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THE GRAPEVINE

Canada Pension Plan is expanding its acquisitions firepower in New York. After 17 years at **DWS Group** and its predecessors, **Julianna Ingersoll** decamped to join the pension system last month as a director. She reports to managing director **Hilary Spann**, chief of real estate investments in the Americas. The move comes two months after **Beth Raskin Demba**, a former managing director at **Hines**, joined Spann's team, also as a director. Ingersoll most recently served as chief executive officer of **RREEF Property**, a nontraded REIT advised by DWS, formerly known as Deutsche Asset Management. She held that position for

See **GRAPEVINE** on Back Page

TIAA Unit Cuts NY Acquisitions Pro, Others

TH Real Estate, an investment-management unit of **TIAA**, laid off about a half-dozen people from its commercial real estate group in the past few weeks, including the lead acquisitions professional for New York City and the head of West Coast retail investments.

The highest-ranking executive to depart was managing director **Giacomo Barbieri**, who oversaw real estate acquisitions and dispositions in metropolitan New York. Two senior directors also left: **Scott Trafford**, who handled asset management for a \$3 billion West Coast retail portfolio; and **Dimpesh Darjee**, who was lead portfolio manager for commercial mortgages in TIAA's general account.

TH Real Estate has aggressively shuffled its staff over the past few years in conjunction with reorganizations and strategy shifts. In April, for example, about a

See **TIAA** on Page 10

Firms Still Raising Pay, But More Cautiously

Real estate firms making their compensation plans for the year ahead are balancing the need to retain and add staffers in a tight labor market with increasing caution about the outlook for continued growth.

Some 82% of shops that responded to an annual compensation survey by **FPL Associates** said they plan to raise salaries next year. That's down slightly from last year, when 85% planned an increase. Among companies plotting salary bumps, the average increase will be 3.6%, versus 3.8% the year before. Meanwhile, fewer high-level managers will see raises, as only 53% of firms intend to raise their salaries, versus 58% a year ago.

But more firms are feeling generous when it comes to annual bonuses, which usually are doled out in the first quarter. Some 42% of respondents said they plan a year-over-year increase, versus 39% the year before. At companies where increases are planned, the average bump will be 9.1%. Another 46% said bonuses will remain

See **FIRMS** on Page 6

Kravit Retiring From a Top Post at Cerberus

Ron Kravit, co-head of **Cerberus Real Estate Capital's** North America real estate team, is retiring at yearend.

Kravit, a senior managing director, joined the New York investment manager in 1996. Going forward, he will serve as an advisor to the firm and will work with the family office of Cerberus co-founder **Stephen Feinberg**.

Cerberus tapped Kravit and **Thomas Wagner** as co-heads of North American real estate four years ago. Wagner will now be the sole head, reporting to global head of real estate **Lee Millstein**.

Before joining Cerberus, Kravit, who is 61, had stints at **Apollo Real Estate** and an affiliate of **Soros Fund Management**. He was a managing director at both New York shops.

Cerberus last year held the final close on its largest real estate fund. The opportunistic vehicle, Cerberus Institutional Real Estate Partners 4, raised \$1.8 billion of equity to invest in distressed real estate in the U.S. and Western Europe. ❖

The next issue of **Real Estate Alert** will be published Jan. 9. Happy Holidays!

Capital Sought for Workforce Housing

Allagash Opportunity Zone Partners is soliciting up to \$500 million of equity to buy workforce housing in opportunity zones across the Mid-Atlantic.

The New York shop, led by **Tony Barkan**, would shoot for a roughly 14% return by targeting value-added apartments in secondary and tertiary markets.

The capital would be housed in Allagash Opportunity Zone CRE Fund 1. Commitments totaling \$300 million to \$500 million are being sought. At the high end of that range, the vehicle could buy up to \$900 million of apartments when leveraged.

Purchases would typically range from \$10 million to \$20 million. Allagash would then renovate the properties in conjunction with **Ross Cos.**, a property-management and construction firm in Bethesda, Md.

Investment managers this year have rushed to set up funds to invest in economically distressed areas deemed as “qualified opportunity zones” under the federal Tax Cuts and Jobs Act of 2017. Development projects and properties in those areas are entitled to breaks on capital-gains taxes.

By having a narrow property-type and geographical focus, Allagash hopes to differentiate itself from operators with broader strategies. For example, **Anthony Scaramucci’s SkyBridge Capital** and New York hedge fund manager **EJF Capital** last week announced the launch of SkyBridge-EJF Opportunity Zone REIT, which will invest across asset classes nationwide. Other managers that have announced intentions to start opportunity-zone vehicles include **Bridge Investment** of Salt Lake City, **Goldman Sachs, Origin Capital** of Chicago, **RXR Realty** of Uniondale, N.Y., and a joint venture between New York firms **Equity Multiple** and **YoungWoo & Associates**.

Its emphasis on low-income housing will enable Allagash to solicit capital from “socially responsible” investors, including endowments, foundations, family offices and wealthy individuals. Marketing director **David Ludlow** is overseeing fund raising.

The fund has a 10-year life cycle, with three one-year extension options. That’s longer than typical, but the timeframe enables investors to fully reap the tax breaks in Qualified Opportunity Zones.

