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Real Estate ALERT

THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

MAY 2, 2018

Calpers Circling Amazon Offices in Seattle

Calpers is in talks to buy a massive new Seattle office property from a **USAA Real Estate** partnership at a record per-foot price for the booming market.

The 812,000-square-foot Troy Block complex, fully leased to **Amazon.com,** was expected to fetch $800 million or more. The buzz is that pricing fell short of that threshold, but exceeded Seattle's $926/sf record for a large office property. That indicates Calpers bid more than $750 million. The capitalization rate would be in the vicinity of 4.3%.

Calpers, advised by **CommonWealth Partners** of Los Angeles, emerged as the lead bidder and recently entered into negotiations with San Antonio-based USAA and its partner, **Touchstone,** a development subsidiary of **Urban Renaissance** of Seattle. **HFF** is advising the USAA team.

Amazon, which moved in late last year, has a 15-year lease on the two-building complex, across the street from its headquarters. The retail giant's presence attracted

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Portland's Office Boom Has Further to Go

Office-property sales and prices have surged in Portland, Ore., but market pros think the peak is still a ways off.

The small-but-booming market is riding a wave of investor and tenant demand. Leasing fundamentals are strong amid technology-driven job growth, and institutional-buyer interest is spilling over from San Francisco and white-hot Seattle.

"Portland had traditionally been the slow-and-steady market — it didn't boom or bust as much as other West Coast markets," said **Erick Paulson,** a managing director at **LaSalle Investment.** "But as some of the other markets have heated up this cycle, there has been more attention paid to Portland than we've ever seen before among investors who traditionally had not looked there."

Last year, the Portland area had $1.2 billion of office sales worth at least $25 million, a cyclical high and more than double its annual average over the last decade. Still, it wasn't enough to register in the top 20 markets nationally, according to

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Marriott on NY's East Side Up for Sale Again

The New York Marriott East Side hotel in Midtown Manhattan is back on the block.

The 655-room property, at 525 Lexington Avenue, is owned by **Ashkenazy Acquisition** of New York and German fund operator **Deka Immobilien.** They have given the listing to **Colliers International.**

This is the second time that the duo is attempting to sell the hotel and the fourth time it has been up for sale since 2012. The valuation is unclear, but market pros expect the property to fetch less than the $270 million, or $412,000/room, that the Ashkenazy team paid for it in 2015.

Manhattan has since struggled to absorb a heavy pipeline of new hotels. Over the past few years, the added supply depressed occupancy and room rates in some hotel categories.

Financials for the Marriott East Side were unavailable, but per-room revenue at

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THE GRAPEVINE

Alexia Gottschalch has left **Rockwood Capital** after a brief stint and joined **Invesco** as head of commercial strategies. She is based in New York, heading a team that handles portfolio management for private-capital clients. Gottschalch had joined Rockwood around yearend as a managing director and global head of client strategy. Before that, she spent more than two years at **J.P. Morgan Asset Management,** where she was head of business development and client strategy for real estate in the Americas. Earlier, she was global head of capital markets at **Grosvenor Fund Management** of Philadelphia, where she worked for about four years.

After 10 years at **AEW Capital,** acquisitions pro **Eric Samek** left last month

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Related Marketing Bronx Apartments

Related Cos. is looking to sell nearly 1,200 workforce-housing apartments in the Bronx via two listings valued at close to $250 million.

A 16-building package totaling 925 units, all in neighborhoods near Van Cortlandt Park in the Northern Bronx, is expected to attract bids in the vicinity of $225,000/unit, or $210 million. Related also is pitching a two-building complex with 252 units at 1065-1075 Gerard Avenue, a few blocks from Yankee Stadium in the South Bronx. The property is valued at roughly $37 million, or just under $150,000/unit.

Related, which owns at least some of the buildings via a club fund it manages for **New York City** pension funds, has given both listings to **Hodges Ward Elliott.**

The Northern Bronx package is divided into two sub-portfolios. One encompasses nine buildings with 453 units in the Wakefield neighborhood, between East 220th Street and East 236th Street. The other has seven buildings with 472 units and three law offices, in the Concourse, Kingsbridge and University Heights neighborhoods. Investors can bid on either or both sub-portfolios.

The 16 properties, which include more than 100 parking spaces, are 98% occupied, with all units under some form of rent regulation. Marketing materials tout the offering as a rare opportunity to acquire "such a large portfolio of geographically clustered, institutional-quality, workforce housing" in New York City. In-place rents are 30% below market averages. Ten of the buildings have elevators. All were built between the 1930s and 1950s, and feature Art Deco lobbies and entryways.

Just one Bronx multi-family portfolio has ever traded for more than $140 million. That was the 2014 purchase of a 2,000-unit portfolio by the Related club fund for $260 million. Some of those buildings are part of the current offerings.

The seven-story Gerard Avenue property is known as River Gerard Court. It was built in 1999 and benefits from a tax abatement that runs through 2026. Prospective buyers with long-term investment horizons are being told that since the property is in an area proposed for rezoning, there's potential for redevelopment that could eventually drive rent growth in the neighborhood.

River Gerard Court has community rooms, private courtyards, laundry facilities and surface parking. ❖

TH Shops Upscale Apartments in DC

TH Real Estate is shopping a luxury apartment building in Washington, D.C., that's likely to fetch $170 million.

The 268-unit property, at 1920 14th Street NW, opened four years ago and is 96% occupied. A sale at the anticipated price would produce an initial annual yield in the low-4% area. **Eastdil Secured** is representing the **TIAA** unit.

