CRITTENDEN Real Estate Buyers™

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MIXED-USE BUYERS AGGRESSIVE NATIONWIDE

With a new fund, **Madison Marquette** brings a $500M acquisitions purse for office- and retail-heavy buildings, advancing a trend shared by other mixed-use buyers aiming to capitalize on gateway market popularity and a lack of new product.

Madison Marquette considers $25M-plus acquisitions of mixed-use and single-use office and retail properties with 60%-plus occupancy rates. Dealmakers plan to spend a lot of time in New York, Westchester County and the Washington, D.C., areas. Additional purchases in New York will follow a retail-only buy at a Brooklyn mixed-use property, in addition to a 202,000 s.f. retail/office blend in Bellevue, Wash., acquired in late 2013. Its portfolio includes mixed-use concentrations in California, Florida, Ohio, New Jersey and Washington.

As it expands in New York, Madison Marquette will encounter public REIT **SL Green Realty**, which should concentrate on retail buys at least through March. However, more apartment/retail mixed-use buys should occur with capital from a variety of sources, including domestic pension funds to foreign sovereign wealth funds. The public REIT last year spent $573M on real estate that included a $400M mixed-use asset.

Acadia Realty Trust, like Madison Marquette and SL Green, has also acquired retail components as well as entire mixed-use assets within a $20M to $200M price range. Mixed-use properties in Chicago, New York and Washington, D.C., might be among a $92M pool of properties under contract.

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TOP MEDICAL OFFICE BUYERS

2014 ACQUISITIONS

BUYER	VOLUME	DETAILS
Senior Housing Properties Trust	$1.125B+	Buys medical office, health clinics and biotech buildings.
BioMed Realty Trust	$800M	Acquires life science and medical office buildings in Boston, San Francisco, San Diego, Seattle, Maryland, New York, New Jersey and Pennsylvania.
Griffin American Healthcare REIT III/Griffin Capital	$750M	Buys net-leased medical office nationwide; bought more than $750M of medical office during 2013.
Healthcare Trust of America (HTA)	$350M	Acquires $20M-plus medical office buildings that are on or adjacent to hospital campuses nationwide.
HCP	$300M	Bought more than $200M of medical office buildings during 2013.
Medical Properties Trust	$300M	Buys medical office in single-asset and portfolios, typically through fee-simple and sale/leaseback structures.
Ventas	$2B	Overall volume includes — among other investments — senior housing, medical office and laboratories.

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

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MIXED-USE BUYERS

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Acadia acquired an estimated $350M of pure retail and mixed-use assets during 2013. In Los Angeles, New York and primary markets in between, **El Ad Group** will be active in retail, hotel and apartment redevelopment and conversion. Following an expansion into Portland, Ore., look for developer Mack Urban's interest in western U.S. land parcels supporting fresh mixed-use developments with 150 to 300 residential units.

West Coast Focus

Hudson Pacific Properties, contracting to pay more than $300 per s.f. for a 7% vacant office/retail building in Seattle, will consider additional properties throughout the West. However, such deals will be secondary to the company's core office focus. The public REIT in 2013 bought $617M of real estate — in San Francisco and the Southern California cities of Burbank and Santa Monica. Beverly Hills, Calif.-based **Kennedy-Wilson Holdings** also scouts office, retail and apartment mixtures as part of a diverse CRE strategy, which should also include equity and debt investments in and outside the mixed-use segment. Don't be surprised if the public buyer joins **Capri Capital Partners** for another big suburban deal resembling the pair's $200M-plus apartment/retail purchase outside Los Angeles, booked in 2013.

The **STG Group**, on the heels of a $378 per s.f. buy in Oakland, Calif., should be an active Section 1031 Exchange buyer and seller throughout the West — from Alaska to California — for deals in and outside the mixed-use segment. The investor currently evaluates a $40M deal in Los Angeles that's consistent with its focus on office, retail and mixed-use properties.

Private equity shops **Pembrook Capital Management**, **The Blackstone Group** and **The Rockefeller Group** will also shop for mixed-use as part of a larger CRE appetite across property types. Pembrook makes sub-$10M equity investments and recently buckled down a preferred equity deal on Chicago's North Side, secured by an apartment/retail blend.

BUYERS IN BRIEF...

► **The Herrick Co.**'s $500M buy-side budget will fuel acquisitions of apartments and hotels, along with single-tenant and multitenant industrial and retail properties nationwide. The private investor considers $5M-plus acquisitions in mostly all-cash or seller-financing structures favored by dealmakers, including CEO Norton Herrick and Joe Surace, VP, Acquisitions and Dispositions, who booked $500M of acquisitions during 2013.

