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Real Estate ALERT

THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

JULY 17, 2013

Office Sales Up 14%; CBRE Eclipses Eastdil

Sales of large office properties grew at a moderate pace in the first half, as **CBRE** pushed ahead of defending champ **Eastdil Secured** in the annual broker ranking.

Some $26.1 billion of office deals closed from January to June, according to **Real Estate Alert's** Deal Database, which tracks trades of at least $25 million. That's up 14% from $23 billion a year earlier. The growth, though healthy, is nothing like the leaps and bounds seen as the market revived from the recession. But brokers, citing strong pipelines of listings, predict a robust second half.

Buyers still seemed focused on core offerings in a handful of big markets — although the line-up of the most-active cities shifted, with Los Angeles and Houston supplanting San Francisco and Washington in the top five. Atlanta jumped up to sixth place, with its sales nearly quadrupling.

Meanwhile, some secondary markets saw large increases in volume, led by Austin, Philadelphia and Minneapolis. But investors remained cautious about suburban

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JBG Marketing New Apartments in DC Area

JBG Cos. is looking to sell two more newly developed apartment properties in Greater Washington.

The Arlington, Va., complexes, with a combined 474 units, could fetch offers of $500,000/unit, or a total of about $237 million. Investors may bid on either of the adjacent buildings, but they're likely to trade as a package. **Cassidy Turley** is the broker.

The properties are in the Rosslyn neighborhood, about three blocks from the Rosslyn Metro Station. The 271-unit Sedona, at 1510 Clarendon Boulevard, was completed in January and is already 80% leased. It includes 55 affordable units with below-market rents. The 15-story building has studio, one- and two-bedroom apartments and six townhouse units.

The other building, dubbed the Slate, has 203 units that are all market-rate rentals. They're a mix of studio, one- and two-bedroom floor plans. Leasing began this

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Fairmont Hotels in DC, Ottawa Hit the Block

Ivanhoe Cambridge is shopping two luxury hotels — in Washington and Ottawa — that have a combined value of roughly $310 million.

The 415-room Fairmont Washington D.C. Georgetown is expected to attract bids of about $185 million, or $446,000/room. At that price, the buyer's initial annual yield would be 5.5% to 6%. The 429-room Fairmont Chateau Laurier Ottawa has an estimated value of about $125 million, or $291,000/room. The capitalization rate at that price would be 6.5% to 7%. Each hotel has a long-term management agreement with **Fairmont Hotels & Resorts** of Toronto.

Ivanhoe, the real estate unit of Canadian pension-fund advisor **Caisse de Depot et Placement du Quebec,** will accept bids on either property or both. It is being advised by **Eastdil Secured** and **Colliers International Hotels.** Eastdil is likely to take the lead on marketing the Washington property, with Colliers shepherding the Canadian offering.

The properties are being pitched to investors looking for steady income. But a

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THE GRAPEVINE

Julio Davila joined **Overseas Union Enterprises** this month to help the Singapore investment firm push further into U.S. property deals. Davila is executive vice president and chief investment officer for the Americas, based in Los Angeles. Overseas Union is looking for office, hotel, residential and development deals nationwide. The company, which has $7 billion of assets under management in Singapore, Malaysia and China, last month paid $367.5 million for the 1.4 million-square-foot U.S Bank Tower in Los Angeles. Davila spent the past two years at **EVOQ Properties** of Los Angeles and before that

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Florida Retail Offering With a Twist

A **Canyon-Johnson** partnership is pitching a community shopping center in North Miami Beach to redevelopers interested in repositioning the waterfront property and constructing luxury apartments on adjacent land.

The 235,000-square-foot Intracoastal Mall is on a 27-acre parcel that includes one of the last developable sites along the Intracoastal Waterway in the Miami Beach area. The offering is expected to attract bids of about $80 million, which would translate into an initial annual yield of roughly 4%. **Jones Lang LaSalle** has the listing.

Los Angeles-based Canyon-Johnson and its partner, Tampa-based **DeBartolo Development's** DeBartolo Opportunity Fund, assumed control of the property last year after buying its distressed mortgage, which had a balance of $59.8 million. The duo initiated foreclosure proceedings, but the borrower, **Woolbright Development** of Boca Raton, Fla., ended up surrendering the keys.

The shopping center, at 3501 Sunny Isles Boulevard, is 92% leased. The tenants include TJ Maxx, Old Navy Outlet and grocer Winn Dixie.

The offering could appeal to an investor seeking a land-appreciation play. A buyer could continue to operate the shopping center as is and hope to reap a big profit in 7-10 years if land values increase.

But it is also being marketed to redevelopers. The likely strategy would be to add luxury high-rise residential towers above and beside the shopping center that would offer 360-degree water views, along with specialty restaurants and high-end stores catering to the wealthy surrounding area.

A buyer would have to seek approvals to build residential towers on the site, now zoned for 15-story towers with office, hotel or retail space.

A developer could build units to condominium specifications, thereby gaining the flexibility to sell them immediately or, more likely, down the road. Florida's condominium market imploded in 2007, leaving tens of thousands of unsold units on the market. However, most of that overhang has been absorbed, and 25 condo projects are in the works in Miami. Listings for a handful of apartment properties across the state are now highlighting condo-conversion potential.