Under the program, taxes on capital gains from a property sale can be deferred until yearend 2026 if the sales proceeds are invested in a qualifying fund within 180 days. Any capital-gains taxes generated from an investment by a qualifying fund would be reduced by 10% if the investment were held for five years and by 15% if held for seven years. The tax would be waived entirely for investments held for at least 10 years.

The **IRS** recognizes 8,761 opportunity zones in the U.S., Puerto Rico and five U.S. territories. Zones will retain that designation for 10 years.

Barkan was previously a founding principal and senior portfolio manager of **Seer Capital**, a New York fund shop led

by former **Deutsche Bank** executives **Philip Weingord** and **Richard d’Albert**. Barkan had a prior stint at **Sailfish Capital**. Ludlow joined Allagash last year from **Firebreak Capital** and previously worked at **Stifel Nicolaus**, Deutsche and Goldman. ❖

Office Bundle Pitched as Leasing Play

Equus Capital is shopping three office properties in Northern Virginia, Indianapolis and a suburb of Minneapolis that together could fetch up to \$400 million from value-added investors.

The 2.3 million-square-foot portfolio is 85% occupied, but the planned departures of several tenants will drop the rate to 76%. The pitch is that a buyer could make upgrades to the properties and recruit new tenants to boost revenue. The Virginia property is expected to benefit from its proximity to a planned **Amazon.com** campus.

Investors can bid on single properties or any combination. Equus, a fund operator in Newtown Square, Pa., has given the listing to **Eastdil Secured**.

Overall, the portfolio has 160 tenants with a weighted average remaining lease term of five years. Some 41% of the space is occupied by credit-rated tenants in the financial, technology, and government sectors, including **Wells Fargo** and the **U.S. Department of Defense**. No tenant occupies more than 20% of the portfolio’s space.

The property garnering the most investor attention is the 346,000-sf Potomac Gateway, at 2800 and 2900 Crystal Drive in the Crystal City section of Virginia’s Arlington County. It’s amid a cluster of buildings that **JBG Smith** of Chevy Chase, Md., has agreed to redevelop into a massive new campus for Amazon, part of the online retailer’s “HQ2” expansion. The surrounding area, which has long struggled with low office-occupancy rates, is slated to be transformed into a “live-work-play” district.

The two buildings are 83% occupied, with a weighted average remaining lease term of 4.4 years. Equus, then operating as Berwind Property, acquired the complex in 2006 for \$81.5 million.

The largest property in the offering is the 1.1 million-sf Keystone at the Crossing, a six-building campus roughly 20 miles north of downtown Indianapolis. It’s almost 83% occupied, but that will drop to 72% with scheduled departures in the near term. The weighted average remaining lease term is 3.5 years. The office complex is alongside Interstate 465, part of a mixed-use development that includes apartments and a high-end retail center called Fashion Mall. There are numerous other shops and restaurants as well as hotels in the immediate area. Equus acquired the property in 2005.

The third listed property is Metropoint, a four-building campus with 898,000 sf in St. Louis Park, Minn., about 7 miles west of downtown Minneapolis. It’s 89% leased, but scheduled departures will drop the rate to about 78%. The weighted average remaining lease term is 6.9 years. Equus paid \$86 million for the property in 2006. ❖

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Record Colo. Industrial Deal in Works

Berkeley Partners is close to an agreement to pay \$250 million for a Colorado industrial portfolio, in what would be by far the largest deal ever for that asset class in the state.

The industrial specialist and fund operator would acquire the 2 million-square-foot package from **Etkins Johnson Real Estate** of Denver. The price translates to \$125/sf. **CBRE** is the broker.

San Francisco-based Berkeley has teamed up on purchases in the past with institutional investors such as **Arizona State Retirement**, but it's unknown if it plans to do so this time. The acquisition would be Berkeley's first foray into Colorado.

Most of the portfolio is in the Denver area, with the rest in Colorado Springs and Boulder. CBRE touted the offering as an unusual opportunity to scale up quickly in a region with strong population and economic growth. Marketing materials circulated in September said the 19 properties, encompassing 41 buildings, were 93% leased by 162 tenants. Rents averaged 17% below market asking rates, so there is potential to raise rents as leases roll over.

While a handful of the warehouses are larger than 100,000 sf, the average size is just 48,000 sf. That's a good fit for Berkeley, which targets light-industrial properties.

Fourteen properties (36 buildings) are in Denver and its suburbs. The largest is the 294,000-sf North Washington Business Center, at 6200-6300 North Washington Street in Denver. The four-building complex is 96% leased by 18 tenants. There are also two fully leased, single-tenant buildings in Boulder totaling 126,000 sf and three buildings in Colorado Springs totaling 236,000 sf.

Big industrial sales are rare in Colorado. Only two transactions have topped \$25 million this year, and none has exceeded \$100 million in the past decade, according to **Real Estate Alert's** Deal Database. ❖

Denver Apartments Fetch Top Dollar

BlackRock purchased a luxury apartment complex in Denver last week at a hefty per-unit price.

A fund operated by the New York investment manager acquired the 273-unit Infiniti LoHi for \$111.8 million, or \$410,000/unit. That's the highest per-apartment valuation in the Denver metropolitan area in 15 months. **Newmark** brokered the sale for **Richman Group** of Greenwich, Conn.

The mid-rise property, at 2298 West 28th Avenue in the trendy "Lower Highlands" neighborhood, was completed this year and is still in its initial leasing phase. Similar properties have traded at capitalization rates below 4.5%, and market pros said BlackRock's return would likely be in that vicinity upon stabilization.

