

---

**JULY 16, 2008**

---

**3 Va. Offices Leased to Navy for Sale**

**3 Fund to Buy Austin Office Park**

**3 Value-Added Fund Eyes 'Core' Deals**

**4 GI Now in Line for LA Data Center**

**6 Kentucky Endowment Eyes Funds**

**6 Harrison Street Fund Oversubscribed**

**6 Arden Shops Suburban LA Offices**

**8 Calif. Apartment Complex on Block**

**8 REIT Shows Jacksonville Apartments**

**8 Shopping Center Listed Near Dallas**

**8 Trammell Offers Houston Apartments**

---

---

## THE GRAPEVINE

---

Apartment investor **Empire American Holdings** is looking to hire a chief investment officer in preparation of launching its first real estate fund. The executive will oversee fund raising and manage the vehicle. The Montvale, N.J., firm, headed by **Ezra Beyman**, hopes to raise up to \$1 billion of equity. The fund will target distressed and value-added properties across the nation. The return goal has not yet been determined.

**Mike Kelly** has left **Dividend Capital Total Realty** to launch his own investment firm. The Denver shop, **Trale Capital Partners**, will invest in distressed properties and debt, as well as recapitalizations. The company is backed by two unidentified families. Kelly spent the past two years as chief acquisition officer for **Dividend Capital**, a Denver REIT with a \$2 billion portfolio of property and debt investments. Senior vice president **Greg Moran**

See GRAPEVINE on Back Page

## Manulife to Buy Mellon Bank Center in LA

**Manulife Financial** has signed a letter of intent to buy Mellon Bank Center in Los Angeles from funds operated by **BlackRock Realty Advisors** and **Tishman Speyer** for about \$308 million.

The 701,000-square-foot building, at 400 South Hope Street, is nearly fully occupied. At the \$440/sf price tag, Manulife's initial annual yield would be about 5%. The yield could rise to 6.5% if two below-market leases are replaced when they expire in 2010 and 2012.

If it completes the acquisition, Toronto-based Manulife will assume a \$171.5 million mortgage with a 5.32% coupon. The interest-only loan matures in 2012.

**Cushman & Wakefield** is advising the sellers — the core-plus BlackRock Diamond Property Fund and the value-added Tishman Real Estate Venture 6. At one point, there was talk in the market that the open-end BlackRock fund was

See MANULIFE on Page 9

## Morgan Stanley Shops Big Houston Complex

**Morgan Stanley Real Estate** is selectively shopping the massive Greenway Plaza office complex in Houston for more than \$800 million, the latest in a series of offerings following its takeover of **Crescent Real Estate Equities** last year.

Working via broker **Holliday Fenoglio Fowler**, Morgan Stanley is talking to a handful of investors about the 4.3 million-square-foot property. The company appears to be seeking some \$190/sf, or \$826 million, which would be in line with recent sales of Class-A office properties in Houston.

Morgan Stanley inherited Greenway Plaza last year via its \$6.5 billion Crescent takeover. It intended to transfer the REIT's office buildings and residential developments to a planned \$10 billion vehicle, Morgan Stanley Real Estate Fund 7 Global. But property values subsequently fell, scuttling the plan and leaving Morgan Stanley stuck with the portfolio in a declining market.

Since then, Morgan Stanley has been seeking to whittle down its exposure. It has sold \$285 million of Crescent office properties and has firm agreements to sell

See HOUSTON on Page 10

## Guggenheim Mulls Step to Bolster Debt Fund

**Guggenheim Partners** is thinking about amassing reserve capital as a backstop in case debt investments held by a \$768 million fund that it operates fall in value.

The maneuver would give Guggenheim the flexibility to pump additional equity into existing investments, rather than risk being forced to sell them at a discount. Guggenheim might also use some of the capital for new investments — specifically to buy loans from troubled lenders.

Under the plan, Guggenheim would raise about \$150 million of fresh capital from investors in its Guggenheim Structured Real Estate Fund 2. The new equity would be placed in a "co-investment" fund. One of Fund 2's investors, **San Bernardino County Employees**, has agreed to commit \$25 million if Guggenheim decides to proceed. New York-based Guggenheim declined to comment on the investment vehicle.

Fund 2, which closed in 2006, is fully invested in B-notes, mezzanine loans and

See GUGGENHEIM on Page 8



\$170 billion of capital markets transactions  
on six continents and we still  
keep the smallest detail in sharp focus.

CB Richard Ellis provides complete debt and equity solutions and personalized advice to investors anywhere in the world. Clients leverage our market knowledge. They take advantage of our keen insights and innovative thinking. And they draw on our unparalleled resources. At CB Richard Ellis, vision meets execution.

The right business partner for all your real estate needs.  
#1 in commercial real estate worldwide [www.cbre.com](http://www.cbre.com) 888.707.3908

**CBRE**  
CB RICHARD ELLIS

## Va. Offices Leased to Navy for Sale

A partnership is shopping a 95% stake in a suburban Washington office building that is fully leased to the **U.S. Navy**.

The stake in the 319,000-square-foot One Liberty Center, in Arlington, Va., could attract bids of about \$131 million. That would value the building at roughly \$138 million, or \$433/sf. At that price, the buyer's initial annual yield would be 6.5%. **Holliday Fenoglio Fowler** has the listing.

The partnership tested the waters earlier this year, when Holliday reached out to a small cadre of investors. The price expectation then was about \$10 million higher — translating into a 6% cap rate. But interest was soft, and the partnership decided to have Holliday conduct a broader marketing effort. The brokerage declined to comment.

The property has an assumable \$80 million loan, with a 5.1% coupon, that matures in 2015.