The shopping center, which is about a mile from the Atlantic Ocean, could also benefit from an upgrade in the tenant mix. The rents are below the market rate, offering the potential to increase income as leases roll over. ❖

Chetrit Strikes Deal to Sell NY Tower

Two firms have agreed to buy a half-vacant office building at 123 William Street in Lower Manhattan for $133 million.

East End Capital and **GreenOak Real Estate** are teaming up to buy the 545,000-square-foot property from a partnership led by local investor **Joseph Chetrit.** The price equates to $244/sf. The deal was struck off-market, but **CBRE** was involved in introducing the parties, sources said.

The 27-story building, constructed in 1957, is on the east side of William Street between John and Fulton Streets in the Financial District. It is two blocks east of the **Metropolitan Transportation Authority's** $1.4 billion Fulton Street Transit Center, now under construction, and four blocks east of the World Trade Center site.

The Chetrit partnership purchased the building in 2005 for $108 million, but ran into trouble during the market downturn when multiple government tenants didn't renew leases. **New York State** has a lease on 40,000 sf until 2021, while marketing and advertising firm **GlobalHue** has a 40,000-sf lease until 2018, according to **CoStar.**

The property has an $81.8 million securitized mortgage that the buyers are believed to be assuming.

East End, led by former **Broadway Partners** staffers **Jonathon Yormak** and **David Peretz,** has partnered with GreenOak on $500 million of purchases in Manhattan. GreenOak was founded in 2010 by former **Morgan Stanley** real estate executives **Sonny Kalsi, John Carrafiell** and **Fred Schmidt.** Both firms are based in New York and focus on repositioning poorly leased buildings.

Last year, the duo and **RFR Holding** of New York bought the 530,000-sf office building at 285 Madison Avenue in Midtown Manhattan for $189.3 million, or $357/sf, from advertising agency **Young & Rubicam.** The seller, which fully occupies the building, will move out by yearend. ❖

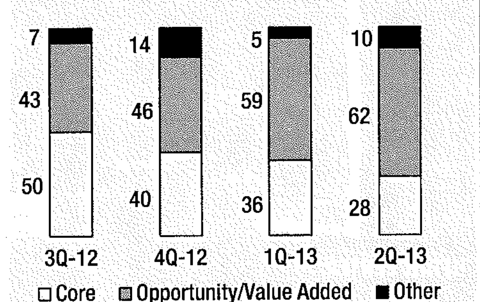
Pensions Warming Up to Riskier Plays

U.S. public pension systems making fresh allocations to commercial real estate are showing an increased appetite for risk, according to **FPL Consulting.**

From April to June, 41% of equity commitments by dollar amount were earmarked for opportunistic strategies, up from 25% in the first quarter.

Overall, pledges to high-yield property vehicles — those with opportunistic or value-added strategies — have grown steadily over the past year, from 43% of commitments in the second quarter of 2012 to 62% in the latest period. Accordingly, pledges to core vehicles have fallen, to 28% from 50%. Pledges to vehicles that invest in loans or securities have hovered around 10%.

Commitments by Investment Strategy (%)



Source: FPL Consulting

"The story here is the rotation out of core strategies and an increasing tolerance for risk," said FPL principal **Timothy Kessler.**

FPL, an affiliate of Chicago recruiting firm **Ferguson Partners,** tracks commitments by 125 public pensions with $210 billion of real estate assets and $2.7 trillion of total assets under management.

After getting off to a fast start this year, commitments to managers of real estate commingled funds and separate accounts slowed in the second quarter. Through May, pledges were up 23% from a year earlier, but they dropped off significantly in June. As a result, the $13.5 billion pledged from January to June ended up being flat with a year earlier.

The shift in investor appetite for risk was also reflected by a movement away from separate accounts to closed-end commingled funds, which generally shoot for higher yields. Closed-end funds garnered 55% of first-half commitments, up from 44% for full-year 2012. Pledges to separate accounts fell to 31% from 43%. Open-end funds, which have core or core-plus strategies, were roughly flat, at about 14%.

Pensions plowed one-quarter of commitments this year into vehicles targeting a single asset class, down from 35% in full-year 2012. Among those pledges, multi-family funds continued to dominate, collecting 43% of commitments, up from 30% in full-year 2012. Vehicles investing in industrial properties garnered 28%, up from 12%. Office-only funds continued to see their share fall, to 7% from 23% last year.

Foreign vehicles attracted a larger piece of the pie, as pledges to vehicles targeting investments in North America slipped to 59% in the first half, from 71% in full-year 2012. Pledges to Europe-focused vehicles nearly quadrupled, to 11% from 3%. And investments in Asian vehicles doubled, to 8% from 4%. Kessler attributed the shift overseas to the availability of higher yields than in the U.S.

There were 182 commitments in the first half, up from 144 a year earlier. The average commitment size was $74 million, down from $94 million.

FPL will release a report summarizing its findings this week. ❖

Long Island Mall Out for Bid

Vornado Realty is marketing a suburban New York mall that could fetch $110 million.

