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Real Estate ALERT

THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

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Korman Maps Extended-Stay Buying Spree

Korman Communities, an old-line apartment developer that entered the extended-stay hotel sector in 2004, plans to acquire about $1.2 billion of hotels over the next five years.

The Plymouth Meeting, Pa., firm, which was founded in 1909, wants to add about 12 properties to its AKA brand of luxury extended-stay hotels. It is shooting to spend $300 million apiece in four markets: New York, Washington, Los Angeles and London.

The buying spree would more than double the AKA portfolio, which encompasses eight hotels in the New York, Washington and Philadelphia areas. The company's four Manhattan properties boast of prime locations near Central Park, Sutton Place, Times Square and the United Nations.

Korman's AKA properties are a hybrid between hotels and residences. Units are fully furnished, equipped with kitchens and leased for at least a week.

Rather than target traditional hotels, the company typically seeks out well-located

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Dividend Might Flip Part of iStar Portfolio

Dividend Capital, which has agreed to buy a net-leased portfolio from **iStar Financial** for $1.4 billion, is thinking about flipping some of the properties.

The acquisition, one of the largest since the market tanked two years ago, involves 33 office and industrial properties in 12 states. It is expected to close this month.

It's unclear how many properties might be flipped. But one-third of the roughly $900 million of debt financing that Dividend has lined up for the transaction consists of floating-rate loans, which usually carry little or no prepayment penalties. That would give the Denver REIT the flexibility to sell the properties backing those loans. The buzz is that Dividend has tapped **Eastdil Secured** to advise it on a possible offering.

The 11.9 million-square-foot portfolio encompasses 19 office properties with 4.5 million sf, 11 warehouse/distribution buildings with 6.7 million sf, and three

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GoldenTree's Fund Group Ready to Go Solo

GoldenTree Asset Management is spinning off its real estate fund group.

The unit, GoldenTree InSite Partners, will start operating independently next month under the name **GTIS Partners.** GoldenTree Asset, a hedge fund manager and high-yield investor based in New York, will retain a minority interest, but won't invest any equity in two funds that GTIS plans to roll out.

The spinoff was envisioned when the fund group was formed five years ago under the direction of **Tom Shapiro** and **Josh Pristaw.** GoldenTree Asset founder **Steve Tananbaum** agreed that a spinoff could occur once the group reached $1 billion of third-party equity under management. The unit, which has set up two funds, recently hit that threshold.

New York-based GTIS will immediately turn its attention to launching two more opportunity funds: a $600 million vehicle targeting property investments in Brazil and a $300 million vehicle focused on residential plays in the U.S. GTIS

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THE GRAPEVINE

Placement agent **Park Madison Partners** wants to hire a principal to help with fund-raising assignments, recapitalizations, workouts and portfolio management. The New York firm is seeking candidates with at least five years of experience at raising money for a placement agent or a real estate manager.

Broker **Brian Ackerman** joined **Jones Lang LaSalle** in Phoenix on June 1 as a senior vice president. Ackerman, who previously worked at **Cushman & Wakefield,** specializes in office and industrial sales. He reports to **Dennis Desmond,** who was hired as a senior managing director last fall to build an investment-sales business in the Southwest. Jones Lang's Phoenix office, which focused on leasing before

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Niche Player Holds First Equity Close

Harrison Street Real Estate Capital has lined up $165 million of initial equity for its latest opportunity fund targeting niche property acquisitions and developments.

The Chicago fund shop is looking to raise $500 million in total for the vehicle, Harrison Street Real Estate Partners 3. Investors said the company expects to increase its commitments to more than $250 million at a second equity close in August and to hold a final close by yearend. The fund shop itself will kick in up to $25 million of the total.

Harrison Street, which solicits equity from U.S. and European institutions, is gaining traction at a time when commitments are generally hard to come by. Many investors are licking their wounds from the market downturn and are focused on salvaging existing investments.

Harrison Street appears to be benefiting from the fact that its targeted sectors — student and senior housing, assisted-living facilities, medical-office properties and self-storage facilities — have performed relatively well during the economic downturn. Harrison Street's second fund, which closed in 2008, has almost fully invested its $430 million of equity in about 100 properties with minimal problems, investors said. And despite the credit crunch, the company was able to arrange 21 loans over the past 18 months to finance roughly $450 million of acquisitions and developments.

If it reaches its equity goal, the new fund would have up to $1.75 billion of buying power. Harrison Street, which was founded in 2005, currently is managing 178 properties with a combined value of about $2 billion.

The fund will charge a 2% management fee. After investors receive a 9% preferred return, Harrison is entitled to half of the profits until it amasses 20% of cumulative distributions. It would then get 20% of any additional profits. ❖

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