The seller — a partnership among **Shooshan Co.** and **Fred Schneider Co.**, each of Arlington, and **Clark Enterprises** of Bethesda, Md. — developed the 13-story property in 2005. The federal government has since completed \$17.3 million of tenant improvements, including structural improvements and an enhanced security system.

The Office of Naval Research leases 311,000 sf until 2012 at \$36.25/sf. It has a five-year renewal option at \$43.77/sf. Most of the remaining space is leased by Navy Federal Credit Union until 2012. There is also a store leased to a deli and a 569-car garage.

The property, at 875 Randolph Street, is in the Liberty Center office and residential development in the Ballston section of Arlington, about four miles west of Washington.

The 18.8 million-sf Rosslyn-Ballston corridor was 92.2% occupied at the end of the first quarter, according to **Grubb & Ellis**. Class-A asking rents average \$39.85/sf. The market had 672,000 sf of net absorption in the first quarter. ❖

## Fund to Buy Austin Office Park

Fund operator **Spear Street Capital** has agreed to pay about \$220 million for a large office park in Austin, Texas.

The firm is buying the 1 million-square-foot Riata office complex and two tracts of developable land. San Francisco-based Spear Street is acting via its second opportunity fund, which has \$325 million of equity.

**Holliday Fenoglio Fowler** is brokering the deal for a joint venture led by **New York State Teachers**. The pension fund, which is advised by **J.P. Morgan Asset Management**, owns a

65% stake in the property. Its partner, fund operator **Blackstone Group**, acquired the remaining interest in 2006 via its takeover of **CarrAmerica**, the Washington REIT that developed the property.

The transaction is the largest in Austin this year. The last comparable sale came last November, when **CB Richard Ellis Investors**, acting on behalf of a Middle East client, paid \$150 million for the 640,000-sf Amber Oaks Corporate Center.

The 13-building Riata complex, which sits on a 95-acre site, is almost fully leased. Seven tenants occupy most of the space, including **Apple** (402,000 sf), **Affiliated Computer Services** (210,000 sf) and **Janus Capital** (92,000 sf). Remaining lease terms average five years.

The property was developed in two sections, called Riata Corporate Park and Riata Crossing, from 1998 to 2000. ❖

## Value-Added Fund Eyes 'Core' Deals

With lenders wary of financing unstabilized real estate, value-added apartment player **TGM Associates** is pursuing properties that appear to be core plays but have upside potential.

TGM this month bought two Connecticut properties with high occupancy rates that each attracted more than a dozen bids, mostly from core institutional investors.

The New York firm bought the 303-unit Waterford Commons in Manchester from **BlackRock Realty Advisors** for \$42.7 million, or \$141,000/unit. It also acquired the 160-unit Archstone Bedford in Stamford from a **Tishman Speyer** partnership for \$54 million, or \$338,000/unit. TGM made the purchases via its \$399 million TGM Multifamily Fund, which seeks a 14% return.

The Class-A properties appealed to TGM because they are in supply-constrained markets, paving the way for rent increases. What's more, because TGM manages properties itself and oversees upgrades and renovation work, it expects to squeeze larger-than-average profits out of properties classified as core plays.

The strategy, which has been part of TGM's playbook for years, has particular appeal in today's tight lending environment. Lenders are now much quicker to approve loans on stabilized properties than on value-added properties, which usually have high vacancy levels or need upgrades.

Boston-based **Beacon Capital Partners** may be best known for using the strategy, for offices that appear at first blush to be core plays.

At the same time TGM was pursuing the Connecticut properties, it completed a more-typical acquisition of a Class-B, value-added apartment complex in Laguna Hills, Calif. It bought the 360-unit Pardo at Laguna Hills from **RREEF** for \$77 million, or \$214,000/unit.

TGM, which typically uses 65% leverage, owns and manages about 15,000 units nationwide. Its fund is now two-thirds invested, and market players expect fund raising for a successor vehicle to begin as soon as yearend. ❖

### Still Receiving Real Estate Alert the Slow Way?

You can switch to e-mail delivery and get the lowdown on the property market the moment it's published, each Wednesday. The subscription price is the same for delivery by e-mail or snail-mail. Switch to e-mail delivery by calling 201-659-1700.

## GI Now in Line for LA Data Center

Fund operator **GI Partners** has emerged as the apparent winner of the leasehold interest in a large data center in Los Angeles after a deal with another buyer fell through.

GI bid about \$165 million for the 725,000-square-foot Garland Building, which is fully leased to **Wells Fargo**, and an adjacent parcel suitable for the development of up to 220,000 sf. That price would bring an initial annual yield of about 8%.

The seller, **Trumbull & Associates**, turned to a handful of back-up bidders after New York-based **Metropolitan Real Estate Investors** backed out of plans to buy the property. In addition to GI, the other bidders included **Heitman** of Chicago, Houston developer and fund operator **Hines** and local players **Jamison Properties** and **J.H. Snyder. Grubb & Ellis** is advising Trumbull.

Trumbull, which is managed by a unit of **UBS**, must obtain the approval of two-thirds of its 270 limited partners before a deal can be finalized. That red tape apparently contributed to Metropolitan's decision to pull out.

Wells' master lease on the property includes an option to match the top bid, but the bank isn't expected to exercise the option. The bank's triple-net lease runs until 2019 and can be extended until 2039. Wells subleases the space to a variety of tenants.

Wells also owns the land under the building, which is at 1200 West Seventh Street. The ground lease carries generous terms. There is no rent until 2014, when a 50-year extension option kicks in at just \$10,000 a year.