The listing encompasses 996,000 square feet of the 1.1 million-sf Broadway Mall in the Long Island community of Hicksville, N.Y. At the estimated price, the buyer's initial annual yield would be 7%. **Cushman & Wakefield** is handing marketing duties for Vornado, which has been shedding malls in an effort to rebalance its portfolio.

Broadway Mall is 92.6% occupied. Its main anchors are a 301,000-sf Macy's whose lease runs until 2017 and a 214,000-sf Ikea with a ground lease that expires in 2088. Together, the two stores account for one-third of the property's revenue.

Also anchoring the property are a 141,000-sf Target, whose separately owned store isn't part of the offering, and a 75,000-sf Multiplex 12 Cinemas, whose lease runs until 2015. Other major tenants include Forever 21 (26,000 sf), H&M (23,000 sf) and Old Navy (17,000 sf).

Despite the mall's high occupancy rate, a buyer would be positioned to boost revenues. That's because the 239,000 sf of in-line space is only 84.4% leased and 33,000 sf of outparcel space is just 79% occupied.

The property is at the junction of Routes 106 and 107, where 58,000 vehicles pass each day, and is about a half-mile from the Northern State Parkway and the Long Island Expressway. There are 346,000 people with an average household income of $122,000 living within a five-mile radius.

Because of severe restrictions on development on Long Island, only one mall has been built in the area since the 1970s.

Vornado bought Broadway Mall for $153 million in 2005. That deal resulted from an unsolicited offer that the New York REIT extended to the previous owner, **Gregory Greenfield & Associates** of Atlanta. ❖

Rare Silicon Valley Package Available

AEW Capital is marketing four fully leased industrial buildings in Silicon Valley, including one leased to **Apple.**

The 312,000-square-foot package, encompassing two manufacturing buildings and two distribution warehouses, could fetch a combined $42 million, or $135/sf. At that price, the buyer's initial annual yield would be 5.5%. **CBRE** is representing AEW, a Boston investment manager, which wants to sell the properties as a portfolio.

The four buildings are clustered on the border of Santa Clara and Sunnyvale, Calif.

Apple's lease covers the 134,000-sf distribution building at 2940-2990 Mead Avenue in Santa Clara. Apple has spent nearly $12 million on improvements to the property, including a new ventilation system. The warehouse has a minimum ceiling height of 24 feet.

Vander-Bend, a sheet-metal fabricator, uses the other three buildings as its headquarters. It expanded its space under a new lease this year. The largest of those buildings is a 105,000-sf warehouse at 123-127 Uranium Drive in Sunnyvale. It has minimum ceiling heights of 24 feet. The other two buildings, both used for manufacturing, are at 3000-3008 Kifer Road and 2855-2865 Uranium Drive in Santa Clara. The Kifer Road facility encompasses 43,000 sf, with a minimum ceiling height of 22 feet. The Uranium Drive property encompasses 30,000 sf, with a minimum ceiling height of 20 feet.

The industrial-property market in Silicon Valley is dominated by long-term owners, resulting in a scarcity of listings. Industrial space in the area also been dwindling as it is converted for other uses, with the total shrinking from more than 115 million square feet in 2000 to about 100 million sf now. That contraction, in turn, has helped keep occupancy levels high — at 96.7% in Santa Clara and 94.9% in Sunnyvale — while fueling projections that rents will rise 40% in the next five years, according to CBRE. ❖

Cornerstone Pitches SF Offices

Cornerstone Real Estate is marketing an office building in San Francisco's coveted South of Market neighborhood that is expected to attract bids of at least $500 a square foot.

The 187,000-sf property, at 795 Folsom Street, is fully occupied. At the estimated value of $94 million, the capitalization rate would be about 5%. But below-market leases on 40% of the space roll over within two years, so a buyer should be able to boost its return.

The six-story building is one of the few San Francisco offices currently on the market after a couple of years of blockbuster activity. **Cushman & Wakefield** is advising Hartford-based Cornerstone, the real estate investment-management arm of MassMutual.

Kabam, a video-game designer, has a lease on 40% of the space. Other tenants include **AT&T** and workspace provider **Regus.**

The building is at Fourth Street, across from a planned subway station and three blocks from a Bay Area Rapid Transit system station and Yerba Buena Gardens. It was developed in 1977 and last renovated in 1999. Cornerstone acquired it in 2011 for $70.2 million, or $375/sf, from **Westcore Properties** of San Diego.

Technology and Internet companies such as **Airbnb, Twitter** and **Yelp** have flocked to the South of Market district, driving up the average office occupancy rate to 96.7%. ❖

Phoenix Apartment Package in Play

Bank of America is shopping four Class-B apartment properties in the Phoenix area.

The garden-style complexes, encompassing 885 units, are expected to attract bids of about $50 million, or $56,000/unit. **Cushman & Wakefield** is representing BofA, which will consider bids for the properties separately or as a package.

