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The Weekly Update on Institutional Buying Opportunities

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THE GRAPEVINE

District of Columbia Retirement has temporarily shelved a search for advisors to handle some \$135 million of planned real estate investments. The \$2.7 billion pension system, which hasn't owned any real estate since liquidating its portfolio in 1999, this spring set a target allocation of 5% for such investments. It had just started to develop an investment strategy with general consultant **Watson Wyatt**, sparking speculation that the pension plan would discuss specific advisors at its July 15 meeting. A District of Columbia Retirement spokesperson said the pension plan is still interested in real estate, but "at the present time, there is no specific timetable for resumption of the search."

Los Angeles City Employees has committed \$25 million to **Tuckerman**

See GRAPEVINE on Back Page

Hines Shopping Year-Old Houston Tower

A **Hines** partnership is marketing a downtown Houston office tower that it completed last year.

The 706,000-square-foot property, known as **Calpine Center**, is located at 717 Texas Avenue. The buzz is that the building could fetch as much as \$250/sf, or \$177 million. At that price, the buyer's initial annual yield would be roughly 7%. **Cushman & Wakefield** has the listing.

The 33-story tower was built by Hines and Lebanese billionaire **Rafik Hariri**, whose **Prime Asset Management** owns the land on which the building sits.

The offering comes at a time when the Houston office market has been strong, but with much of the investor interest focused on suburban properties. According to **Real Estate Alert's** Deal Database, which tracks sales of \$25 million or more, the Houston metropolitan area has produced \$590 million of activity this year — with another \$200 million of transactions pending. Among those

See HINES on Page 7

Duo's Investment Venture Ready to Deal

An Austin, Texas, firm is about to wrap up fund raising for the first in what it envisions as a series of opportunity funds targeting specialized real estate investments in the South.

Tierra Capital, run by former **Credit Suisse First Boston** and **Goldman Sachs** banker **Stefan Whitwell** and Texas investment veteran **W. Farley Dakan**, is on pace to launch its debut fund with \$30 million. The firm plans to follow up that vehicle with a string of entities that would operate with about \$100 million each.

Tierra is shooting for annual returns in excess of 20%, primarily by targeting multi-family, retail and mixed-use properties in Texas and Florida. Many of the firm's investments will involve development and redevelopment opportunities. For those plays, it will seek to boost returns by seeking out struggling sellers with vacant land and by forming relationships with local operating partners. Tierra

See TIERRA on Page 6

Shorenstein Lines Up Buyers for 2 Properties

Shorenstein Co.'s first fund has struck deals to sell the Hills Plaza office complex in San Francisco and the mixed-use Phoenix Plaza in Phoenix for a combined \$315 million.

Morgan Stanley's Prime Property Fund agreed to pay Shorenstein \$198 million for Hills Plaza in San Francisco. Meanwhile, **General Electric Pension Trust** has gone under contract to buy Phoenix Plaza for \$117 million.

The 610,000-square-foot Hills Plaza, which encompasses the neighboring buildings at 2 Harrison Street and 345 Spear Street, was marketed by **Eastdil Realty**. The deal is expected to close next month.

The 215,000-sf building at 2 Harrison Street was built in 1925 as the original Hills Brothers Coffee Factory. It was renovated in 1989 — the same year the 395,000-sf building at 345 Spear Street was built. The complex includes residential condominiums that are owned separately. Prime Property Fund, an

See SHORENSTEIN on Page 6

Jamestown Offers Retail Centers

Jamestown is shopping four suburban-Atlanta power centers encompassing more than 900,000 square feet.

The properties, which are leased primarily to big-box credit tenants, are expected to fetch a combined \$140 million. Jamestown has hired **Eastdil Realty** to market three of the centers. **Shopping Center Group** of Atlanta has the other listing.

The largest portion of Eastdil's listing is a 325,000-sf portion of the 445,000-sf Mansell Crossing in Alpharetta, which is about 25 miles north of downtown Atlanta. The 11-year-old property has about 25 tenants, including AMC Theatres, Barnes & Noble and OfficeMax. Mansell Crossing benefits from the nearby North Point Mall, a 1.4 million-sf property owned by **General Growth Properties**. The mall produces inline sales of nearly \$400/sf.

Eastdil is also shopping the 220,000-sf Barrett Place in Cobb. The property is leased mostly to OfficeMax, Petsmart and Best Buy.