GI, of Menlo Park, Calif., is headed by **Rick Magnuson**. It is expected to make the purchase via its third fund, which is seeking to raise \$2.5 billion to invest in real estate and other asset classes. The buyout fund follows up a \$1.45 billion vehicle that closed in 2006 and a \$526 million joint venture, operated by GI, that was formed in 2001 by **Calpers** and clients of **CB Richard Ellis Investors** to buy data centers and other Internet-related real estate following the dot-com collapse. After the properties were stabilized, the joint venture cashed out in 2005 by taking the portfolio public via a REIT called **Digital Realty**. ❖

## Wells Fargo Foothill Lender Finance

WELLS  
FARGO

**Wells Fargo Foothill Lender Finance** provides asset-based financing starting at \$15 million to specialty commercial finance companies, including:

- Real Estate Lenders
- Real Estate Investment Companies
- Distressed Asset Acquirers
- Mortgage REITs

### Northeast

**Luke Graham**  
(770) 508-1350  
Luke.Graham@wellsfargo.com

### Southeast

**Jeff Carbery**  
(972) 851-9225  
Jeff.Carbery@wellsfargo.com

### Midwest & Southwest

**Stewart Hayes**  
(972) 851-9122  
Stewart.W.Hayes@wellsfargo.com

### West

**Bret Martin**  
(310) 453-7326  
Bret.Martin@wellsfargo.com

Call or visit us online to learn more.

**Wells Fargo Foothill Lender Finance**  
Andrea Petro • Division Manager

wellsfargofoothill.com

© 2008 Wells Fargo Foothill. All rights reserved.

Developing **RELATIONSHIPS**. Providing **SOLUTIONS**.®

# Over \$3 Billion in Closed 2008 Transactions

## Carlton.

### Your Private Equity Real Estate Bankers

Howard L. Michaels,  
*Chairman*

Michael J. Campbell,  
*Partner*

Neil Bane,  
*Director*

Dax Scharfstein,  
*Managing Director/  
General Counsel*

John Raggio,  
*Managing Director*

Steven Fenster,  
*Managing Director*

Damien Wilson,  
*Senior Associate*

212.545.1000



**CARLTON**  
THE CARLTON GROUP, LTD.  
CARLTON ADVISORY SERVICES, INC.

[www.carltongroup.com](http://www.carltongroup.com)

**\$630,000,000**

**666 Fifth Avenue**  
JV Equity and Debt

Retail Condominium Equity  
and Debt Recapitalization

**\$215,000,000**

**1250 Broadway**  
Acquisition and Mezzanine Financing

700,000 SF Class A Office Tower

**€270,000,000**

**European Multi-Family**  
JV Equity Acquisition

5,000 Unit Multi-Family  
Portfolio in Germany

**\$92,000,000**

**511-541 West 25th Street**  
Senior and Mezzanine Structured Transaction

Manhattan Office Condominium

**\$300,000,000**

**Office and Hospitality Assets**  
Performing Loan Acquisition

Non-Recourse Matched Term Financing  
and JV Equity

**\$300,000,000**

**Texas Multifamily Portfolio**  
JV Equity

3,000 Unit Portfolio

**\$100,000,000**

**NYC Affordable Housing**  
Entity Level Venture

Equity Placement

**\$86,000,000**

**Ground-Up**  
**Boutique Brooklyn Hotel**

Equity and Debt Financing

**\$300,000,000**

**Four West Coast**  
**Industrial Acquisitions**

Entity Level Equity Placement

**€100,000,000**

**Riga, Latvia**  
JV Equity and Debt Placement

600 Unit Condominium Development



## Kentucky Endowment Eyes Funds

The **University of Kentucky's** endowment is paving the way for its first commitments to high-yield real estate funds.

The \$950 million-asset endowment has increased its real estate allocation to 12%, from the current 5%. The allocation calls for 4% of assets to be invested in value-added funds and 4% in opportunity funds. Kentucky's core allocation, invested with open-end funds managed by **RREEF** and **UBS Realty Investors**, will shrink to 4% from 5% as the endowment's asset base increases.

The endowment hired **R.V. Kuhns & Associates** of Portland, Ore., as its general consultant to assist with the selection of fund managers. It will request proposals from fund operators in September and decide on allocations in December, said **Susan Krauss**, assistant treasurer and a member of the endowment's investment committee.

The endowment has not set any restrictions on investments outside of the U.S. or in high-yield-debt funds. One strategy the endowment is considering is to invest in a domestic value-added fund and a global opportunity fund. ❖

## Harrison Street Fund Oversubscribed

**Harrison Street Real Estate Capital's** second opportunistic niche fund is oversubscribed.

The Chicago player will have to scale back some commitments from 30-plus investors to close the fund this month at its \$400 million ceiling, market players said. The vehicle, **Harrison Street Real Estate Partners 2**, is among the largest funds to date investing exclusively in niche property types.

**Harrison Street** began its marketing campaign at the beginning of this year with a \$300 million equity target. The fund operator will kick in \$20 million of the total equity.

**Harrison Street** seeks an 18-20% return by buying or developing medical offices, senior and student housing, market-rate assisted-living facilities and self-storage facilities, often with joint-venture partners. Up to 10% of the fund's equity can be invested in Canada and Mexico.

With leverage, its second fund would have \$1.6 billion of buying power. Investors said the vehicle is already about 30% invested.

**Harrison Street** also has the option of establishing a sidecar fund. Sidecars enable a sponsor to make investments that otherwise might cause the main fund to exceed agreed-upon parameters. For example, the **Partners 2** fund may limit the percentage of equity that can be invested in self-storage facilities. To complete a large self-storage acquisition, **Harrison Street** could use some of the sidecar's equity.

The exact size of the sidecar hasn't been established, but it would probably be less than \$200 million, given the size of **Partners 2**. That amount of additional capital would increase **Harrison Street's** buying power to \$2.4 billion.

The \$7 billion-asset **Arizona Public Safety Personnel** last month committed \$80 million to the fund and \$45 million to

the sidecar. That was the first specific commitment to the sidecar. It was made with the understanding that **Harrison Street** would have discretion over investments. Other investors in **Partners 2** have indicated they would also commit equity to the sidecar fund, but would maintain discretion over investments.