The complexes each contain a mix of one-, two- and three-bedroom units, and have amenities including pools and fitness centers. They are:

- The 235-unit Colony, at 4337 North 53rd Lane in Phoenix.
- The 224-unit Mill Pointe, at 4130 South Mill Avenue in Tempe, Ariz.
- The 218-unit 201 West, at 201 West Hermosa Drive in Tempe.
- The 208-unit Acacia Pointe, at 8344 North 67th Avenue in Glendale, Ariz.

The properties were built in the 1970s and 1980s. BofA purchased them in 2006 via a community-development vehicle it ran, at which point a portion of the units were designated as affordable housing and carried below-market rents. Now, all of the apartments are leased at market rates.

The average occupancy level across the portfolio is 95%. That's in line with the 94.6% average for the Greater Phoenix market, where leasing activity is almost back at pre-crash levels and investors have been scooping up a stream of listings. In the largest of those deals, a partnership between **Greystar Real Estate** of Charleston, S.C. and **Goldman Sachs** purchased six properties with 1,575 units from **Equity Residential Properties** of Chicago in March for $180.3 million, or $114,000/unit. **CBRE** brokered that sale. ❖

San Diego Medical Offices Available

Kilroy Realty is shopping a fully leased medical-office building in San Diego.

The 51,000-square-foot Pacific Medical Plaza is expected to attract bids of about $35 million, or $686/sf. Kilroy, a Los Angeles REIT, has given the listing to **Jones Lang LaSalle.**

The three-story building, at 4910 Directors Place in the Sorrento Mesa submarket, was developed in 2009.

The tenants include a surgical center and several doctors with private practices. **University of California San Diego Health System** has a lease on the second floor that runs for another 10 years.

San Diego's office market has recovered steadily from the recession. The average office occupancy rate is about 85%, but Sorrento Mesa's average has crept back up to 89%.

In June, Kilroy began shopping a dozen of its 40 San Diego office properties. **HFF** is marketing the 1 million-sf package, which is expected to attract bids of $300 million. ❖

Top 10 Landlords for US Government

Following is a list of the investment firms that own the largest amounts of space leased to the **U.S. General Services Administration,** which manages the real estate needs of federal agencies. The compiler, **Colliers International,** believes it is the first such ranking. The list, up-to-date as of this spring, excludes space leased directly by individual federal agencies. Most of the leases involve office space, but also included is industrial space — such as warehouses, port facilities and underground document storage. In some cases, full credit was given to operating partners of investment groups. For more information, see CapitolMarkets.com.

		Leased By GSA (Mil. SF)
1	Government Properties Income, Newton, Mass.	5.6
2	JBG Cos., Chevy Chase, Md.	4.2
3	Vornado Realty, New York	3.8
4	UrbanAmerica/Behringer Harvard, Addison, Texas	2.8
5	LCOR, Berwyn, Pa.	2.7
6	NGP 5, McLean, Va.	2.3
7	Saban Capital, Los Angeles	2.1
8	Boston Properties, Boston	2.1
9	Space Center, St. Paul, Minn.	1.7
10	HPI, Charlotte	1.7

Source: Colliers International

Northwestern Shops Florida Offices

Northwestern Mutual Life is pitching a Class-A office complex in South Florida.

The 262,000-square-foot Pinnacle Corporate Park 1&2, in Fort Lauderdale, is expected to attract bids of about $42 million, or $160/sf. At that price, the buyer's initial annual yield would be just under 7%. **HFF** has the listing.

The marketing campaign is emphasizing the potential to improve the 84.7% occupancy rate. The property is in the Cypress Creek submarket, whose 3 million sf of office space is 81.3% leased.

Pinnacle Corporate Park 1&2 has 50 tenants, including the **University of Phoenix** (30,000 sf), **Aplifi** (15,000 sf), **CastlePoint Insurance** (15,000 sf), law firm **Weltman Weinberg** (12,000 sf) and **Oracle** (11,000 sf). There are more than 1,000 parking spaces.

Milwaukee-based Northwestern Mutual developed the two buildings. The 152,000-sf Pinnacle Corporate Park 1, at 500 West Cypress Creek Road, was constructed in 1986. It is 77.7% occupied. The 111,000-sf Pinnacle Corporate Park 2, at 550 West Cypress Creek Road, was completed in 2001. It is 94.4% leased.

The buildings are adjacent to a rail station and one block from an Interstate 95 interchange. There are seven hotels and 20 restaurants within a mile. ❖

Manhattan Retail Space Available

Brack Capital Real Estate is seeking about $35 million for the retail portion of a residential condominium building near Lincoln Center in Midtown Manhattan.

The 41,000-square-foot block of space is at 555 West 59th Street, between 10th and 11th Avenues.

At the estimated value of $862/sf, the capitalization rate would be 4%. A buyer could boost its return by increasing the 88% occupancy rate. Brack, an investment firm based in Amsterdam, has given the listing to **Jones Lang LaSalle.**

The retail space, technically broken into three commercial condominium units, is on the street level and in the basement of a 35-story building known as the Element. The tenants are rental-car agency **Hertz** and fitness-center **CrossFit.** Each have leases that run until 2023 and include rent bumps.