The third Eastdil listing is a 150,000 sf portion of the 335,000-sf Venture Point in Duluth. The offered space is leased to furniture store American Signature and Circuit City. There is also a vacant site that formerly housed a Media Play store. The remainder of Venture Point is owned by **Inland Retail**, which bought its share of the property from developer **Thomas Enterprises** for \$26.3 million in 2002.

Shopping Center Group is marketing 218,000 sf of the 815,000 sf Southlake Pavilion in Morrow. Tenants in the offered portion of the fully occupied property include Petsmart, Media Play and Babies R Us. The property is adjacent to the 1-million-sf Southlake Mall, a General Growth holding that produces inline sales of about \$375/sf. The power center also benefits from other nearby retail properties, including a Publix grocery store and a Regal Cinema that draws in 50,000 patrons per week.

Most of the properties were built in the 1990s by **Thomas Enterprises**. Atlanta-based Jamestown syndicates its investments to German, Dutch and U.S. investors. ❖

Southeast Apartments for Sale

Developer **Epoch Properties** is marketing six Southeast apartment complexes that could fetch more than \$175 million.

The properties, which encompass 1,830 units, are available separately or as a package. All were built by Epoch and include such amenities as clubhouses, fitness centers, swimming pools, spas, and tennis and volleyball courts. Most are Class-A properties. **Rockwood Realty** has the listing.

The portfolio contains:

- The 444-unit Madison at Deerwood Lake in Jacksonville's upscale Southside district. The property was built last year. Rents range from \$820 to \$1,415.
- The 374-unit Ashley Park at Brier Creek in Durham, N.C. The property, built in 2002, is located near a major

business hub. Rents: \$725-\$1,395.

- The 292-unit Polos at Hudson Corners in Greenville, S.C. The property was built in 1997. Rents: \$579-\$819.
- The 278-unit Plantation Park at Ballantyne in Charlotte. The property was built in 1998. Rents: \$725-\$1,300.
- The 226-unit Reserve at Deerwood in Jacksonville, Fla. The property was built in 1980 and fully redeveloped in 1994. Rents: \$755-\$1,155.
- The 216-unit Polos South in Kissimmee, Fla. The property, built in 1991, benefits from growth in nearby Orlando. Rents: \$684-\$927.

Epoch, based in Winter Park, Fla., is a well-established developer of multi-family properties. Since 1970, the firm has constructed apartment complexes with more than 28,000 units in 58 cities.

For more information, call Rockwood's **Jeffrey Morris** at 305-372-7899. ❖

Kuwait Government Shops LA Offices

The Kuwaiti government is marketing a Los Angeles office building — the latest in a series of disposition efforts by the Middle Eastern country.

Kuwait's Atlanta investment unit, **Fosterlane Holdings**, has listed the 371,000-square-foot building at 6300 Wilshire Boulevard with **Cushman & Wakefield**. The property has no asking price, but is thought to be worth about \$200/sf, or \$74 million.

The property is 86% leased, with **Advance Magazine Publishers** occupying 71,000 sf through 2014. About 40% of the building's leases roll over by 2007, with **Pitney Bowes** planning to vacate its 15,000 sf in September and advertising firm **McCann-Erickson** expected to vacate its 45,000 sf in 2006. In-place rents average \$24/sf. Asking rents are about \$27/sf.

At the expected price, the buyer's initial annual yield would be just 5.5%. But if a buyer were to boost the property's occupancy level to 95% — from an expected 82% after Pitney Bowes leaves — the stabilized yield would be about 8.5%. The building is located in the 4.6 million-sf Miracle Mile submarket, which had an 85.5% occupancy rate at the end of the first quarter — up modestly from a year ago, according to Cushman. The submarket has a low amount of available sublease space, and there is no construction planned.

The 21-story building was constructed in 1972. It includes an eight-level garage with parking for 920 cars. Fosterlane bought the property in the late-1980s, and spent \$30 million on renovations and tenant improvements in 1993.

Fosterlane has been disposing of properties for more than a year. In March, it sold the 592,000-sf office building at 885 Third Avenue in New York to a **Tishman Speyer Properties** partnership for \$235 million. More recently, it brought to market the 510,000-sf office building at 125 South Wacker Drive in Chicago and the 228,000-sf building at 225 High Ridge Road in Stamford, Conn. ❖

Invesco Core Fund Drawing Investors

Five pension plans could soon direct more than \$300 million into **Invesco Realty Advisors'** long-awaited core fund, which has been slow to build commitments.