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► GSA-buildings buyer **Genesis Financial Group** raises its acquisitions goal to $350M for multitenant and single-tenant office and industrial nationwide. Genesis Financial Group prefers $2M-plus transactions and the all-cash-to-seller, seller financing and new third party debt financial structures. It bought $250M of assets during 2013.

► Public REIT **Cedar Realty Trust** this year plans $400M of acquisitions through the end of 2015 in its targeted markets of Connecticut, Delaware, the Washington, D.C., metro area, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island and Virginia — as part of a broader focus on the Mid-Atlantic to Northeast regions. Michael Winters, VP, Acquisitions, will be among dealmakers targeting $200M of buys during 2014 and the same amount during 2015. Count on continued interest in neighborhood shopping centers anchored by grocery stores, as well as other types of retail assets, for a long-term hold strategy. The company spent $200M on acquisitions during 2013.

► Industrial, medical office and office buyer **Gladstone Commercial** aims to meet last year's $135M acquisitions volume. The public REIT will evaluate $5M to $50M deals nationwide. Matt Tucker, Managing Director of the Northeast and the Midwest, will guide deals in these regions. Manhattan Beach, Calif.-based Andrew White handles transactions in the West.

► Western U.S.-focused retail buyer **Donahue Schriber**'s $100M acquisitions goal for the year will fuel $7M-plus buys of community, neighborhood and power centers throughout California, Nevada, Oregon and Washington. The private REIT, which acquired $100M during 2013, holds a $2.5B portfolio.

► **Agracel** has $120M through December 2015 for multitenant and single-tenant industrial acquisitions throughout the East, Midwest and South. Dealmakers, including Director of Business Development Todd Thoman, target $60M of buys per year during 2014 and 2015. The private investor and developer shops for $1M to $20M buildings in Alabama, Arkansas, Georgia, Illinois, Indiana, Iowa, Kentucky, Michigan, Mississippi, Missouri, Nebraska, Oklahoma, Tennessee, Texas, Virginia and Wisconsin, to grow a $220M portfolio.

► Value-added buyer **GranCorp.**'s $15M acquisitions purse will fuel transactions of 50- to 100-unit apartment complexes built after 1980, plus 20,000 to 130,000 s.f., office buildings and residential condominiums in California, Oregon and Washington. The private investor bought $15M of assets during 2013.

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Deals in Detail

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Cushman & Wakefield Brian J. Whitmer, Senior Director 1 Meadowlands Plaza, Floor 7, East Rutherford, NJ 07073 (201) 508-5209, fax: (201) 804-0064 brian.whitmer@cushwake.com	New York-based 543 Second Ave. LLC paid an estimated $335,000 per unit for a condominium-turned-luxury apartment complex built on a half-acre site in the northern New Jersey city of Palisades Park. The2011-vintage Hudson Gold Coast Apartments, located about 20 minutes south of New York, comprises one and two bedroom apartments and is 96% occupied. The cap rate is 4.3%. Cushman & Wakefield represented the buyer and seller, Madison House Holdings, in this mid-January transaction.
EFG|Engler Financial Group Pat Jones, Managing Director 1000 Windward Concourse, Suite 110 Alpharetta, GA 30005 (678) 992-2000 fax: ((678) 992-2001 pjones#efgus.com	Resulting from a $112,640 per-unit purchase of 625 units, Ram Realty Services expands its value-added portfolio in Atlanta and Smyrna, Ga. The cap rate is 5.9%. There's a blended 95% occupancy rate at the Aventine at Vinings and Aventine at Ashford complexes, which are slated for repositioning. EFG represented the seller in this early January transaction.

STRONGER INDUSTRIAL SECTOR ATTRACTS BUYERS

Shrinking industrial vacancy rates and a lack of new construction will support U.S. and international buyers' big acquisitions and joint venture plans. **Industrial Property Trust** (IPT) brings a $1B acquisitions goal for a stabilized and value-added warehouse and distribution buildings in primary and secondary markets. Germany-based **GLL Real Estate Partners** plans to make its industrial debut and will shop stabilized bulk warehouse and distribution buildings with 90%-plus occupancies.

IPT contracts to buy a mix of long-term- and short-term-leased buildings in Houston and the Seattle metro area. The company spent more than $500M during 2013 and will continue to spend money this year; it looks for properties valued at $4M-plus. Dealmakers will encounter Cobalt Capital Partners, among others. GLL, averaging $400M of buys per year, wants $25M to $40M portfolios — or two to five assets; dealmakers don't want flex space. They'll look at Atlanta, Chicago and Dallas, as well as Denver, Houston, Minneapolis and other major markets. Newly purchased industrial properties will add to a nationwide office and retail platform. It should encounter Norway-based Norges Bank Investment Management (NBIM), which recently bought a $450M stake in U.S. assets.