The three-building complex is on a 1.8-acre site. The apartments range from studios to two bedrooms and average 787 square feet. Asking rents average \$2,052, or \$2.68/sf. That com-

pares to an average of \$1,990, or \$2.50/sf, for competing properties.

Amenities include courtyards with fireplaces, a high-end fitness center and a rooftop pool with mountain and downtown views. An underground garage has 321 spaces.

The LoHi neighborhood has won national acclaim for its bars and restaurants. Marketing materials noted that **Forbes** named the area "one of America's Best Hipster Neighborhoods," with the third-highest number of coffee shops per capita.

Infiniti Lo-Hi is a few blocks from the Platte Street Corridor, whose 450,000-sf office component is growing fast, with another 225,000 sf under construction. This year, oil giant **BP** relocated its U.S. headquarters to the area from Houston. ❖

Deal for Office Complex Near Raleigh

Accesso Partners is buying a Class-A office complex near Raleigh that's nearly fully occupied.

The Hallandale Beach, Fla., fund manager will pay \$73 million for the 290,000-square-foot Weston 1&2, in Cary, N.C. At that \$252/sf valuation, the firm will reap an initial annual yield of 6.1%.

The seller is a partnership that includes **Capital Associates** of Raleigh and New York insurer **Assurant**. **HFF** is brokering the transaction, slated to close on Friday. Some 80 investors expressed interest in the two-building complex, resulting in 15 tours and eight bids.

The 212,000-sf Weston 1, at 1001 Winstead Drive, is 97.8% leased. Its 18 tenants include **CA Technologies**, **Syneos Health** and **Texas Instruments**. The six-story building was constructed in 1988 and recently renovated. The 78,000-sf Weston 2, at 5020 Weston Parkway, is fully occupied by **Ply Gem Industries**, which moved in this year under a lease that runs until 2030. The 2008-vintage property has four floors.

Overall, the weighted average remaining lease term is 5.9 years. The average in-place rent is \$26.20/sf, which trails the average market asking rent of \$28.50/sf.

Accesso plans to make improvements, including the addition of a high-end fitness center and a conference center. Capital Associates will remain the property manager and leasing agent. That shop started managing the complex in 1997 and acquired an ownership stake in 2006.

The complex, along Weston Parkway, is on separate tax parcels in a business park. Weston 1 is on a 10-acre site, and Weston 2 occupies 5.5 acres. The location is near the Research Triangle's main thoroughfares, including Interstate 40 and Route 54, and less than 7 miles from Raleigh-Durham International Airport. The Cary submarket's average occupancy rate is 94.9%.

Accesso entered the region in March when it acquired 10 Durham office buildings totaling 691,000 sf for a total of \$108.2 million, or \$157/sf. HFF also brokered those sales for two separate owners — **Origin Investments** of Chicago, and a partnership between Bahrain-based **Investcorp** and **American Real Estate** of Herndon, Va. ❖

ConAm Tees Up Multi-Family Fund

ConAm Group is readying its third apartment-property fund.

The San Diego firm has told investors it will launch ConAm 2019 Multifamily Opportunity Fund in the first quarter with an equity target of \$150 million to \$200 million.

ConAm would shoot for a return of 12-14%, mostly via purchases of apartment buildings in the Western U.S. The firm also chases deals in the Carolinas, Florida and Texas, and will consider developing properties in California, Las Vegas, Seattle and Portland, Ore.

With leverage, the fund would have up to \$550 million of buying power. ConAm doesn't use a placement agent, raising capital instead via affiliate ConAm Securities.

ConAm held a final close for its debut fund in 2015. That vehicle has fully invested its \$120 million of equity. A second vehicle called ConAm 2017 Multifamily Opportunity Fund wrapped up marketing this year with \$130.2 million, which is more than two-thirds invested.

ConAm was founded in 1975 by **Daniel Epstein** as **Continental American Properties**. It long invested via joint ventures. Its partners have included **Kayne Anderson Real Estate** of Los Angeles, **LaSalle Investment** of Chicago, **Sterling Equities** of Great Neck, N.Y., and **Wafra Investment** of Kuwait.

Epstein remains executive chairman, leading the firm alongside **Rob Singh** and chief operating officer **Bob Svatos**. Executive vice president **George Lloyd** is head of acquisitions. ❖

Stoltz Shops Well-Leased Warehouses

Stoltz Real Estate is marketing a portfolio of high-quality warehouses spread across six of the strongest industrial markets in the country.

The 3 million-square-foot package is expected to command bids of \$350 million, or \$118/sf. It encompasses 12 buildings that are 96% leased. Stoltz, a fund operator in Bala Cynwyd, Pa., prefers to sell to a single buyer, but will consider bids on portions of the package. **HFF** has the listing.

The properties are in the markets of Austin, Denver, Louisville, Northern New Jersey, Central Pennsylvania's Interstate 81 Corridor and Raleigh. Since the first quarter of 2016, the average occupancy rate in those markets has remained above 96% and rents have grown 20%, according to marketing materials. Investors are being told that given the solid fundamentals, a buyer could raise rents upon rollover while benefiting from the portfolio's stability in the short term. The 13 tenants have a weighted average remaining lease term of 5.5 years.