Los Angeles City Employees and **San Mateo County Employees** were separately scheduled to vote yesterday on the transfer of properties from their Invesco-run separate accounts to the open-end vehicle, dubbed **Invesco Core Real Estate Fund**. Invesco currently runs \$62 million of real estate investments for the Los Angeles pension plan and \$59 million for the San Mateo system.

Meanwhile, **North Dakota Investment**, **Arkansas Public Employees** and **Boston City Retirement** have made preliminary commitments to roll their portfolios into the fledgling fund, although it's unclear when they'll officially take that step. The North Dakota pension system's account contains roughly \$90 million of properties, while the Arkansas portfolio weighs in around \$76 million. The Boston system's holdings could not be learned. All told, Invesco probably manages less than \$350 million of real estate investments for the five pension plans.

Invesco apparently hopes to launch the fund on Aug. 1, but market players think it will likely take longer to get everything in order. Investors said details of the vehicle remain sketchy, even though Invesco has been trying to convince separate-account clients to move their holdings into the entity since last year. "It's still in the construction process," said one potential investor. "There's nothing hard and fast," because it's unclear which of Invesco's clients will ultimately commit to the fund. Invesco has not yet appraised the properties that it expects to place in the fund.

It looks like Invesco's marketing efforts have focused on clients for which it manages core accounts with \$100 million or less — leaving out longtime customers **Nevada Public Employees** (\$675 million account), **Los Angeles County Employees** (\$550 million) and **Iowa Public Employees** (\$312 million), among others.

Other targets are not committing to the fund. **Ohio Police & Fire** passed, while **Ventura County Employees** opted instead to transfer properties to **Prudential Real Estate Investors' PRISA** core fund. Invesco never approached **San Diego City Employees**, which committed \$40 million to the firm in October.

Still, investors could find Invesco's vehicle more attractive than established vehicles like PRISA and **ING Clarion Partners' Lion Properties Fund** because existing entities often have backlogs of commitments. Additionally, investors can cut down on fees by sticking with the same manager. They also like the idea of having "the same manager as before, someone who is familiar with the assets."

Invesco has been the sole separate account manager for the Los Angeles and North Dakota pension systems, and has handled all real estate investments for the San Mateo County and Arkansas systems. For such players, a large commingled fund offers safety that smaller separate accounts cannot

ensure. For example, a large portfolio can post solid returns even when an individual property struggles — unlike a separate account with just four or five holdings.

The core fund follows Invesco's successful launch of a value-added vehicle last year. The firm's **Value-Added Real Estate Fund** raised some \$300 million of equity and has roughly \$750 million of buying power. Investors in that fund include **San Diego City Employees**, **Contra Costa County Employees**, **San Antonio Fire & Police** and **Austin Police**. ❖

SF Pension, GMAC Expand Partnership

San Francisco Employees and **GMAC Institutional Advisors** have formed another joint venture.

The 50/50 arrangement comes in addition to a three-year-old partnership between the \$11.5 billion pension system and GMAC, which is again investing on behalf of parent **GMAC Commercial Mortgage**. Like last time, each of the players is investing \$50 million in the purchase or development of multi-family properties.

The new joint venture has a broad acquisitions mandate, running the gamut from conservative properties to development and redevelopment opportunities, which tend to produce substantially higher yields. The partners plan to employ 50% leverage for core purchases, 60% for value-added purchases, and at least 60% for opportunistic purchases, giving them about \$250 million of total buying power. The vehicle will target unleveraged yields of 9-15%.

When San Francisco Employees and GMAC initially teamed up in 2001, they had some \$330 million of buying power. That venture used more leverage because it pursued more-opportunistic assets. The partnership, which only took on value-added and opportunistic plays, bought or developed 21 properties. It has since sold nine of those holdings, leaving it with a \$132 million portfolio. So far, the partnership has produced an annual net return of more than 20%.

San Francisco Employees, which manages retirement assets for city and county employees, has a history of working with other companies multiple times. The pension system has money in three separate accounts with **RREEF** that span the yield spectrum. It also maintains core and value-added separate accounts with **Invesco Realty Advisors**. **Townsend Group** is the pension plan's consultant.

The pension system has been bulking up its real estate portfolio since it increased its target allocation to 12%, from 8%, last year. At the end of last year, it had some 9.5% of its capital invested in real estate.