Stateside buyers will scan for deals in and outside joint ventures with foreign buyers. **Prologis**, which recently partnered with the Norwegian manager, will buy some U.S. warehouse and distribution space. It aims for $300M of acquisitions in North America, including the U.S.; it spent $225M in 2013. Buyer and builder **Hillwood Investment Partners**, which has counted Canada-based Brookfield Asset Management among partners, wants $325M of warehouse and distribution in various markets — including Atlanta, Baltimore, Chicago, Indianapolis and Orlando, Fla. **Bentall Kennedy** will also be active with a targeted $650M of buys and builds.

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STRONGER INDUSTRIAL SECTOR ATTRACTS BUYERS...

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Supply/demand imbalances will also motivate middle-market public REITs. **STAG Industrial** will exceed $350M of Class B buys in secondary markets. Dealmakers evaluate close to $1B of single-tenant properties that include portfolios priced from $25M to $80M. **DCT Industrial Trust**'s $100M to $200M acquisitions goal reflects tightening cap rates for value-added product. Development this year will match acquisitions volume. DCT Industrial spent $300M on buys and $150M on new builds in 2013. Later this year is when **EastGroup Properties** should be active in Las Vegas, Charlotte, N.C., and San Antonio, Texas, for a $50M goal. It spent $73M in Charlotte, N.C., and Dallas during 2013.

NET-LEASE ACTIVITY ON THE RISE THIS YEAR

Net-lease buyers will increase investment-grade and build-to-suit transactions as the sector rapidly consolidates. Public and private investors concentrate on acquisitions of retail, build-to-suit and existing industrial buys, preparing for big gains.

Retail portfolios will dominate the bulk of **Realty Income**'s $1.2B of activity this year. Expect to see more action in the discount, dollar store, drugstore and industrial segments. Investment grade-tenant properties will account for slightly more than half of deal volume. The remainder will be spent on buildings leased to non-investment grade tenants. Like other buyers, the public REIT will scoop investment-grade properties until debt costs and cap rates increase, building on $1.5B of acquisitions during 2013 — excluding its purchase of American Realty Capital Trust.

In contrast, one-off transactions will dominate **National Retail Properties**' $300M goal for retail buys that should target convenience stores, automotive stores and full-service restaurants. Count on assets with rent escalations to be bid up in advance of interest-rate and cap rate increases later this year or during 2015. The buyer gets close to 8% cap rates on properties mostly leased to non-investment grade tenants with escalating rents. Dealmakers want to continue the trend. National Retail Properties will encounter c-store and gas station buyer **Getty Realty**, with more than $75M of sale/leaseback buys in 2013. In the auto segment, **Capital Automotive REIT**'s $300M will scoop dealerships and other industry-related assets nationwide; dealmakers will cross paths with W.P. Carey & Co.

W.P. Carey & Co.'s appetite for industrial build-to-suits and expansions, as well as corporate office headquarters and retail acquisitions will eclipse automotive retailer activity. Dealmakers this year could exceed more than an estimated $1.3B spent during 2013. Transaction sizes range from $5M to $500M. An estimated $500M remaining on a credit line, which partially funded a recent purchase of affiliate CPA:16, will help acquisitions efforts. Other diversified buyers include **Griffin Capital Essential Asset REIT**, which should easily buy more than $1B of office, manufacturing and retail assets central to corporate operations nationwide. Also active in the space is **STORE Capital**, which booked close to $1B of deals last year and seeks $1M to $100M transactions.

Private buyers will also make strides. Expanding **ElmTree Funds** will put nearly $500M to work in build-to-suit, pre-development and pre-leased transactions involving industrial, manufacturing, office buildings and data centers. The buyer looks at $150M of closings in a few weeks. *Continued on next page*

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NET-LEASE ACTIVITY ON THE RISE THIS YEAR...

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Some of ElmTree's deals could involve entries into Denver, Kansas City and Minneapolis, as well as familiar markets Alabama, Arizona, Iowa, North Carolina, Oklahoma, Pennsylvania, South Carolina and Texas. Dealmakers also pencil nearly $200M worth of existing property purchases. Build-to-suit transactions will account for the bulk of ElmTree Funds' $600M of expected activity for single-tenant industrial, manufacturing, office and data center acquisitions. The company could encounter **Angelo, Gordon & Co.**'s $130M-equity AG Net Lease Realty III, which shops for $5M to $200M office, industrial bulk distribution and warehouse, R&D and retail assets nationwide in fee-simple and build-to-suit transactions.

Most public and private buyers will encounter **American Realty Capital Properties**, which anticipates another $2B to $3B of acquisitions across property types after closing its buy of Cole Real Estate Investments in early February. The targeted $2.27B Cole Credit Property Trust V and the Cole Office & Industrial REIT will be in the market for investment- and some non-investment grade properties.

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