**Harrison Street** was formed in 2005 by former **Heitman** managing director **Christopher Merrill**, former **Motorola** chief executive **Chris Galvin** and his brother, **Michael Galvin**, who headed venture capital firm **Galvin Enterprises**. **Harrison Street's** debut fund closed in May 2007 with \$208.5 million of equity.

**Partners 2** will rank among the largest niche funds. **Prudential** is raising \$500 million for its fourth senior-housing fund, following up a \$370 million vehicle raised in 2006. Most other niche vehicles have raised \$250 million of equity or less. ❖

## Arden Shops Suburban LA Offices

**Arden Realty** has set a \$58.5 million asking price for a well-occupied office building north of Los Angeles.

The offering consists of a 213,000-square-foot property in Valencia and an adjacent parcel suitable for the development of a 250,000-sf building and a garage. **CB Richard Ellis** has the listing.

At the asking price of \$275/sf, the initial annual yield would be 5.9%. A buyer could increase the return to about 6.7% by 2010 by raising rents as below-market leases expire.

The four-story building, called **Tourney Pointe**, was constructed in 1985, but was extensively damaged by an earthquake in 1994. Los Angeles-based **Arden**, now a subsidiary of **GE Real Estate**, stripped the building to its steel frame in 1996 as part of a redevelopment to bring it into compliance with post-earthquake building codes. The building, at 27200 **Tourney Road**, reopened in 1998.

The occupancy rate is 94%. Rents average \$27.50/sf, and asking rents are \$32/sf. The lead tenant, film restoration company **Cinetech**, leases 37,000 sf until next year. Other tenants include **Mercury Insurance** (35,000 sf until 2013), **Centex Homes** (30,000 sf until 2013), **Act Litigation** (29,000 sf until 2011) and **Vericomm** (10,000 sf until 2013).

Valencia is in the Central Valley submarket, one of four in Santa Clarita Valley. The submarket was 92.3% occupied at the end of the first quarter, according to **Grubb & Ellis**, with no construction under way. Asking rents averaged \$34.08/sf.

**GE** has actively reshaped **Arden's** portfolio since acquiring the company in 2006 for \$4.8 billion. It has sold more than half of **Arden's** 97 original properties, which were concentrated in Southern California, to multiple buyers for more than \$2 billion. It has also acquired more than \$2 billion of properties.

For more information on **Tourney Pointe**, call **CB's Tom Bohlinger**, at 213-613-3452. ❖

# profit

From Fresh Intelligence On Deals & Dealmakers

See for yourself how REAL ESTATE ALERT guarantees your edge by tipping you off to the latest wheelings and dealings in the commercial-property market.

Sign up for a FREE 3-issue trial subscription, and each week you'll get the latest word on:

- ▶ Market squabbles and other maneuvers you're not supposed to know about.
- ▶ Secret strategies of opportunity funds, foreign investors and other smart money.
- ▶ Big owners preparing to offer their real estate assets.



**YES!** Start my 3-issue **FREE** trial subscription to **REAL ESTATE ALERT**. There are no strings attached -- I won't receive an invoice unless I choose to subscribe.

NAME: \_\_\_\_\_

COMPANY: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY/ST/ZIP: \_\_\_\_\_

TEL: \_\_\_\_\_

E-MAIL: \_\_\_\_\_

**Fax** this coupon to: 201-659-4141  
 To order by **phone**, call 201-659-1700

**Or mail to:** Real Estate Alert  
 5 Marine View Plaza, #400, Hoboken NJ 07030

You can also start your free trial at **REAlert.com**

## Calif. Apartment Complex on Block

Fund operator **Kennedy Wilson** has set a \$56.5 million asking price for an apartment complex in Anaheim, Calif.

The 286-unit property, at 175 South Rio Vista Street, is 95% occupied. Rents average \$1.70/sf, or \$1,500. At the \$198,000/unit asking price, the buyer's initial annual yield would be 4.45%. **Marcus & Millichap** has the listing.

The complex, which consists of two two-story buildings, was built in 1969. Kennedy Wilson conducted a multi-million-dollar renovation of the unit interiors and common areas after acquiring the property in 2006. The complex includes garages, two swimming pools, a fitness center and a clubhouse.

For more information, call Marcus & Millichap's **Stewart Weston** at 562-733-4367. ❖

## REIT Shows Jacksonville Apartments

**Equity Residential** is seeking \$55 million for adjacent apartment properties near Jacksonville.

The Class-B complexes, which encompass 650 units, are being pitched to value-added players. At the \$85,000/unit asking price, the initial annual yield would be 6%. Bids will be accepted on one property or both. **Jones Lang LaSalle** has the listing.

The offering consists of the 272-unit Mariners Wharf and the 288-unit Bridgewater at Wells Crossing in Orange Park. The garden-style properties, at 350-351 Crossing Boulevard, are about 10 miles south of downtown Jacksonville. Mariners Wharf, which was built in 1989, is 92% occupied. Units average 1,100 sf. Rents average \$0.74/sf, or \$822. Bridgewater, which was built in 1987, is 94% occupied. Rents average \$766, or \$0.69/sf.

A buyer should be able to raise rents in either property after upgrading units. Condo conversion could be a long-term exit strategy.

For more information, call Jones Lang's **Jubeen Vaghefi** at 305-789-6519. ❖

## Shopping Center Listed Near Dallas

A developer is asking \$43 million for a newly built shopping center in a wealthy suburb of Dallas.

The offering consists of 208,000 square feet at Shops at Vineyard Village in Euless. The space is almost fully occupied, which makes it suitable for core investors. The asking price translates into an initial annual yield of 6.7%. **Marcus & Millichap** has the listing.