San Francisco Employees stands to have a large chunk of capital to redeploy once it receives its share of profits from the pending sale of Stonestown Galleria, an 854,000-square-foot mall in San Francisco. The pension plan is one of several investors in a **Heitman** fund that is in the process of selling the trophy property to **General Growth Properties** for \$312 million. ❖

Buyer Sought for Orlando Apartments

A developer has set a \$34.5 million asking price for a recently constructed apartment complex in Orlando.

Atlanta-based **Davis Development** has hired **CB Richard Ellis** to market the 304-unit complex at 19927 Villa Square Drive, called Villas at World Gateway. At the \$113,000/unit asking price, the buyer's initial annual yield would be 6.2%.

The property was completed last year and is now 98% occupied. The one-to-three bedroom units — 188 of which have garages — command rents of \$725 to \$1,285. The

townhouse-style gated development includes a fitness center, business center and a swimming pool. It is located near Interstate 4 and West Osceola Parkway, about one mile south of Walt Disney World.

Orlando's apartment market is one of the strongest in the country. A February study by **Metropolitan Life** unit **SSR Realty Advisors**, which encompassed 62 apartment markets nationwide, found that Orlando was among the five locales with the most construction relative to overall market size. Despite the construction, Orlando was among the five markets with the best absorption rates.

For more information, call CB's **Robert Miller** at 407-839-3106. ❖

Chicago Offices in Play

A partnership between **Zeller Realty** and **ING Realty Partners** is offering a 610,000-square-foot office building in Chicago's Central Loop that's expected to fetch about \$75 million.

The property, called Burnham Center, is located at 111 West Washington Street — in the heart of Chicago's central business district.

CB Richard Ellis has the Burnham Center listing.

The 22-story building is 85% occupied at triple-net rents of about \$24/sf. Office tenants include **Cook County**, **OWP&P Architects** and a number of law firms. The building has ground-floor retail tenants.

Burnham Center was built in 1914. It was designed by **Daniel Burnham**, the architect responsible for a number of Chicago's turn-of-the-century buildings. The fully renovated property, which features a three-story atrium, is on the National Registry of Historic Places. It's located across the street from City Hall and the Daley Center, which houses the Illinois state courts.

Zeller and ING Realty's second fund purchased Burnham Center for \$51 million in 2001. ❖

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Investment Group Hawks NY Offices

A New York investor is shopping a soon-to-be-full office building in Midtown Manhattan.

The 156,000-square-foot Class-B building, located just south of Times Square at 218 West 40th Street, is expected to fetch up to \$45 million, or \$288/sf. At that price, the buyer's initial annual yield would be about 7%.

The tenants occupying the 12-story building's 133,000 sf of office space are scheduled to shift over the next few months. The main tenant is a **Katharine Gibbs** school, which leases 71,000 sf through 2017. The school plans to expand to 97,000 sf by March 2005, by taking over space occupied by clothing company **Donna Karan** and software firm **Mnemotech**. At that point, the building will be fully occupied. The rent for Katherine Gibbs' new space will be slightly lower than the market rent of \$33/sf. The expansion will reduce Donna Karan's space to 25,000 sf, which it will lease through 2008, and take Mnemotech out of the building.

Fabric retailer Fantastex leases all 23,000 sf of ground-floor, mezzanine and basement retail space. Its lease runs through 2011.

The 84-year-old building is situated between Seventh and Eighth Avenues, just outside an area that the city is rezoning to encourage development of office, hotel, residential, exhibition and sports facilities. It's located less than one block from the future location of the 1.5 million-sf **New York Times** headquarters, which is scheduled to open in 2007.

Current owner **Tishman-Heskin Partners** bought the property from **Union of Needletrades, Industrial and Textile Employees** for \$22.2 million in 2000. It spent \$4.5 million on renovations in 2001. Tishman-Heskin is unrelated to **Tishman-Speyer Properties** or **Tishman International**.

Newmark Capital has the listing. For more information, call **David Noonan** at 212-372-2268. ❖

AEW Venture Shops LA County Offices

An **AEW Capital Management** joint venture has brought to market two suburban Los Angeles office buildings that it purchased in 2002 as part of a larger portfolio.

The buildings, at 10100 and 10330 Pioneer Boulevard in Santa Fe Springs, encompass 177,000 square feet and are thought to be worth \$33 million, or \$185/sf. At that price, the buyer's initial annual yield would be just under 8%. The buildings, which are available as a package or separately, are listed with **Cushman & Wakefield's** Los Angeles office.