Brack, which built the property in 2008, has sold the 198 residential condominiums on the upper floors. The building is across West End Avenue from Riverside Center, a portion of the 77-acre Riverside South development, which has been in the works since 1992. ❖

Condo-Conversion Play in Brooklyn

Redevelopers are getting a crack at a pre-war Brooklyn apartment building that's ripe for conversion to condominiums.

The 68-unit property, at 25 Monroe Place in Brooklyn Heights, is expected to attract bids near $60 million, or $882,000/unit. At that price, the initial annual yield would be a scant 2%, but buyers would be banking on a conversion.

The owner, **Samson Management** of Rego Park, N.Y., has given the listing to **Jones Lang LaSalle.** Samson mostly owns and manages apartment properties throughout New York.

The 12-story property is between Clark and Pierrepont Streets, near the foot of the Brooklyn Bridge and one subway stop from Wall Street. The units range in size from studios to two bedrooms. The upper floors of the Art Deco building offer views of Lower Manhattan. Laundry facilities are included.

Residents priced out of Manhattan are flocking to Brooklyn Heights and other neighborhoods in Downtown Brooklyn, pushing up rents in the process. Condominium properties in the neighborhood are valued at roughly $1,500/sf, according to Jones Lang.

Part of the marketing pitch for 25 Monroe Place is that Brooklyn Heights has few large residential projects under development, a fraction of the pace in nearby districts such as Williamsburg and Dumbo. That's because much of Brooklyn Heights has strict curbs on development under its designation as a historical district. ❖

RANKINGS

Top Office Brokers in the First Half

Brokers representing sellers in deals of at least $25 million

		1H-13 Amount ($Mil)	No. of Properties	Market Share (%)	1H-12 Amount ($Mil)	No. of Properties	Market Share (%)	'12-'13 % Chg.
1	CBRE	$7,564.8	79	31.3	$4,821.8	64	23.4	56.9
2	Eastdil Secured	7,161.9	69	29.6	6,111.2	57	29.7	17.2
3	HFF	3,105.8	32	12.9	2,029.5	29	9.9	53.0
4	Jones Lang LaSalle	2,362.5	23	9.8	1,758.5	21	8.5	34.3
5	Cushman & Wakefield	1,743.3	27	7.2	1,635.6	32	8.0	6.6
6	Colliers International	421.8	9	1.7	112.8	3	0.5	273.9
7	Transwestern	378.8	5	1.6	251.0	3	1.2	50.9
8	Cassidy Turley	317.4	4	1.3	615.3	13	3.0	-48.4
9	Newmark Grubb	272.4	5	1.1	581.1	21	2.8	-53.1
10	Studley	230.0	1	1.0	105.0	1	0.5	119.0
11	Madison Partners	173.0	5	0.7	133.8	3	0.7	29.3
12	Highland Realty Capital	89.0	1	0.4	0.0	0	0.0	
13	Massey Knakal	87.5	2	0.4	80.0	2	0.4	9.4
14	Marcus & Millichap	66.8	2	0.3	0.0	0	0.0	
15	Rockwood Real Estate	56.0	1	0.2	0.0	0	0.0	
16	Corcoran Group	46.3	1	0.2	0.0	0	0.0	
17	Boston Realty Advisors	33.2	1	0.1	0.0	0	0.0	
18	Paragon Commercial	31.0	1	0.1	0.0	0	0.0	
19	Lucent Capital	25.0	1	0.1	0.0	0	0.0	
	OTHERS	0.0	0	0.0	2,333.6	26	11.3	-100.0
	Brokered Total	**24,166.3**	**267**	**100.0**	**20,569.1**	**270**	**100.0**	**17.5**
	No Broker	1,978.4	20		2,452.1	67		-19.3
	TOTAL	**26,144.6**	**287**		**23,021.2**	**337**		**13.6**

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and value-added plays.

"Clearly things are getting better in the secondary markets, but it's slower" than in the top cities, said **Kevin Shannon,** a CBRE vice chairman who runs the West Coast investment-sales teams. "We're still early in the cycle. You have to remember the last run-up was 14 years, with some fits and starts, and the market only bottomed out in 2009. This is going to be a slower recovery, rather than a fast recovery. It feels like we're still in the second or third inning in markets like Los Angeles, which haven't seen the dramatic improvements in fundamentals that markets like Seattle and San Francisco have seen."

For the brokerages, the first-half numbers showed the strong getting stronger. Together, CBRE and Eastdil handled 61% of all brokered trades, compared with 53% in the year-earlier period and 56% for all of 2012.

CBRE took the lead with $7.6 billion of first-half sales, capturing a 31.3% market share. Eastdil, the office champion for the past four years, handled $7.2 billion of trades, or 29.6% of the six-month volume. CBRE moved ahead of its archrival on the strength of a controversial deal — **General Electric's** $1.3 billion sale of the office condominium at 30 Rockefeller Plaza in Manhattan to **NBCUniversal.**

Office Sales

	Amount ($Bil.)	No. of Prop.
2004	$56.2	1,020
2005	79.4	1,105
2006	99.1	1,286
2007	137.8	1,484
2008	43.4	552
2009	12.6	173
2010	33.4	415
2011	48.1	643
2012	59.8	847
1H-13	26.1	287

That trade was made in conjunction with a merger transaction, raising the question of whether CBRE should have been given credit (see article on Page 9).