Developer **Burk Collins & Co.** of Hurst, Texas, completed the shopping center last year and has leased 98% of the space. The 4,000 sf of vacant space will likely be filled by the time the property trades hands.

The larger tenants are Bed Bath & Beyond, Ross, PetSmart, Shoe Pavilion, Staples and Marshalls. There are also three restaurants and a bank that are on ground leases. And there is a Lowe's and a LA Fitness gym that are separately owned and

not part of the offering.

About 12,000 people live within a mile of the center. The average household income is \$102,000. The property is across from Glade Parks, a master-planned community currently under construction. It is slated to have 858 residential units and 1 million sf of retail space.

For more information on the offering, call Marcus & Millichap's **Alvin Mansour** at 858-362-9353. ❖

## Trammell Offers Houston Apartments

**Trammell Crow** is marketing a historic apartment complex in downtown Houston that is expected to attract bids of about \$29 million.

The 244-unit Alexan Lofts, at 2115 Runnels Street, is 90% occupied. Rents average \$1.39/sf, or \$1,389. The three-building complex was built between 1880 and 1909 and was renovated in 2003. Houston-based Trammell has given the listing to affiliate **CB Richard Ellis**.

Houston's rental market has been among the few to stay strong during this year's real estate slowdown. Trammell's property could be attractive to value-added players looking to invest in an up-and-coming section of the city. The complex is on the eastern edge of downtown Houston, just east of Highway 59 and close to Minute Maid Park and a stop for a recently announced rail line on the city's east side.

For more information, call **Craig LaFollette** of CB at 713-787-1977. ❖

## Guggenheim ... From Page 1

the mid-level tranches of commercial-mortgage securitizations and collateralized debt obligations, with a return goal of 15%. The vehicle has already liquidated 60% of its holdings. None of the remaining holdings are at risk of default, according to investors. But the value of debt investments have fallen over the past year because of a reassessment of risk premiums by investors and the rising cost of financing holdings.

The co-investment fund would also potentially buy loans from lenders under pressure to sell — an option that seemed unlikely when Fund 2 was making its investments in 2006 and early last year. "The market has obviously changed," said one investor in Fund 2. "If you had told me a year ago that **Bear Stearns** would be out of business now, I wouldn't have believed it."

The co-investment fund would not be used to supplement investments made by Guggenheim's latest fund — Guggenheim Structured Real Estate Fund 3, which completed raising \$1.25 billion of equity last year and is now about 60% invested. However, there's talk that Fund 3 could invest alongside Fund 2's co-investment fund in the purchase of loans. Funds 2 and 3 share many investors.

Besides the San Bernardino system, other investors in Fund 2 include **Calpers, Los Angeles City Employees, Missouri Public School Employees, New Jersey State Investment, Oregon Public Employees** and **Wisconsin Investment**. ❖



## Manulife ... From Page 1

thinking about buying out the 33% stake held by the \$1.1 billion Tishman fund. But the two partners ultimately agreed to sell the building outright.

The funds acquired the property in 2005 for \$245.6 million from the retirement plan of the main tenant, law firm **O'Melveny & Myers**, which is leasing 348,000 sf until 2015 at \$19/sf. One other major tenant has a long-term lease: **Capital Group** (111,000 sf until 2018 at \$22.94/sf).

The two large tenants with leases that roll over in the near

term are **Mellon Financial** (107,000 sf at \$26.41/sf until 2012) and **McKinsey & Co.** (83,000 sf at \$12/sf until 2010). New leases could currently command about \$38/sf. Mellon is viewed as certain to renew. McKinsey, which subleases a portion of its space, is expected to partially renew.

The 26-story building, which was constructed in 1982, includes a five-level garage for 862 cars. The property is on the southeast corner of South Hope and Fourth Streets in the Bunker Hill district, a short walk from the financial district.

Manulife, the world's fourth-largest insurer, has a \$4.7 billion property portfolio in the U.S., Canada and Japan. ❖

## CALENDAR

### Main Events

Dates	Event	Location	Sponsor	Information
Oct. 6-8	Expo Real 2008	Munich	Messe Munchen	<a href="http://www.exporeal.net">www.exporeal.net</a>
Oct. 27-30	ULI Fall Meeting	Miami	ULI	<a href="http://www.uli.org">www.uli.org</a>
Nov. 19-21	NAREIT Annual Convention	San Diego	NAREIT	<a href="http://www.nareit.com">www.nareit.com</a>
Jan. 21-23, 2009	Winter Forum on Real Estate Opp. & Private Fund Inv.	Laguna Beach, Calif.	IMN	<a href="http://www.imn.org">www.imn.org</a>
March 25-26	PREA Spring Conference	Washington	PREA	<a href="http://www.prea.org">www.prea.org</a>
May 17-20	ICSC Spring Convention	Las Vegas	ICSC	<a href="http://www.icsc.org">www.icsc.org</a>
Nov. 3-6	ULI Fall Meeting	San Francisco	ULI	<a href="http://www.uli.org">www.uli.org</a>
Nov. 11-13	NAREIT Annual Convention	Phoenix	NAREIT	<a href="http://www.nareit.com">www.nareit.com</a>