The properties are part of Town Center Business Park, a 10-building campus with 458,000-sf of office, industrial and research-and-development space. The offered buildings are 96% occupied, which exceeds the local average of 93% for Class-A space. Asking rents are \$22.20/sf. **Los Angeles County Department of Education** recently signed a long-term lease for 73,000 sf. Other tenants include **East-West Bank**, **Xerox**, and **State of California Employment Development Department**.

In the spring of 2002, AEW's \$350 million opportunity fund, AEW Partners IV, teamed up with **Layton-Belling & Associates** of Newport Beach, Calif., to buy Town Center Business Park for \$33.5 million, or \$73/sf. The seller was **UBS Realty Advisors**, which was also represented by Cushman.

Earlier this year, the partnership sold the industrial buildings at 10200 and 10310 Pioneer Boulevard to local player **Don Wilson Builders** for \$6.8 million, or \$107/sf. The remaining industrial/R&D buildings, at 10400-10450 Pioneer, encompass 214,000 sf. They are not being offered.

The 27-acre park was developed in 1989. It is located just east of Interstates 5 and 605. ❖

Shorenstein ... From Page 1

open-end core vehicle established in 1973, was taken over by Morgan Stanley in November as part of its acquisition of many of the components of **Lend Lease Real Estate Investments**. Investors in the fund include **Minnesota State Board** and **Vermont State Retirement**.

Phoenix Plaza, at 2901-2929 North Central Avenue in Phoenix's Midtown business district, consists of two 20-story office towers, a three-story retail development and a 3,800-car garage. **Secured Capital** handled marketing.

GE Pension Trust of Fairfield, Conn., has lately been an active player in the office market. It sold two downtown San Diego properties for \$211.5 million earlier this year via Secured.

Shorenstein bought Hills Plaza and Phoenix Plaza in 1994 as part of a \$280 million four-building portfolio from **U.S. West Real Estate**, a subsidiary of telecommunications firm U.S. West. Shorenstein sold the other two properties in separate deals in 1998. ❖

Tierra ... From Page 1

will also buy existing properties that would benefit from renovation, improved leasing or management changes.

The idea behind Tierra's investment strategy is that Texas and Florida have plenty of upside due to their increasing popularity as retiree destinations. Both states boast strong demographic and economic forecasts, along with low taxes, warm weather and attractive terrain for development.

Tierra will increase its funds' buying power by using an undisclosed amount of leverage. The firm plans to run numerous small funds, as opposed to a single vehicle with more capital, as a means of maximizing its flexibility during various market cycles.

Whitwell previously served as a director in First Boston's strategic-investments group and advised clients in Goldman's equities division. Dakan was a consultant at **Ernst & Young Kenneth Leventhal** before forming **Dakan Holdings**, which invested primarily in multi-family developments. He also served as a senior advisor at **Roy Anderson Corp.**, a major Southeast construction company. ❖

Industrial/Flex Portfolio on Block

A developer is marketing a 10-building industrial/flex portfolio in Southern New Jersey.

The properties, which encompass 874,000 square feet, are located in four towns. There's no asking price, but the portfolio has an estimated value of \$46 million. At that price, the buyer's initial annual yield would be 8.5%.

Eight of the buildings are industrial/flex, one is office/flex, and one contains only office space. All told, 84% of the space is industrial. The portfolio has an average occupancy rate of 90% and includes five fully occupied buildings. That's in line with the 92.5% average occupancy among Southern New Jersey industrial properties, according to a March report from **CB Richard Ellis**.

Tenants include retailer **AC Moore**, food distributor **Vistar** and medical-supplies company **Sterigenics**. Triple-net asking rents for the industrial space average \$4.50/sf. Asking rents for the office space average \$9/sf.

The buildings were constructed from 1986 to 2000. They are:

- Three industrial/flex buildings at 100, 200 and 500 Freeway Drive in Blackwood. The buildings encompass 382,000 sf.
- Five industrial/flex buildings at 301, 303 and 401 Heron Drive and 3-4 Kildeer Court in Bridgeport that encompass 378,000 sf.
- An 81,000-sf office/flex building at 100 Dobbs Lane in Cherry Hill.
- A 34,000-sf office building at 300 Harper Place in Moorestown.

The properties are being shopped by **Pureland Group**, a Bridgeport, N.J., industrial developer headed by **Carl Helwig**.