HFF posted $3.1 billion of sales and ranked third, a position the brokerage seems to be solidifying. Its market share rose to 12.9% from 9.9% a year earlier. **Jones Lang LaSalle's** $2.4 billion of sales was good for fourth place, and **Cushman & Wakefield** rounded out the top five with $1.7 billion of deals.

New York remained the busiest office market by a wide margin — and accounted for 51% of the nationwide sales gain. The city saw $5.8 billion of trades, up 37% from $4.2 billion in

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RANKINGS

Office Property Sales by Market in the First Half

Sales of at least $25 million

		1H-13 Amount ($Mil.)	No. of Properties	1H-12 Amount ($Mil.)	No. of Properties	Top Brokerage
1	New York City	$5,825.9	36	$4,239.5	33	CBRE
2	Los Angeles Area	2,112.7	25	1,091.4	17	Eastdil Secured
3	Houston Area	1,994.6	17	981.4	13	Jones Lang LaSalle
4	Seattle Area	1,630.4	12	1,563.1	16	Eastdil Secured
5	San Jose/Silicon Valley	1,422.6	15	1,334.8	21	HFF
6	Atlanta Area	1,306.5	15	352.1	4	CBRE
7	Boston Area	1,240.8	18	1,639.3	25	Cushman & Wakefield
8	Chicago	1,174.4	8	1,102.3	9	HFF
9	Dallas Area	1,114.3	17	825.6	12	CBRE
10	Washington	860.3	9	1,634.9	15	Eastdil Secured
11	Austin Area	752.9	14	202.3	5	CBRE
12	Denver Area	731.1	8	888.1	8	Cushman & Wakefield
13	North Carolina	600.4	7	594.3	6	CBRE
14	Minneapolis Area	599.4	6	299.1	5	HFF
15	Northern Virginia	529.7	7	290.4	6	Transwestern
16	San Francisco	468.8	7	1,845.6	14	Eastdil Secured
17	Maryland's D.C. Suburbs	373.9	4	152.1	4	Cassidy Turley
18	Phoenix Area	371.8	7	327.5	5	CBRE
19	Philadelphia Area	365.2	6	158.7	2	CBRE
20	Northern New Jersey	351.7	5	419.4	6	Eastdil Secured
	OTHERS	2,317.3	44	3,079.3	111	
	TOTAL	**26,144.6**	**287**	**23,021.2**	**337**	

Office ... From Page 8

the first half of 2012. Next came Los Angeles, where the bounce-back from the recession was slow in coming. Driven mostly by trades in a few choice West Side markets, first-half sales there nearly doubled to $2.1 billion. And Houston, buoyed by its energy industry, doubled its volume to $2 billion, placing third.

Meanwhile, previously high-flying San Francisco and Washington fell back to earth. San Francisco, the No. 2 market a year ago with $1.8 billion of trades, saw just $468.8 million of sales during the past six months and dropped to 16th place. And Washington's volume plummeted to $860.3 million from $1.6 billion.

The largest gains were generally posted by markets with especially strong local economies — like Austin, where technology companies are adding jobs — or those just starting to stir from the doldrums, like Atlanta. Austin recorded $752.9 million of first-half sales, up 272%. Atlanta saw a similar percentage jump as it tallied $1.3 billion of office trades, up from just $352.1 million.

Just as some secondary markets have started to pick up speed, however, there are new caution flags: rising interest rates and a resulting slowdown in lending by commercial MBS shops.

"We thought there would be a broader and more profound

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Sale Tied to M&A Deal Lifts CBRE

CBRE's midyear lead over archrival **Eastdil Secured** in the annual office-broker league table stems from a disputed $1.3 billion transaction in Manhattan.

CBRE received credit for brokering **General Electric's** sale of the 1.3 million-square-foot office condominium at 30 Rockefeller Plaza to **NBCUniversal.** That transaction closed on March 19 in conjunction with GE's sale of its 49% stake in NBCUniversal to **Comcast,** which already owned the remaining 51% interest.

The property wasn't formally listed, raising the question of whether its sale was effectively part of the NBCUniversal acquisition deal and shouldn't be considered a separate real estate transaction. **Real Estate Alert** decided to give CBRE credit because the purchase and sale agreement for 30 Rockefeller Plaza said CBRE would be paid a brokerage commission.

Had it not received credit for the deal, CBRE would have finished second to Eastdil in both the national and New York rankings. Counting the transaction, CBRE finished $403 million ahead nationally and a slim $61 million ahead in New York.

Value-Added Rental Play in Denver

A REIT is seeking $33.3 million for a value-added apartment complex in suburban Denver.

The 276-unit property, at 2961 West Centennial Drive in Littleton, Colo., is owned by **Camden Residential** of Houston. **Moran & Co.** has the listing.

The garden-style complex, called Camden Centennial, is 96% occupied. The rents average $877, well below the $951 average in the local Jefferson County East submarket. A buyer could upgrade the units in a bid to raise rents and close that gap. Rents in the submarket have grown 8.7% annually over the last three years.