### Events in US

Dates	Event	Location	Sponsor	Information
Sept. 7-8	Private Equity Summit	Scottsdale, Ariz.	Opal	<a href="http://www.opalgroup.net">www.opalgroup.net</a>
Sept. 8-9	Real Estate M&A, Private Equity & REIT Privatization	New York	IMN	<a href="http://www.imn.org">www.imn.org</a>
Sept. 9-11	Cityscape USA	New York	IIR	<a href="http://www.iirme.com">www.iirme.com</a>
Sept. 10-12	Western Division Conference	San Diego	ICSC	<a href="http://www.icsc.org">www.icsc.org</a>
Sept. 15-16	Distressed Retail & Shopping Center Symposium	Chicago	IMN	<a href="http://www.imn.org">www.imn.org</a>
Sept. 15-17	Dealmakers Summit	Half Moon Bay, Calif.	IREI	<a href="http://www.irei.com">www.irei.com</a>
Sept. 16-18	Real Estate Investment World Latin America	Coral Gables, Fla.	Terrapinn	<a href="http://www.terrapinn.com">www.terrapinn.com</a>
Sept. 21-23	Guns & Hoses 2008	Huntington Beach, Calif.	IIR	<a href="http://www.iirusa.com">www.iirusa.com</a>
Sept. 22-23	Alternative Investments Summit	Phoenix	IMN	<a href="http://www.imn.org">www.imn.org</a>
Sept. 22-24	Key Issues in Private Equity Real Estate	New York	Tonkin	<a href="http://www.tonkincorporation.com">www.tonkincorporation.com</a>

### Events Outside US

Dates	Event	Location	Sponsor	Information
Aug. 19	Brazilian Real Estate Finance & Securitization	Sao Paulo, Brazil	IMN	<a href="http://www.imn.org">www.imn.org</a>
Sept. 9	Real Estate Finance in Latin America	Mexico City	Latin Finance	<a href="http://www.latinfinance.com">www.latinfinance.com</a>
Sept. 9-11	Real Estate Investment World Global Opportunities	London	Terrapinn	<a href="http://www.terrapinn.com">www.terrapinn.com</a>
Sept. 15-16	Current Trends for REITs	Kuala Lumpur	ABF	<a href="http://www.abf-asia.com">www.abf-asia.com</a>
Sept. 25-26	Vietnam Real Estate Investment	Ho Chi Minh City	ABF	<a href="http://www.abf-asia.com">www.abf-asia.com</a>
Oct. 15	Tax Issues in Real Estate Transactions in CEE	Warsaw	Intl. Tax Review	<a href="http://www.internationaltaxreview.com">www.internationaltaxreview.com</a>
Oct. 15-17	International Hotel Conference	Rome	Lodging Unlimited	<a href="http://internationalhotelconference.com">internationalhotelconference.com</a>
Oct. 27-29	European Alternative & Institutional Investing Summit	Monte Carlo	Opal	<a href="http://www.opalgroup.net">www.opalgroup.net</a>
Oct. 29-30	European Real Estate Opportunity & Private Fund Inv.	London	IMN	<a href="http://www.imn.org">www.imn.org</a>
Nov. 17-20	Investing in Infrastructure Assets Europe	London	Terrapinn	<a href="http://www.terrapinn.com">www.terrapinn.com</a>

To view the complete conference calendar, visit [The Marketplace section of REALert.com](http://TheMarketplace.com)

## Houston ... From Page 1

roughly another \$420 million. A number of other properties, including Greenway Plaza, are on the block. Morgan Stanley took a \$150 million writedown on its Crescent investment in the second quarter.

Some market players said the Greenway Plaza offering might face tough sledding, given the market downturn and investors' reluctance to take on large purchases.

The 10-building complex is 92% leased, better than the 86% average in the Greenway submarket. There are more than 200 tenants, including **AIM Investments**, **Occidental Petroleum** and **Parker Drilling**. Rents range from \$15/sf to \$21/sf. Asking rents in the submarket average \$23.48/sf.

The mix of Class-A and -B buildings, constructed between 1969 and 1982, are part of a 65-acre mixed-use development that includes a hotel and residences, which aren't part of the offering. The complex is on Richmond Avenue, about five miles southwest of downtown.

Crescent acquired the property in 1996 for \$206 million from a joint venture between **Northwestern Mutual Life** and **Kemper Realty**.

Greenway Plaza is one of several Houston properties that Morgan Stanley is shopping from Crescent's portfolio. Still up for grabs are two trophies owned in partnership with **J.P. Morgan Asset Management**: the 1.3 million-sf Post Oak Central (valued at \$280 million) and the 502,000-sf One BriarLake Plaza (\$140 million). HFF also has those listings.

Meanwhile, Morgan Stanley, in conjunction with partners in some cases, has sold or struck sales agreements for a number of other Crescent properties. Among the deals:

Morgan Stanley and **GE Pension Trust** sold the 567,000-sf Five Post Oak Park in the Houston Galleria submarket to **Shorenstein Properties'** ninth core-plus vehicle in April for about \$215/sf, or \$122 million. Broker: HFF.

- Morgan Stanley and J.P. Morgan have agreed to sell the 782,000-sf Miami Center in Miami to **Sumitomo Group** for about \$215 million. Broker: **Eastdil Secured**.
- **USAA Real Estate** has agreed to buy the 476,000-sf Datran Center in Miami and the 93,000-sf Alhambra Plaza West in Coral Gables, Fla., for a combined \$171 million. Broker: Eastdil.
- **Deka Immobilien Investment** paid \$82.9 million last month for the 207,000-sf BAC Colonnade Tower in Coral Gables. Broker: Eastdil.
- A tenant-in-common vehicle operated by **Grubb & Ellis Realty Investors** has agreed to buy the 201,000-sf One Live Oak property in Atlanta for an unknown amount. Broker: **DTZ Rockwood**.
- **Granite Properties** bought the 598,000-sf Spectrum Center in the Dallas suburb of Addison for \$80 million in April. Broker: HFF.

Meanwhile, Morgan Stanley has yet to find a buyer for some 600,000 sf of Denver-area space, which has been on the block for roughly six months. ❖

## Corrections

A July 9 article, "BofA Seeks Campus Sale-Leaseback," understated the projected capitalization rate for an office campus in Concord, Calif., that **Bank of America** is now shopping. At an estimated sale price of \$200 million, the cap rate would be about 6%, not 4%.