Pureland plans to use proceeds for tax-deferred 1031 exchanges — with the goal of taking advantage of industrial redevelopment opportunities, primarily in suburban Philadelphia.

CB Richard Ellis has the listing. For more information, call **Michael Blunt** at 610-251-5189. ❖

Hines ... From Page 1

deals, the highest per-foot prices have come almost entirely in the suburbs.

Still, Calpine Center has outperformed the local leasing market. And with long-term leases in place from credit tenants, it's likely to attract plenty of investors. The property is 91% occupied, with a tenant roster led by **Calpine**, **Burlington Resources** and **Jones Day**. Calpine leases 256,000 sf starting at a triple-net rent of \$23.50/sf through 2013, but has reportedly tried to sublease 109,000 sf of its space. Burlington leases 250,000 sf through 2015 at \$13/sf. Jones Day leases 55,000 sf through 2018 at \$24.42/sf. Each of the leases has scheduled rent increases and extension options.

Brokers say Burlington's rent is lower than the others because it was signed in 2003, in a weaker leasing market than when Calpine and Jones Day signed their leases. Asking rents have tumbled at downtown Houston properties over the past two years, as the area's occupancy level fell to about 82%, from 91%. Another 3% is available for sublease. Many of the newer vacancies occurred when **Enron** went belly-up. Triple-net asking rents in Calpine Center now range up to \$16/sf.

Calpine Center's office space sits above a 10-story garage with parking for 950 cars. The building also has a two-story lobby with 17,000 sf of retail space. ❖

CALENDAR

Main Events

Dates	Event	Location	Sponsor	Information
Sept. 28-Oct. 1	Lodging Conference	Phoenix	Conference Bureau	www.lodginglink.com
Nov. 3-5	Annual Convention	Key Biscayne, Fla.	NCREIF	www.ncreif.com
Dec. 2-3	European Private Fund Investing Forum	London	IMN	www.imn.org
Mar. 10-11, 2005	Spring Conference	Chicago	PREA	www.prea.org
Oct. 19-21	Plan Sponsor Real Estate Conference	Boston	PREA	www.prea.org

Other Events

Dates	Event	Location	Sponsor	Information
Aug. 8-10	Florida Conference	Kissimmee, Fla.	ICSC	www.icsc.org
Sept. 8-10	VRN Fall Conference	Orlando	ICSC	www.icsc.org
Sept. 14	Breakfast Meeting	New York	RELA	www.rela.org
Sept. 19-24	Real Estate Finance Industry	Cambridge, Mass.	MBA	www.mbaa.org
Sept. 20-21	Canadian Convention	Toronto	ICSC	www.icsc.org
Sept. 20-21	High-Net-Worth Real Estate Investing	New York	IMN	www.imn.org

To view the complete conference calendar, visit **The Marketplace** section of **REALert.com**

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NEW DEALS

Santa Barbara Mall

Macerich beat out a handful of other REITs, advisors and private players to win a heated bidding contest for La Cumbre Plaza, a 474,000-square-foot open-air mall in Santa Barbara, Calif. The firm is buying the center for about \$47 million, which translates to a cap rate of 6.5%. La Cumbre is anchored by Sears and Robinson-May and generates in-line sales of \$369/sf. A partnership led by **Somera Investment** is selling the mall via **Secured Capital**.

Silicon Valley Buildings

Yahoo has exercised an option to purchase two buildings encompassing 175,000 sf at 1350 Mathilda Avenue and 589 Java Drive, across the street from the company's headquarters in Sunnyvale, Calif. Brokers familiar with the deal say the price is \$69.3 million, or \$396/sf. The seller is a joint venture between **Menlo Equities** and **Prudential Real Estate Investors**. The three-story office/R&D buildings are occupied by Yahoo.

South Carolina Shopping Center

To sell Low Country Village, a 307,000-sf shopping center in Bluffton, S.C., owner **Stafford Properties** split the offering between two buyers. **Inland Retail Real Estate** paid \$21 million for the 272,000 sf of inline space, while an unidentified private investor paid \$5 million for a 21,000-sf Lowe's Home Improvement store that anchors the center. **CB Richard Ellis'** Atlanta office brokered the sales.

San Francisco Office Building

Spear Street Capital paid \$33.5 million, or \$185/sf, for the 180,000-sf Adam Grant Building at 114 Sansome Street in San Francisco. At that price, the office building will produce an initial yield of more than 9%. Spear Street, an opportunity fund operator that is headed by **John Grassi**, stepped in after local player **Gaw Family** dropped out of a \$35.5 million bid. **CB Richard Ellis** handled the sale for **SRM Management** of Alameda, Calif.