The asking price works out to $121,000/unit. The apartments have 1-2 bedrooms, vaulted ceilings, wood-burning fireplaces and balconies or patios. The amenities include a fitness center, a heated pool and a clubhouse.

Littleton is a bedroom community that attracts families because of its strong public school system and proximity to downtown Denver, about 15 miles north. ❖

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month. The 12-story building is at 1530 Clarendon Boulevard.

Both buildings feature amenities including balconies, rooftop decks, fitness centers, billiards rooms, swimming pools and 24-hour concierge service. They are LEED gold certified. The properties share a 432-space underground garage.

JBG, of Chevy Chase, Md., launched a number of rental projects in and around Washington just as the recovery began, and now has several on the market, including buildings nearing completion and a stake in a planned development. Leasing demand in Greater Washington remains strong, with an average occupancy rate of 95%.

A month ago, JBG started marketing the 268-unit Louis at 14th, a luxury complex at 1920 14th Street NW in Washington that's due to be completed this fall. The developer is looking to sell it before leasing begins. Bids are expected to reach $200 million for the property, which includes 44,000 square feet of retail space. **Apartment Realty Advisors** has that listing.

In the Southwest section of the city, JBG is offering the 530-unit Sky House, at Fourth and M Streets, which is expected to be ready for leasing by yearend. It's worth an estimated $185 million, or $350,000/unit. **Jones Lang LaSalle** has the marketing assignment.

Most recently, JBG began looking for an equity partner for a project at 13th and U Streets NW in Washington. It has approvals for a building with 135 apartments and ground-floor retail space. Pricing for that deal is difficult to estimate, as it will depend on the size of the equity stake traded and on the value JBG places on the land. Development costs are expected to run about $60 million.

In April, JBG sold a 125-unit project at 14th and S Streets NW to **J.P. Morgan Asset Management** for $76 million, or $608,000/unit. Local pros say leasing is brisk at the Washington property, and the buyer hasn't had to offer rent concessions. ❖

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shift towards the secondary markets this year," said **Jay Koster,** president of capital markets for Jones Lang. "But . . . Treasury rates and spread increases have increased the overall cost of longer-term CMBS debt by as much as 125 basis points. That cost-of-debt increase will most significantly impact the secondary markets and likely have a dampening effect" on sales there.

But continued growth in smaller cities — and in the demand for value-added investments — will be crucial in the coming months, because the supply of core office properties in the strongest markets is running low.

In both San Francisco and Washington, the sharp drop in first-half sales is seen as the flip side of recent booms. Many of those cities' top properties have been sold in the past couple of years, largely to traditional core investors that are unlikely to look for quick exits.

So far, New York hasn't seen such a slowdown. The city has had two billion-dollar-plus deals already this year — the 30 Rockefeller Plaza transaction and **Sony's** $1.1 billion sale of the 853,000-sf Sony Plaza to a **Chetrit Group** partnership via Eastdil. Another mega-deal is on track to close in September: A **Crown Acquisitions** group has agreed to buy the 595,000-sf tower at 650 Madison Avenue from a **Carlyle Group** partnership for $1.3 billion. Meanwhile, **Boston Properties** is marketing Seven Times Square, a 1.2 million-sf tower that could fetch $1.6 billion. Eastdil is the broker on both 650 Madison Avenue and Seven Times Square.

Such blockbuster deals reinforce the idea of New York as the safest, most desirable market in the U.S. But even there, experts see the supply of core properties dwindling and say the flow of huge listings may taper off. "Do I think we'll see another billion dollar listing this year? Sure," said Eastdil senior managing director **Douglas Harmon,** who heads the New York office team. "Do I think we'll see another five? Probably not."

Some investors think the desire to buy in core markets, especially New York, has inflated prices excessively. Leasing and rent numbers don't necessarily support the high prices being paid for core buildings, said **Gary Phillips,** head of acquisitions for **Allianz Real Estate of America,** an arm of German insurer Allianz.

Phillips said his company has noticed that many of the financial and law firms that crowd the tenant rolls of core buildings are doing little hiring. And when those firms renew their leases, he said, many are taking smaller spaces. That could have a significant effect on rent growth and occupancy going forward. "We think that's structural, not cyclical," Phillips said. "And we're taking that into consideration when we look at office deals."

The recent spike in interest rates also may put a chill into hot markets, Phillips added. "I would be surprised if we don't see a modest correction in pricing, or perhaps more likely a pause in volume, as people let the interest-rate volatility sort itself out," he said. ❖

Fairmont ... From Page 1

buyer could boost its return by renovating the Washington property or expanding the Ottawa hotel.

The Fairmont Washington is at 2401 M Street NW, two blocks north of Washington Circle at the northwest corner of 24th Street. The 10-story property opened in 1985 and was substantially renovated in 2002. It includes 28,000 square feet of meeting space, 17,000 sf of fitness facilities, a restaurant and a bar. A buyer could renovate the lobby and guestrooms.