Nearly 90% of the portfolio's rental revenue is generated by investment-grade companies or their affiliates. Major tenants include **Johnson Controls** (419,000 sf), **Legrand** subsidiary **Middle Atlantic Products** (418,000 sf), **Whirlpool** (410,000 sf), **Armada** (400,000 sf) and **Raytheon** (194,000 sf).

The properties generally feature modern, high-quality construction, with 57% of the space completed since 2000. Two-thirds of the space is in buildings that have at least 300,000 sf.

Moreover, 38% of the space has ceiling heights of at least 32 feet and another 41% has minimum ceiling heights of 28 feet. No building has ceilings lower than 22 feet, and all have modern sprinkler systems.

All the vacant space is in a 275,000-sf complex near Austin. That three-building property, at 110 East Old Settlers Boulevard in Round Rock, Texas, is 56% leased.

The other properties, all fully leased, are in:

- Louisville: 742,000 sf in two warehouses, at 7111 Trade Port Drive and 1001 Cheri Way.
- North Carolina: 639,000 sf in three buildings, at 2532 and 2525 Whilden Drive in Durham and 8380 Capital Boulevard in Raleigh.
- Northern New Jersey: 495,000 sf in two buildings, at 300 Fairfield Road in Fairfield and 720 Belleville Turnpike in Kearny.
- Suburban Denver: 410,000 sf in a warehouse at 20900 East 36th Drive in Aurora, Colo.
- Pennsylvania: a 400,000 sf building at 1378 Armada Drive in Greencastle, near Interstate 81 about five miles north of the Maryland border. ❖

Denver Price Record Broken Again

Morgan Stanley Real Estate acquired a trophy Denver office building last week for \$740 a square foot — toppling the city's price record once again.

The investment manager paid \$222 million for the 300,000-sf building, at 1601 Wewatta Street in Denver's booming downtown. **CBRE** brokered the sale for a partnership among **J.P. Morgan Asset Management**, Houston-based **Hines** and local developer **Jordon Perlmutter & Co.** Market pros said Morgan Stanley's initial annual yield will be just under 5%, making it the first Denver office deal to dip below that threshold.

The Class-A property is 97% leased by 14 tenants, including law firm **Hogan Lovells** and **Deloitte**, which together occupy about 45% of the space. The weighted average remaining lease term is about 10 years.

The J.P. Morgan team completed the 10-story building in 2015. It has 20,000 sf of ground-floor retail space and a LEED gold designation. The surrounding neighborhood includes boutique hotels, hundreds of shops and restaurants, and sports and entertainment venues.

Morgan Stanley's transaction eclipsed the \$724/sf price record set at the end of last year when Chicago-based **Heitman** paid \$224.5 million for the 311,000-sf building at 1401 Lawrence Street. **CBRE** represented the seller, Toronto developer **First Gulf**.

Meanwhile, Dallas-based **Lincoln Property** and **Oregon Public Employees** have agreed to buy another Denver office building for just under the new record. The duo will pay roughly \$735/sf, or \$80 million, for the 109,000-sf North Wing Building, at 1705 17th Street. The seller is Munich fund manager **GLL Real Estate**. **CBRE** is also brokering that transaction. ❖

Class-A Offices Shown Near Phoenix

LBA Realty is marketing a recently renovated office building in suburban Phoenix that's expected to fetch just over \$70 million.

The 235,000-square-foot property, in Scottsdale, Ariz., is 94% leased. **Newmark**, which is handling the offering, is pitching the potential to raise below-market rents as leases expire. Bids for the Class-A building are expected to hit \$300/sf.

LBA, a fund shop in Irvine, Calif., bought the property in 2015 from **PGIM Real Estate** for \$49.2 million, or \$207/sf. Called Kierland 2, the four-story building was completed in 2001. LBA conducted renovations, including a lobby upgrade, that wrapped up in 2016.

The six tenants have a weighted average remaining lease term of four years, at rents that are 16% below market rates on average. Some two-thirds of the total space is leased by investment-grade tenants. **BGRS**, a subsidiary of **Brookfield Asset Management**, is leasing 90,000 sf until 2023. Other major tenants are **Sunrun** (49,000 sf until 2023), **Prudential** (34,000 sf until January 2020) and **Experian** (32,000 sf until 2025).

The building is at 16260 North 71st Street, in the Kierland master-planned community. The surrounding North Scottsdale/Airpark submarket has 7.9 million sf of office space that was 86.9% leased at the end of the third quarter, with an average asking rent of \$30.54/sf. The submarket outperforms the overall Phoenix office market, which is 83% leased, with an average asking rent of \$29.23/sf.

There is 8.5 million sf of retail space within 3 miles of Kierland 2, as well as luxury housing communities, resorts and upscale dining. Scottsdale Airport is also nearby. ❖

Maguire Hayden Offers Va. Package

Maguire Hayden Real Estate is pitching a five-building portfolio in Northern Virginia as a leasing play.

The properties, encompassing 318,000 square feet of office, industrial and flex space, are part of Avion Business Park in Chantilly. They are expected to attract bids of more than \$45 million, or \$142/sf. Maguire Hayden, of Conshohocken, Pa., has given the listing to **Transwestern**.

The offering includes three single-story flex/industrial buildings at 14700 Avion Parkway, 3635 Concorde Parkway and 3650 Concorde Parkway. There also are two three-story office buildings at 14500 and 14520 Avion Parkway.