Houston Office Property

Spire Realty, a New York firm headed by **William Franks**, agreed to pay about \$50 million, or \$83/sf, for the Esperson Buildings at 808 Travis Street and 815 Walker Avenue in Houston. The price brings an initial yield estimated at 9.25%. The buildings, which encompass 599,000 sf, are being sold by a partnership between **Swig Co.** and **DRA Advisors**, which is representing a corporate pension system. **Granite Partners** is handling the sale.

Connecticut Office Complex

A private investor based in New York is under contract to pay \$26 million for Lee Farm Corporate Center, a 215,000-sf office property at 83 Wooster Heights Road in Danbury, Conn. At that price, the initial yield would be 8.5%, and the stabilized yield would be 9.5%. The five-story building is 80% occupied, with **General Electric** occupying 55,000 sf. Owner **DRA Advisors** is being represented by **Cushman & Wakefield**. The deal is expected to close in September.

Houston Office Buildings

Fred Schiller agreed to buy Arena Place, an 821,000-sf, two-building office complex at 7322 and 7324 Southwest Freeway in Houston. The complex, which is about two-thirds occupied, is going for a price of about \$28.5 million, or \$35/sf. **Holliday Fenoglio Fowler** marketed the property for **Lennar Partners**.

Virginia Office Property

Stonewater Partners, a value-added fund headed by former **Eastdil Realty** brokers **Jeffrey Toporek** and **David Stade**, is under contract to pay \$38.5 million for Park Center 1, a 226,000-sf building in Alexandria, Va. The 14-story building, at 3101 Park Center Drive, is fully leased through 2007 to the **U.S. Department of Agriculture** and the **U.S. Army Audit Agency**. The property carries a \$26 million loan at 7.6% that runs through 2009 and must be assumed. The \$170/sf price brings an initial yield of about 9.5%. The seller is developer **Myron Erkelitian**, who is being represented by **Transwestern Commercial Services**.

Southern California Mall

Macerich bought Mall of Victor Valley in Victorville, Calif., for \$104 million, or an initial annual yield of about 7.1%. The acquisition included the 507,000-sf mall plus two attached sections leased to Cinemark Theater and Barnes & Noble. Inline sales are about \$370/sf. **Eastdil Realty** represented the seller, **Somera Investment**. ❖

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REGIONAL SPOTLIGHT: Office-Property Offerings

DOWNTOWN CHICAGO

- ❑ Occupancy rose to 85.3% as of June 30, from 84.6% three months earlier.
- ❑ Look for second-half rents to stabilize, or perhaps inch slightly higher, as newly signed leases go into effect.
- ❑ BJB Partners agreed to buy Doral Plaza, a 38-story mixed-use tower on Michigan Avenue, for more than \$100 million from New York investor Howard Kaskel. The tower includes more than 500 apartments and 93,000-sf of office space.

On the Market	Seller	Hit Market	SF (000)	Estimated Value (\$Mil.) (Per SF)		Broker
Michigan Plaza	Lehman Brothers	May	1,800	\$300	\$167	Jones Lang LaSalle
191 North Wacker Drive	Hines, Calpers	June	735	200	272	Cushman & Wakefield
333 South Wabash Avenue	CNA Insurance	3rd Qtr.	1,100	200	182	(Not yet selected)
125 South Wacker Drive	Fosterlane Holdings	May	510	80	157	CB Richard Ellis
111 West Washington Street	ING Realty Partners, Zeller Realty	July	610	75	123	CB Richard Ellis

Recent Deals	Buyer	Closed	SF (000)	Sales Price (\$Mil.) (Per SF)		Broker
Sears Tower	Chetrit, Gluck, Moinian	April	3,810	\$840	\$221	Eastdil Realty
333 West Wacker Drive	Kan Am	(Pending)	868	208	240	Eastdil Realty
222 South Riverside, 444 West Jackson	Beacon Capital Partners	June	1,063	192	181	Eastdil Realty
33 West Monroe Street	AmTrust Realty	April	852	70	82	(None)
33 North LaSalle Street	HSH Nordbank	(Pending)	405	64	158	Eastdil Realty

LOS ANGELES

- ❑ With \$1.9 billion of sales and another \$1 billion of pending deals, Los Angeles is poised for its third year of total sales exceeding \$3 billion.
- ❑ Downtown Los Angeles has seen a series of deals top \$300 per square foot.
- ❑ Class-A occupancy downtown is 91.6% (88.2% excluding sublease space). But Class-B and -C occupancy levels are much lower. Rents have been stable since 2002.

