **The Kushner Cos.** to eye $2B of apartment, office and industrial acquisitions. The company bought 1,000 apartments in New York and Philadelphia last year, in addition to a diversified CRE portfolio with joint venture partners, as part of a $2B of deal volume.

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ACA Boosts Medical Office Demand, Activity...

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Virtus Real Estate Capital expands development plans and market presence as part of a broader focus on higher risk deals. The value-added buyer and JV partner considers different medical office segments, including dialysis, dental services and other specialty niches. Count on more preleased development as part of a $450M acquisitions goal for 2014. Dealmakers could approach $30M of medical office purchases, similar to 2013 volume; they won't pay 4% cap rate for a 70%-leased building to get to 90% occupancy at a 6.5% cap rate.

SINGLE-FAMILY

AMERICAN HOMES 4 RENT: 30601 Agoura Road, Suite 200, Agoura Hills, CA 91301, (805) 413-5300

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UNSOLD SINGLE-FAMILY HOMES BECKON BUYERS

Buyers hungry for single-family housing look to capture a chunk of the 10 million-plus distressed property segment that could be converted to rental housing. With a $600M cash and credit purse, single-family buyer **Starwood Waypoint Residential Trust** will buy portfolios of single-family houses and nonperforming loans nationwide. The buyer will encounter big buyers Lone Star Funds, The Blackstone Group and Colony American Homes, as well as smaller competitors American Homes 4 Rent and Reven Housing REIT.

Smaller and midsized buyers will also stalk product nationwide. Expanding **Reven Housing REIT** knocks on doors in Tampa and Jacksonville, Fla., and Charlotte, N.C., in order to strike initial market entries. Purchases of 25- to 500-home stabilized portfolios with $1.5M-plus price tags are planned. Deals will add to a $12.5M portfolio of houses in such markets as Dallas, Houston, Memphis, Tenn., and Georgia. The company also eyes additional markets, including Chicago, Denver, Las Vegas, Salt Lake City and Louisville, Ky. Transactions typically range from $60,000 to $125,000 per house.

Multi-Billion Dollar Portfolio

American Homes 4 Rent has an $800M credit line that should fuel acquisitions of three-bedroom, two-bathroom houses and larger. The company, which targets a $115M IPO, will pursue additional buys in key markets of Atlanta, Cincinnati, Dallas, Houston, Indianapolis, Phoenix, Nashville, Tenn., and Jacksonville, Fla. Transaction sizes range from $145,000 to $200,000 — averaging $165,000 per house. Typically, the company buys 800 to 900 houses from a 40,000-house pipeline evaluated monthly. Dealmakers bought more than 15,000 houses in 2013, for a $3.6B portfolio.

APARTMENTS

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ACTION ABOUNDS IN APARTMENT MARKET

Private apartment buyers will increasingly vie for opportunistic purchases in rebounding markets. The Bascom Group, Griffis Residential and RAM Realty Services will cross paths in searching for units to reposition nationwide.

The Bascom Group, with an $800M to $900M acquisitions goal, will strike its second purchase in Las Vegas in a couple of weeks. Dealmakers entered the market in September and can be expected to continue searching for Class B and Class C assets in Sin City and other markets throughout the Mountain States, South and West. A successor fund to its current Bascom Value Added Apartment Investors II, with $120M of remaining cash, might occur later this year or in early 2015. Age-restricted housing geared toward senior citizens, student housing and various types of distressed assets will also be on dealmakers' radars.

In Las Vegas, The Bascom Group should encounter the **Griffis Residential Premium Apartment Fund III,** which has acquired a little less than $400M of core-plus apartments. The buyer focuses on Class A and Class B core plus properties with more than 200 units constructed during or after 1995, with a concentration of assets throughout the West and Mountain states. The successor fund—expected to be introduced in a few months, should meet or exceed the current fund's size and continue its current strategy. Griffis Residential has acquired partially constructed properties with a little work needed before completion. They'll do such deals again. Dealmakers recently bought a Class A asset in the Summerlin submarket of Las Vegas, consistent with strategy.

RAM Realty Services eyes the Class A to Class C+ markets. It will use $50M of remaining cash from the $150M RAM Realty Partners III fund, which also seeks retail properties. The private buyer recently scooped a couple assets in Atlanta.

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