The properties are 73% leased, with credit-rated tenants occupying 47% of the space. Among them are **Covance**, **Panasonic** and **Fairfax County**. The weighted average remaining lease term is 3.5 years. A buyer could position the buildings to support "last-mile" deliveries, as well as R&D, production and office tenants.

Avion Business Park is just outside Dulles International Airport in an area dubbed the Dulles Technology Corridor, because of its concentration of technology and defense companies.

Maguire Hayden bought the five properties from special servicer **C-III Asset Management** in 2015 for \$45.6 million. C-III had assumed them and one other building after the previous owner, **Advance Realty** of Bedminster, N.J., defaulted on its debt. ❖

Firms ... From Page 1

flat, while 12% plan to trim them.

These decisions come at a time when compensation packages are already at historic highs, said **Josh Anbil**, a senior managing director at Chicago-based FPL. "The elephant in the room at many companies is how to keep growing and performing to continue to afford these compensation amounts, which have increased for several years in a row," Anbil said. "The discussion quickly turns to managing expectations going forward, which is challenging to do and requires thoughtful compensation structures, performance measurement and communication."

FPL's 11th annual Real Estate Compensation Pulse Survey collected information from 276 real estate companies, including REITs, fund operators and other investment managers. It was conducted last month, as most were mapping out compensation for the year ahead, and asked each shop about its plans for the three main components: salaries, bonuses and long-term incentives such as stock and participation interests.

Overall, most firms continue to expand their platforms and revenues amid what has been a particularly long cycle. "It has been a healthy year for a lot of these organizations," Anbil said. "Returns and top-line financials remained strong and capital continues to pour into the industry."

Some 53% of respondents said they plan to increase staffing next year, up from 49% last year. Most of them expect to boost their workforces by 1-10%. Just 6% of the companies plan to reduce their workforces in 2019, while 14% said they had reduced staffing this year.

With expanded platforms come heavier operating expenses, the bulk of which are tied to personnel. "In many cases, margins are not increasing in proportion to the growth and other performance that's been achieved," Anbil said. "Talent is more expensive and portable than ever."

Asked whether their companies saw improved performance in the past year, 59% of firms agreed, down a bit from 66% last year, while 15% reported a decline, up from 11%.

Anbil said companies should think of compensation both as a reward for past performance and as an investment that can generate returns going forward. "These organizations are acting accordingly by directly connecting pay to performance, focusing on the most productive parts of the business and recognizing rising stars," he said.

For example, the vast majority of surveyed companies (83%) said they plan to increase the number of staffers eligible for long-term incentives, which tie some of their compensation to their firms' performance. However, 71% said they don't plan to increase individual amounts year-over-year.

FPL, which specializes in compensation consulting services as well as organizational and financial consulting, is one of two units of FPL Global. The other, **Ferguson Partners**, is a recruiting firm focused on corporate, board-level and senior-management placement, as well as consulting on leadership and succession planning. ❖

FEE SCORECARD FOR FUNDS

Fee Scorecard for High-Yield Real Estate Funds

For vehicles raising equity

Opportunity

Operator/Fund	Equity Goal (\$Mil.)	Net Return Goal (%)	Management Fee	Preferred Return For LPs (%)	Subsequent GP/LP split of profits	IRR Needed For GP to Get 20% of Profits (%)
Auerbach Funds Auerbach Opportunity Fund 1	\$350.0	17+	2% (1% acquisition)	10	20/80	Never
Jaguar Growth Partners Jaguar Real Estate Partners 2	500.0	17-22	2%	9	50/50 to 20%, then 20/80	15.0
King Penguin Properties King Penguin Opportunity Fund 3	100.0	20	(None)	6-7	40/60	13.0
Sylvan Road Capital U.S. Single Family Rental Fund 4	400.0	16+	1.75%	8	80/20 to 20%, then 20/80	10.7

Value-Added

Operator/Fund	Equity Goal (\$Mil.)	Net Return Goal (%)	Management Fee	Preferred Return For LPs (%)	Subsequent GP/LP split of profits	IRR Needed For GP to Get 20% of Profits (%)
Atlas Capital Atlas Capital Investors 5	\$300.0	13-15	1.50%	8	50/50 to 20%, then 20/80	13.33
CapRidge Partners CapRidge Partners Value Fund 3	250.0	13-16	1.50%	8	80/20	10.67
Cygnus Capital Real Estate Cygnus Spain Property Fund	117.9	15	2% on invested capital	8	50/50 to 20%, then 20/80	13.33
EII Capital EIIRC Value Add Fund 2	125.0	14-16	1.50%		20/80 over 10%	Never
HQ Capital RECAP Opportunity Fund 3	250.0	12-14	1.75%	8	80/20 to 20%, then 20/80	10.67
Kennedy Wilson Kennedy Wilson Real Estate Fund 6	750.0	13-16	1% on committed, 1.5% on invested	9	50/50 to 20%, then 20/80	15
Long Wharf Real Estate Long Wharf Real Estate Partners 6	400.0	13.5	1.50%	9	50/50 to 20%, then 20/80	15
Newport Capital Newport Capital Partners 2	200.0	13	1.50%	9	80/20 to 12%, then 75/25	12
Summit Real Estate ArrowRock Income & Growth Fund 3	200.0	13-15	2%	9	40/60 to 20%, then 20/80	18
TPG TPG Real Estate 3	3,000.0	15	1.5% on first \$50 mil., 1.25% over \$50 mil.	8		
Woodside Capital Woodside Special Opportunity Fund	100.0	15	2%	8	20/80	Never