A July 9 list of large second-quarter property transactions misstated the seller of the **RadioShack** headquarters in Fort Worth, Texas. The seller was **KanAm Grund**, not **WestWind Capital Partners**. WestWind advised KanAm when KanAm bought the property in 2005. ❖

---

## NEW DEALS

---

### Maryland Office Park

**Wells Real Estate Funds** agreed to pay about \$95 million for the 315,000-square-foot first phase of West Quest Technology Park, at 1580-A and 1580-B West Nursery Road in Linthicum, Md. The \$300/sf price tag translates into an initial annual yield of about 6.7%. Atlanta-based Wells is apparently assuming about \$20 million of debt. The two-building complex, which was constructed in 1992, is fully leased to **Northrop Grumman** until 2017. The defense contractor has a five-year lease extension option. Northrop this month announced plans to lease a 160,000-sf building in the complex that is being developed by **Opus East** and is not part of the Wells purchase. **Jones Lang LaSalle** is handling the sale for developer **West Group** of McLean, Va.

### Washington Office Building

Fund shop **Guardian Realty Investors** agreed to pay about \$53 million, or \$425/sf, for the 125,000-sf Tower Building, at 1401 K Street NW in Washington. Guardian, which is based in North Bethesda, Md., is believed to be buying the property via its third value-added fund. The building is fully leased to 27 tenants. The cap rate is projected to stabilize at more than 6.5% by 2011, after below-market leases on about half of the space expire. The building was constructed in 1929 and overhauled in 1997. **Cassidy & Pinkard/Colliers** is brokering the deal for a vehicle managed by Boston-based **AEW Capital Management**.

### Student-Housing Property

An unidentified Australian investor agreed to buy the 207-unit Illini Tower student-housing property in Urbana, Ill., for slightly more than \$60 million from **Walton Street Capital** of Chicago. The 725-bed property, which hit the market in January, was originally expected to trade for about \$70 million. The property is fully leased for the coming school year. **CB Richard Ellis** was the broker. ❖

## INVESTMENT VEHICLES

### Westbrook Nears Completion of Fund 8

**Westbrook Partners** is on track to close its latest value-added fund next month with the maximum equity level of \$2.5 billion, according to investors. New York-based Westbrook, which declined to comment, began the marketing campaign about eight months ago. The vehicle, Westbrook Real Estate Fund 8, is seeking a 15%-plus return by investing in undervalued assets and portfolios, corporate and government divestitures, and properties with undercapitalized or distressed ownership. About 40% of its equity will be deployed in the U.S., with the rest split between Europe and Japan.

### Cornerstone Lands Commitment

**San Diego County Employees** committed \$25 million of equity to a value-added fund being marketed by **Cornerstone Real Estate Advisors**, a Hartford unit of **Massachusetts Mutual Life. Townsend Group** assisted the \$8.9 billion-asset pension system. The vehicle, Cornerstone Apartment Venture 3, has a \$400 million equity goal. It will seek a 14% return by acquiring properties suitable for redevelopment or expansion in markets with high barriers to entry.

### Wisconsin Backs Lone Star Fund 6

**Wisconsin Investment** committed \$100 million of equity to **Lone Star Funds** for its latest high-yield-debt fund. Lone Star is seeking to raise \$5 billion for the vehicle, Lone Star Fund 6, which will target a 20% return by investing in corporate bonds, secured debt, bridge loans and mezzanine loans. It will also buy equity stakes in real estate companies, including those that are distressed. The fund will invest worldwide, with a focus on the U.S., Japan, Germany and France. The \$87.8 billion-asset Wisconsin system was assisted on its investment by **Courtland Partners**.

### Apollo Closes Value Enhancement Fund 7

**Apollo Real Estate Advisors** raised \$758 million of equity for Apollo Value Enhancement Fund 7, well above the \$600 million equity target. The fund is shooting for a 14% return by acquiring properties or portfolios nationwide that are underperforming or can be repositioned. Sellers could include liquidating entities, corporations and institutions. Apollo will also

look at properties, such as apartment complexes once slated for conversion to condominiums, that were assumed by lenders or are being offered by distressed owners. Some capital might also be earmarked for redevelopment. **Steven Wolf** is the fund's managing partner. Fund 7 is the largest in the series, which was begun by Lend Lease Real Estate Investments in 1993. Apollo bought the management rights to Funds 2 to 5 in 2004.

### Asia Fund Wrapping Up

**Alpha Investment Partners** has essentially completed the marketing campaign for its latest fund, according to market players. The value-added vehicle, Alpha Asia Macro Trends Fund, had a \$1.5 billion equity goal, but it's unclear if that amount was raised. Alpha, a unit of **Keppel Land** of Singapore, declined to comment. The company will seek a 14-16% return through property acquisition and development in Asia. Alpha will consider single-family-home development, retail and tourism-related properties, and office buildings suitable for multi-national corporations. Managing director **Chin Hua Loh** oversees the fund. ❖

Need to see the largest property sales that were completed recently? Go to The Marketplace section of REALert.com and click on "Sales Activity." It's free.



INFORMATION  
MANAGEMENT  
NETWORK **IMN**

THE SECOND ANNUAL SUMMIT ON  
**REAL ESTATE M&A, PRIVATE EQUITY  
& REIT PRIVATIZATION**

SEPTEMBER 8-9, 2008  
THE MARRIOTT MARQUIS • NEW YORK, NY

For more information about speaking on  
or sponsoring this event,  
please contact: Eliot Jacobowitz, Event Director  
[ejacobowitz@imn.org](mailto:ejacobowitz@imn.org)

FOR MORE INFORMATION, PLEASE VISIT:  
[www.imn.org/remergers/hspread](http://www.imn.org/remergers/hspread)

IMN ~ Call: +1 212/768-2800 ~ Fax: +1 212/768-2484 ~ Email: [mail@imn.org](mailto:mail@imn.org)

## THE GRAPEVINE

... From Page 1

is now overseeing acquisitions for the company.