The Fairmont Chateau Laurier Ottawa is at One Rideau Street in the province of Ontario, along the Ottawa River and next to Parliament Hill, the location of many government offices. The 10-story hotel, constructed in 1912, was renovated five years ago. Amenities include an Art Deco swimming pool, 38,000 sf of meeting space, a restaurant, a lounge and a tea room. The property includes 44,000 sf of office and retail space. A buyer could renovate the rooms to boost its yield. Also, there is space to add an estimated 250,000 sf of additional hotel rooms or residences. ❖

MARKET SPOTLIGHT

Chicago Office Properties

- Sales of large buildings rose a modest 6.5% in the first half, to $1.2 billion, from a year earlier. But four pending deals would add $924 million to that total.
- While there is a healthy number of listings, local brokers expect a slowdown in the fall. They are concerned that interest-rate volatility will make it harder to determine valuations, slowing sales activity.
- The average occupancy rate in downtown Chicago has leveled off at 88.2%. But Transwestern forecasts the rate will climb over 90% within two years amid a strengthening economy and limited construction.

On the Market

Property	Seller	Hit Market	SF (000)	Estimated Value ($Mil.)	Estimated Value (Per SF)	Broker
Citigroup Center	GE Pension Trust	June	1,500	$470	$313	HFF
311 South Wacker Drive	Shorenstein, Fremont Realty	April	1,300	312	240	Eastdil Secured
One North Franklin	Tishman Speyer	July	620	200	323	HFF
111 West Jackson Boulevard	Berkley Properties	June	565	140	248	HFF
300 South Wacker Drive	Harbor Group	May	512	115	225	Jones Lang LaSalle
541 North Fairbanks Court	Golub & Co. partnership	May	431	69	160	Eastdil Secured
208 South LaSalle Street	Prime Group	May	355	60	169	HFF

Recent Deals

Property	Buyer	Closed	SF (000)	Sales Price ($Mil.)	Sales Price (Per SF)	Broker
161 North Clark Street	John Buck Co., others	(Pending)	1,100	$348	$316	Eastdil Secured
181 West Madison Street	CBRE Global Investors	(Pending)	940	315	335	Eastdil Secured
225 West Wacker Drive	Mirae Asset	May	651	218	334	Jones Lang LaSalle
190 South LaSalle Street	Tishman Speyer	(Pending)	798	211	264	Eastdil Secured
John Hancock Center	Lynd, Mount Kellett, Hearn	June	900	140	156	CBRE
400 South Jefferson Street	Cole Real Estate	May	234	98	417	Eastdil Secured
Burnham Center	Shidler Group	March	580	95	163	Jones Lang LaSalle
360 North Michigan Avenue	Oxford Capital	(Pending)	269	50	186	CBRE
625 North Michigan Avenue	Goldman Sachs	June	329	44	134	Eastdil Secured

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was a vice president at now-defunct **MPG Office.**

Todd Kristol has joined **Cogsville Group** as a managing director in New York. He will line up investments in distressed and value-added assets for the Manhattan shop led by **Donald Cogsville.** Kristol spent four years at **Westbrook Partners,** a New York fund shop. He also had a prior stint as a vice president for real estate investments at **Blackacre Capital,** a unit of **Cerberus Capital.**

New York fund shop **Meadow Partners** has added a vice president for acquisitions. **Jane Yang** started this month, working on property deals in metropolitan New York. Meadow buys full or partial interests in office, multi-family and retail properties, and can also purchase distressed debt with an eye toward assuming control of the collateral. The shop was founded in 2009 by former **Westbrook Partners** executive **Jeffrey Kaplan.** Yang previously worked at **Lehman Brothers.** She also had brief stints at **CBRE** and **Brookfield Asset Management.**

Jason Hochman has joined **CBRE's** private capital group as a vice president, to lead its debt and equity finance team in South Florida. He arrived from **Adler Kawa Real Estate Advisors** of Miami Beach, where he served as a vice president of investments for a year. Before that, he was a managing director of acquisitions for Miami-based Adler Group.

Institutional Property Advisors is looking for a junior broker in Tampa. The **Marcus & Millichap** unit's office there, headed by executive director **Jamie May,** handles multi-family sales assignments throughout the Southeast for institutional clients. The recruit would report to May and assist with underwriting and marketing properties. Duties would include creating broker-opinion-of-value reports, conducting site visits, managing transactions and working on new business development.

Anthony Burns and **George Helmstetter** have left **iStar Financial** to focus full-time on their own shop, **DevStar Group** of Miami. They launched the firm earlier this year but stayed on at New York-based iStar until last month. DevStar focuses on the high-end residential market in South Florida, particularly development projects. Burns, a senior vice president, had been with iStar for seven years. Helmstetter had a six-year tenure. DevStar and iStar are development partners on one project, dubbed Marina Palms, and may form more joint ventures.

Prudential Real Estate Investors is seeking an asset manager in San Francisco to work on one of its open-ended real estate funds. The recruit would be a director, reporting to a regional vice president, and manage a portfolio of West Coast office, retail and residential properties with risk profiles ranging from core to opportunistic. Candidates should have at least five years of experience, preferably with a background in development. Prudential also has an opening for an investment analyst at its Madison, N.J., headquarters to work in the transactions group, which handles acquisitions and dispositions for funds that invest in the U.S. A bachelor's degree, preferably in finance or real estate, is required.

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