Continued on Page 8

FEE SCORECARD FOR FUNDS

Continued From Page 7

Core-Plus

Operator/Fund	Equity Goal (\$Mil.)	Net Return Goal (%)	Management Fee	Preferred Return For LPs (%)	Subsequent GP/LP split of profits	IRR Needed For GP to Get 20% of Profits (%)
Cygnus Capital Real Estate Cynus Property Fund 5	\$200.0	10-12	2%	8	20/80	Never
TA Realty Realty Associates Fund 12	1,250.0	10-12	0.5% year 1, gradually rises to 1.25% in year 5, gradually declines to 0.6% in year 8 and after.			

High-Yield Debt

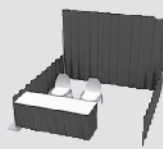
Operator/Fund	Equity Goal (\$Mil.)	Net Return Goal (%)	Management Fee	Preferred Return For LPs (%)	Subsequent GP/LP split of profits	IRR Needed For GP to Get 20% of Profits (%)
G4 Capital G4 Capital Partners 3	\$300.0	9-11	1.50%	8	20/80	Never
Walton Street Capital Walton Street Real Estate Debt Fund 2	1,000.0		1.25%	6		



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Denver-Area Offices Up for Grabs

Lexington Realty is marketing three suburban-Denver office buildings that could attract bids of just over \$130 million combined.

The 402,000-square-foot package is fully occupied by four tenants with a weighted average remaining lease term of 10.3 years, three of which use the buildings as their headquarters. At the estimated value of \$328/sf, the buyer's initial annual yield would be about 6%. **CBRE** has the listing.

Lexington, a New York REIT, is pitching the buildings as a portfolio, but will consider bids on them individually.

The largest property is the 167,000-sf building at 9655 Maroon Circle in Englewood, Colo., within Meridian International Business Park. It has an estimated value of \$62 million, or \$368/sf. At that price, the buyer's initial annual yield would be 6.25%. **TriZetto** occupies the entire property. The healthcare-software company, a subsidiary of **Cognizant Technology**, pays a below-market rent under a lease with 9.3 years remaining. The building was completed in 2013. It has 700 parking spaces.

Also included in the offering is the 129,000-sf building at 9201 East Dry Creek Road in Centennial, Colo. At its estimated value of \$44 million, or \$342/sf, the property would carry the lowest capitalization rate in the portfolio — about 5.5%. **Arrow Electronics** occupies the entire building, paying below-market rents under a lease with 14 years remaining. The company is rated triple-B-minus by the major rating agencies. The marketing campaign touts the property's location in a pedestrian-friendly neighborhood, less than half a mile from a light-rail stop. The building was completed in 2001. It has 540 parking spaces.

The third building encompasses 107,000 sf at 1315 West Century Drive in Louisville, Colo. It is worth about \$24 million, or \$224/sf. At that price, the buyer's initial annual yield would be 6.75%. **Global Healthcare Exchange** occupies 81% of the space under a lease with eight years remaining. **Rogue Wave Software** has a lease on the other 19% for another four years. The marketing campaign highlights the property's location in a neighborhood with abundant restaurants and shopping. The building was completed in 1988. It has 430 parking spaces. ❖

Cost to Develop Senior Housing Rises

Development costs for senior housing grew more than 5% this year, a notably larger jump than last year, according to a new **CBRE** report.

The average cost of building independent-living, assisted-living and memory-care housing rose 5.3% to an average of \$298 a square foot over the past 12 months, according to the brokerage's 2018 U.S. Seniors Housing Development Costs Report, set to be released this week. Last year, those costs grew 3.6% to \$289/sf.

Higher labor and material prices fueled the increase, with site-acquisition costs also playing a part. **CBRE** expects costs to continue rising in 2019, restraining development.

"Continued moderation in development activity is healthy for the seniors housing market because demand has not kept

pace with new supply," **Zach Bowyer**, senior managing director of **CBRE's** valuation and advisory services group, said in a statement accompanying the report.

Rapid development this cycle has held down occupancy rates and slowed rent growth at senior-housing properties. The overall occupancy rate in the sector is 89.5%, only 60 bp above the cyclical low set in 2010.

The cost report is based on a survey of more than 2,000 properties completed or scheduled for delivery over the past year. The average development cost \$35.8 million and had roughly 128 units.

What the report terms "hard costs" — including building-shell construction and workers' wages — accounted for two-thirds of total project expenses and grew 7.1% over the past 12 months, to \$197/sf. Federal statistics pegged the rise in construction-sector wages at 3.9% for the year ending in October. "Soft costs," such as inspection fees and design work, decreased 4.1% year-over-year to \$59/sf, while expenses for furniture, fixtures and equipment grew 7.9%, to \$10.25/sf. Site-acquisition costs saw the biggest increase: 16.2%, to \$32.25/sf.

The report said the stabilized capitalization rate across the sector was 6.6% in 2018, the same as last year. Returns on cost — measured by stabilized net operating income as a percentage of overall development costs — were 7.7-9.9% in 2018, representing a dip from 7.9-10.1%, but the average was unchanged at 8.9%.