Fund shop **Westbrook Partners** has hired **Elaine Philips** as a director. She will assist managing principal **Mary Hull** with investor relations and equity placement. Philips held similar responsibilities at her most-recent job, with fund shop **Ceres Urban Investors**. She remains based in New York. Westbrook is wrapping up equity raising for its eighth fund, a \$2.5 billion value-added vehicle.

**Alexandra Hill** has joined **Blackstone Group** as a principal after a three-year stint at fund shop **Colony Capital**, where she was assistant general counsel. Hill will assist with investor relations and equity raising for Blackstone's real estate funds, working with managing director **Mike Casey**. She remains based in New York.

**Darren Dahlman** has joined **CB Richard Ellis Investors** as a senior director. He is

responsible for acquisitions and for increasing the value of office holdings in the Western U.S. CB recently raised \$2.1 billion of equity for core-plus and value-added funds. Dahlman spent the past four years as leasing director of **McCarthy Cook & Co.** of El Segundo, Calif. He previously worked at Los Angeles-based **CommonWealth Partners** and **Cushman Realty**.

**BlackRock Realty Advisors** is recruiting an asset manager in Newport Beach, Calif. The staffer will help oversee investment strategies for a mix of property types and assist with dispositions and acquisitions. Five years of experience is required.

Several brokerages are competing for the listing of Tribune Tower in Chicago. Real estate magnate **Sam Zell**, the owner of **Tribune Co.**, is meeting with brokers this week. The 940,000-sf building could fetch about \$178 million, or \$190/sf. An adjacent development parcel is valued at about \$50 million. Tribune Co. presumably plans to lease back the building's office space, but is willing to consider all options. Tribune Tower, which is expect-

ed to appeal to value-added investors, also features under-utilized retail space fronting the Magnificent Mile.

**Toby Cobb**, co-head of U.S. real estate at **Deutsche Bank**, is shifting over to affiliate **RREEF** to work on a debt fund. RREEF started raising \$400 million of equity for the vehicle, RREEF Structured Debt Fund, more than 18 months again but has made slow progress. Cobb's exact duties at the fund are not known. He joined Deutsche in 2002 after stints in the commercial mortgage-backed securities groups of **Donaldson, Lufkin & Jenrette** and **Citicorp**.

**A. Brooks Properties** is close to picking a buyer for an upscale 25,000-sf retail property at 801 Boylston Street in Boston's Back Bay section. The property, which also includes some office space, is expected to trade for a whopping \$1,000/sf, or \$25 million. The typical buyers of high-end retail space, such as **Anglo-Irish Bank** and **Ponte Gadea**, appear to be in the mix. **Cushman & Wakefield** is representing Brooks, which is led by Irish developer **Aidan Brooks**.

### TO SUBSCRIBE

**YES!** Sign me up for a one-year subscription to Real Estate Alert at a cost of \$1,997. I understand I can cancel at any time and receive a full refund for the unused portion of my 47-issue subscription.

**DELIVERY** (check one):  E-mail.  Mail.

**PAYMENT** (check one):  Check enclosed, payable to Real Estate Alert.

Bill me.  American Express.  Mastercard.  Visa.

Account #: \_\_\_\_\_

Exp. date: \_\_\_\_\_ Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/ST/Zip: \_\_\_\_\_

Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

**MAIL TO:** Real Estate Alert  
5 Marine View Plaza #400  
Hoboken NJ 07030-5795

www.REALert.com  
**FAX:** 201-659-4141  
**CALL:** 201-659-1700

### REAL ESTATE ALERT

www.REALert.com

**Telephone:** 201-659-1700 **Fax:** 201-659-4141 **E-mail:** info@hspnews.com

<b>David R. Mark</b>	Managing Editor	201-234-3965	dmark@hspnews.com
<b>Alison Waldman</b>	Senior Writer	201-234-3986	awaldman@hspnews.com
<b>John Doherty</b>	Senior Writer	201-234-3989	jdoherly@hspnews.com

<b>Andrew Albert</b>	Publisher	201-234-3960	andy@hspnews.com
<b>Daniel Cowles</b>	General Manager	201-234-3963	dcowles@hspnews.com
<b>Thomas J. Ferris</b>	Editor	201-234-3972	tferris@hspnews.com
<b>Ben Lebowitz</b>	Deputy Editor	201-234-3961	blebowitz@hspnews.com
<b>Bob Mura</b>	Deputy Editor	201-234-3978	bmura@hspnews.com
<b>Michelle Lebowitz</b>	Operations Director	201-234-3977	mlebowitz@hspnews.com
<b>Evan Grauer</b>	Database Manager	201-234-3987	egrauer@hspnews.com
<b>Matthew Sirinides</b>	Database Assistant	201-234-3974	msirinides@hspnews.com
<b>Mary E. Romano</b>	Advertising	201-234-3968	mromano@hspnews.com
<b>Joy Renee Selnick</b>	Layout Editor	201-234-3962	jselnick@hspnews.com
<b>Barbara Eannace</b>	Marketing Director	201-234-3981	barbara@hspnews.com
<b>JoAnn Tassie</b>	Customer Service	201-659-1700	jtassie@hspnews.com

Real Estate Alert (ISSN: 1520-3719), Copyright 2008, is published weekly by Harrison Scott Publications Inc., 5 Marine View Plaza, Suite 400, Hoboken, NJ 07030-5795. It is a violation of federal law to photocopy or reproduce any part of this publication without first obtaining permission from Real Estate Alert. **Subscription rate:** \$1,997 per year. Information on advertising and group subscriptions is available upon request.