On the Market	Seller	Hit Market	SF (000)	Estimated Value (\$Mil.) (Per SF)		Broker
Union Bank Plaza, Los Angeles	Walton Street Capital	January	646	\$144	\$223	Lehman Brothers
21st Century Plaza, Woodland Hills	BentleyForbes	April	503	140	280	CB Richard Ellis
Figueroa Plaza, Los Angeles	Northridge Capital	June	615	134	217	Secured Capital
WellPoint Health building, Woodland Hills	Apollo Real Estate, Avi Lerner	June	448	110	245	Secured Capital

Recent Deals	Buyer	Closed	SF (000)	Sales Price (\$Mil.) (Per SF)		Broker
Colorado Center, Santa Monica	Teachers Insurance, Equity Office	(Pending)	1,187	\$450	\$390	Secured Capital
333 South Hope Street, Los Angeles	Trizec Properties	(Pending)	1,421	441	310	Cushman & Wakefield
777 South Figueroa Street, Los Angeles	CommonWealth Partners, Calpers	July	1,004	250	250	(None)
Arboretum Gateway, Santa Monica	ING Clarion Partners	(Pending)	200	95	475	Lazard Freres

THE GRAPEVINE

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Residential Income and Value-Added Fund, the latest vehicle sponsored by **State Street Global Advisors** affiliate **Tuckerman Group**. With that money, the vehicle has reached its fund-raising goal of \$125 million — although the entity could seek additional investors before its equity closing next month. With leverage, it would have \$500 million of buying power. Tuckerman Residential Income will seek average annual net returns of 17%. Like its three predecessor vehicles, the fund will focus on the development and acquisition of apartment properties. The \$7.7 billion Los Angeles City Employees invested in Tuckerman's **Multifamily Development Fund I, II and III**.

Trizec Properties has assigned a value of \$350 per square foot to the nearly 1.2 million sf of office-tower space at 333 South Hope Street in Los Angeles, which it is buying from **Beacon Capital Partners' Strategic Partners II** for \$441 million. That per-foot price would be the highest paid for downtown Los

Angeles office space in recent years — topping the \$324/sf that **Deutsche Immobilienfonds** paid **Hines** and **J.P. Morgan Fleming** for the building at 601 South Figueroa Street in March. But because Trizec values the South Hope Street building's 257,000 sf of underground office and retail space at just \$130/sf, the property's overall per-foot price is actually \$310/sf.

Abbell Credit has delayed marketing of the 1 million-sf Merle Hay Mall in Des Moines, Iowa, until it can fill a vacant anchor space. The store became vacant when Famous-Barr exited the mall this month as part of a broader downsizing. Another anchor, Younkers, then moved into the recently renovated Famous-Barr spot — leaving its 195,000-sf space vacant. Abbell has been negotiating with potential replacements, possibly including Target. The property generates inline sales of \$290/sf. At the expected price of \$90 million, the buyer's initial annual yield would be 9.7%, assuming the space was filled. **Jones Lang LaSalle** will handle marketing.

The **Warmack** family is offering Central Mall in Texarkana, Texas, as

part of a package with Central Mall in Port Arthur, Texas, and Lawton Central in Lawton, Okla. The 1.7 million-sf portfolio is valued at \$170 million. When word of the offering got out in April, the buzz was the family would shop Central Mall in Salina, Kan., instead of the Texarkana property. But the inclusion of the 567,000-sf Texarkana mall — the strongest in the package — has sparked broader investor interest. The Class-B mall produces inline sales approaching \$300/sf. At the expected price, the buyer's blended yield would be about 9%. **Rockwood Realty** has the listing.

J.P. Morgan Fleming's Strategic Property Fund, **Deutsche Bank's RREEF America II** and **Principal Real Estate Investors' Enhanced Equity Account** are the finalists to run \$15 million for **San Joaquin County Employees**. The core investment would be the first real estate commitment by the \$1.6 billion pension system, which last year set a 7% target allocation for such holdings. The pension plan, which is working with consultant **Opportunity Real Estate Group**, could add advisors for value-added and opportunistic investments later this year.

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