CBRE projects that total senior-housing development costs will rise another 5.3% by this time next year, even with less activity. ❖

NEW DEALS

Virginia Apartment Complex

Hasta Capital purchased a luxury apartment building in Alexandria, Va., last week. The Mexico City investment firm paid \$65.5 million, or \$328,000/unit, for the 200-unit E-Lofts, at 4501 Ford Avenue. The capitalization rate is in the neighborhood of 5%. **HFF** represented the seller, a partnership between **Cafritz Interests** of Washington and **Clark Enterprises** of Bethesda, Md. The former office building was redeveloped in 2017. The units, which average 948 square feet, have 10-foot ceilings and expansive windows. Some 10% of the units are leased as "office lofts." An underground garage has 574 parking spaces.

Rentals Near Baltimore

A partnership's \$28.9 million purchase of a multi-family complex near Baltimore will produce a 5.6% initial annual yield. The price for the 183-unit Windsor Commons, in Windsor Mill, Md., translates to \$158,000/unit. **Grand Street Development** and **Kamson Corp.**, both of Englewood Cliffs, N.J., teamed up on the Dec. 6 purchase. **JLL** represented the seller, **Harbor Group International** of Norfolk, Va. The 27-building complex, at 2800 Ashfield Drive, is 95% occupied. The buyers plan to conduct light renovations. The property, developed as condominiums in 2000, includes 103 separately owned units. The partnership is open to buying them from the individual owners and adding them to the rental pool. ❖

TIAA ... From Page 1

dozen staffers were given pink slips — most of whom focused on commercial mortgages. And more than 30 staffers departed in 2016. Meanwhile, several dozen people have been hired over the past couple of years.

TIAA began reshaping the real estate group in 2016, giving it a mandate to expand beyond its traditional focus on TIAA's own assets by increasing its management of third-party capital, across property types and the risk spectrum. The group moved to a flatter, decentralized organizational structure and leaner headcount — a profile that investment-management clients often prefer because it minimizes expenses that can be passed on to them. TIAA shed staffers in some centralized offices and put more boots on the ground in regional offices that would have more direct responsibility for investments.

A TH Real Estate spokesperson declined to comment directly on the latest departures, but said in a statement that “we will continue to enhance our teams and capabilities in areas such as debt, multi-family, retail and industrial while optimizing how we're organized to best serve clients and localize our expertise.”

Barbieri was involved in several major deals in Manhattan, including the purchase and sale of the 646,000-square-foot office building at 685 Third Avenue. TH Real Estate acquired the property in 2010 for \$190 million and the next year sold a 49% interest to **Future Fund**, Australia's sovereign wealth fund.

The duo sold the building last year to **Unizo Holdings** of Japan for \$467.5 million.

Barbieri joined TIAA in 2003. His prior roles included head of real estate acquisitions for the Americas. He previously had stints at **UBS** and **Paramount Group** of New York.

Trafford, who joined TIAA in 2012, was focused on retail asset management, based in Newport Beach, Calif. He was named a regional head in March. Trafford previously was a retail broker at **JLL** and had asset-management roles at **Madison Marquette** of Washington and **Crown Realty & Development** of Irvine, Calif.

The retail group has had other personnel changes recently. Senior director **Sam Flood** left over the summer. He had been the regional head of Midwest and New England investments, based in Boston. In October, **Manuel Martin**, who oversaw the Southeast region and Latin America, was named as the successor of U.S. retail chief **John Ragland**, who will retire in February. And, as previously reported, **Kerrie Weis** last month joined as a senior director of retail investments, operating out of San Francisco. She previously spent eight-plus years as a retail broker at **Eastdil Secured**.

Darjee, who was based in New York, joined TIAA in 2011 as a director focused on commercial-mortgage originations. He then headed property acquisitions for the New York region for a few years before moving back to the debt side. Darjee previously worked at **NorthMarq Capital** of Minneapolis.

The names of the other departing staffers couldn't be learned, but they are believed to be lower in rank.

TH Real Estate, which is changing its name to **Nuveen Real Estate** next month, has hired at least 10 staffers over the past year, including **Nikita Rao** as a portfolio manager for its open-end multi-family fund, **Graydon Bouchillon** as managing director and head of U.S. industrial properties, and **Jason Hernandez** as head of U.S. commercial-mortgage originations. The company evidently is building up its staff in sectors where it expects to put more of its capital. ❖

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NEW DEALS**Suburban Baltimore Apartments**

Paradise Management will realize a 5.25% initial annual yield on its recent acquisition of a 332-unit apartment complex near Baltimore. The Bensalem, Pa., shop paid \$88.5 million, or \$267,000/unit, for Greenwich Place, at 10090 Mill Run Circle in Owings Mills, Md. **JLL** brokered the Dec. 12 sale for **PGIM Real Estate**. The 2007-vintage property has units with 1-3 bedrooms, averaging 1,269 square feet, across 19 townhome-style buildings and one mid-rise building. All of the units are ripe for upgrades, and marketing materials said a full renovation campaign would boost annual income by about \$650,000. ❖

MARKET SPOTLIGHT

Washington-Area Apartment Properties

- ❑ Sales of large properties are on track to exceed last year's \$5.8 billion tally.
- ❑ Leasing demand is strong in Washington's burgeoning Navy Yard/Capitol South submarket. Over the past five years, the average occupancy rate climbed 1.1 percentage points, to 96.2%, even though supply grew by 70%, to 13,214 units, according to Marcus & Millichap.
- ❑ Developers continue to target sites near Metro stations that are under construction along the Purple Line in Maryland and the Silver Line in Virginia.

On the Market

Property	Seller	Hit Market	Units	Estimated Value		Broker
				(\$Mil.)	(Per Unit)	
Meridian at Pentagon City, Arlington, Va.	Paradigm, UBS	November	534	\$210	\$393,000	HFF
F1rst Residences, Washington	Grosvenor, Clark, McCaffery	October	325	160	492,000	Eastdil Secured
The Daley, Rockville, Md.	Carlyle, Bozzuto, EYA	September	333	95	285,000	HFF
Rosemary Ridge, Manassas, Va.	Clark Enterprises	October	402	93	231,000	HFF
Bellemeade Farms, Leesburg, Va.	KKR, Bainbridge	November	316	71	225,000	CBRE
Ashbury Courts, Laurel, Md.	Pratt Street Capital	(Pending)	156	34	218,000	JLL
Skyland Apartments, Washington	WC Smith	November	224	25	112,000	CBRE

Recent Deals

Property	Buyer	Closed	Units	Sales Price		Broker
				(\$Mil.)	(Per Unit)	
University View, College Park, Md.	Scion Group	October	507	\$235	\$464,000	CBRE
Circle Towers, Fairfax, Va.	Laramar Group	December	604	160	265,000	Newmark
BLVD 2801, Alexandria, Va.	FPA Multifamily	October	574	154	268,000	JLL
Ellipse at Fairfax Corner, Fairfax, Va.	Hampshire Real Estate	December	404	98	243,000	Eastdil Secured
Adara Herndon, Fairfax, Va.	DivcoWest, Blackfin Real Estate	October	392	94	241,000	Eastdil Secured
672 Flats, Arlington, Va.	Chevy Chase Land	September	173	90	520,000	HFF
Westerly at Worldgate, Herndon, Va.	Principal Global, Kettler	September	320	77	241,000	Eastdil, Marcus
Woodvale Apartments, Silver Spring, Md.	Orlo Fund	November	376	68	181,000	JLL
E-Lofts, Alexandria, Va.	Hasta Capital	December	200	66	330,000	HFF
Townes at Herndon Center, Herndon, Va.	Hampshire Real Estate	December	216	65	301,000	Eastdil Secured
Bennington Crossings, Alexandria, Va.	Morgan Properties	September	308	62	202,000	HFF
Windsor at Fair Lakes, Fairfax, Va.	Hampshire Real Estate	December	250	62	248,000	Eastdil Secured
Harvard Hall, Washington	(Unidentified)	(Pending)	157	47	299,000	Newmark
Elysium Fourteen, Washington	Snell Properties	October	56	43	768,000	CBRE
Auden Place, Silver Spring, Md.	Elion Partners, Buchanan	December	164	34	207,000	(None)

THE GRAPEVINE

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three years, after serving as the REIT's chief financial officer.

CBRE's global capital-markets team has hired a senior director. **Yunzhi "Stephanie" Yang** joined in Beijing last month to manage Chinese capital flow into real estate deals in the U.S. and other countries. She's on the team led by managing director **Chris Brett**. Yang spent the past three-plus year at **Emerge Capital** of Australia, where she was a director focused on business development and capital raising in China and other Asian countries. She had a prior stint at **Asia Pacific Real Estate Association** of Beijing.

JLL has added **Christopher Benton** to its multi-family team in Los Angeles. He started this week as a senior vice president, focusing on investment sales throughout Southern California. Benton made the move from **Newmark's**

Los Angeles outpost, where he was a director, serving there for three years. He previously worked for almost three years at **CBRE** and spent six years at **Coldwell Banker**.

The head of asset management at **Arch Street Capital** left last month. **Lori Schechter Roseman** had been at the Greenwich, Conn., advisory firm since 2013. She is now consulting with real estate clients via **Schechter Roseman Advisors** while exploring other opportunities. Before joining Arch Street, she had stints at **Dadourian Cos., RFR Holding** and **Thor Equities**, all of New York.

Patrick Heffernan joined **Rialto Capital** this month as a vice president in Atlanta, where he works on acquisitions for the Miami firm. Heffernan was previously a director at **Barings**. He spent seven years at that **Mass-Mutual** unit.

Griffin Capital hired **Austin Bedingfield** as an associate last month. He's tasked with scouting out stabilized apartment prop-

erties and development deals nationally for the El Segundo, Calif., private-equity firm. Bedingfield made the jump from the Dallas office of **Eastdil Secured**, where he spent two years as an analyst, working on office investment sales and debt. At Griffin he reports to **Eric Kaplan**, managing director of acquisitions.

Amy Cornelius joined **CIM Group** this month as an associate general counsel for real estate. She is based in Phoenix for the Los Angeles investment manager. She came from Phoenix-based **Vereit**, where she spent nine years and left as a vice president of legal services.

Nascent investment-management shop **Kandle** is looking to hire an analyst at its Scottsdale, Ariz., headquarters. The recruit would report to **Jarett Kaplus** in Seattle. Kaplus, a former **Admiral Capital** principal, joined the firm in September. Kandle, which bills itself as "a technology-enhanced real estate partnership," will focus on ground-up development deals.

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