The nine-story building, called Louis at 14th, has 43,000 square feet of ground-floor retail space, including a Trader Joe's grocery. The retail component accounts for more than a quarter of the estimated value, while the apartments are worth about $460,000/unit.

The property occupies two parcels, one of which is separately owned by local developer **Marvin Jawer.** The ground lease for that portion has roughly 90 years remaining on its term, after which it would convert to an equity stake in the building.

The property fills most of the block between T and U Streets, close to shops and restaurants along the bustling U Street Corridor. It's about a block from the U Street/Cardozo Metro station and just over a mile north of the White House.

The units average 665 sf and the average rent is $2,751. Apartments feature wood flooring, quartz counters and stainless-steel appliances. Amenities include a two-level rooftop deck with a pool, a movie theater and grilling stations. An underground garage has 152 spaces. Other retail tenants include Wells Fargo.

Louis at 14th was developed by **JBG Cos.,** a predecessor to **JBG Smith** of Chevy Chase, Md., and sold upon completion in 2014 to TIAA for $176.5 million. The deal was brokered by **Apartment Realty Advisors,** now part of **Newmark.**

The property competes with other luxury apartment developments completed in the neighborhood in recent years. They include Capitol View on 14th, built in 2012 and owned by **UDR** of New York; JBG's 13th and U Apartments, currently in its lease-up phase; and The Sonnet, on which **Trammel Crow Co.** of Dallas is finishing construction. ❖

DivcoWest Pitches Bay Area Campus

DivcoWest Properties is marketing a Class-A office campus in San Francisco's East Bay that's valued at about $130 million.

The 600,000-square-foot property, in Concord, Calif., is 74.5% leased, to **Bank of America** and **Wells Fargo.** The estimated value works out to $217/sf. **JLL** is representing San Francisco-based DivcoWest.

The two-building complex, at 2000 and 2001 Clayton Road, is next to a BART train station and a short walk from downtown Concord, which has more than 30 restaurants and shops. The city has 1,400 residential units under construction or planned in the near term.

The marketing campaign is touting proximity to mass transit as a major driver for leasing demand in the surrounding North 680 Corridor office market. The rents at properties within walking distance of BART stations are 14% higher than at other offices, according to marketing materials. The pitch is that because rents in Concord are the lowest among transit-served communities in the Bay Area, the city has the most potential for growth.

BofA fully occupies the 396,000-sf building at 2000 Clayton Road under a lease that rolls over in 2023. Wells occupies 51,000 sf, or one-quarter, of the 204,000-sf building at 2001 Clayton Road under a lease that expires in 2027. The 4 million sf of office space in Concord is 80.4% leased.

The complex, completed in 1985, has a cafe with outdoor seating, a snack shop, a fitness center and a garage with nearly 1,500 spaces. DivcoWest acquired it in 2012 from San Francisco-based **Swift Real Estate** for $94 million, or $157/sf. JLL also brokered that deal. ❖

Chicago Pipeline Keeps Producing

Another sizable office property is on the block in suburban Chicago, where dealmaking activity appears to be on the rebound.

Up for grabs is the 636,000-square-foot Triangle Plaza, located just within the city limits at 8750 and 8770 West Bryn Mawr Avenue in the O'Hare submarket. The two-building complex is expected to attract bids approaching $140 million, or $220/sf. **CBRE** is representing the owner, Chicago REIT **Equity Commonwealth.**

Triangle Plaza competes with top suburban office properties. With several tenants slated to move in, the complex will be 96% occupied by the end of September — when it will have 35 occupants with a weighted average remaining lease term of almost 10 years. The weighted average rent is $18.65/sf, versus an average asking rate of $22/sf for comparable space in the area.

The listing follows a turnaround for the property, where the incoming tenants recently were signed to fill space vacated by **Wilson Sporting Goods** and **DePaul University** last year. Among them is **First Midwest Bancorp,** which signed a 15-year lease for 87,000 sf that will serve as its headquarters. And this month, construction-equipment company **Komatsu** signed a 20-year lease for almost 70,000 sf. Other tenants include **Alcan** (83,000 sf) and **Combined Insurance** (69,000 sf). No company occupies more than 14% of the space.

The property consists of twin glass buildings, each with 14 stories, that have received some $10 million of upgrades and renovations. Amenities include a full-service cafeteria, a fitness center, an employee lounge and a patio.

Triangle Plaza is off Interstate 90, three miles east of O'Hare International Airport in a well-developed area with retail space and hotels. Equity Commonwealth bought the complex from **John Buck Co.** of Chicago for $96.2 million in 2010, as the market struggled to recover from the downturn. **Eastdil Secured** brokered the trade.

More recently, suburban Chicago's offering pipeline has been producing a healthier flow of listings. This month, **Angelo, Gordon & Co.** of New York bought a majority interest in the adjacent Presidents Plaza from **PGIM Real Estate** and **GlenStar Properties,** paying $147 million for the 835,000-sf property in a deal brokered by **JLL.** Chicago-based GlenStar retained a minority stake.

Meanwhile, **GEM Realty** of Chicago has agreed to buy Bahrain-based **Investcorp's** majority interest in the 339,000-sf Orrington Plaza in Evanston, Ill. That deal, brokered by CBRE, places the property's value at roughly $91 million. And **Blackstone** has agreed to sell the 1.1 million-sf Westbrook Corporate Center in Westchester, Ill., to **Group RMC** of New York for some $132 million.

The activity suggests the market could be entering a period of growth. Last year saw $1.2 billion of office properties sold in suburban Chicago, down 17% from the prior year, according to **Real Estate Alert's** Deal Database, which tracks trades of $25 million or more. ❖

Southern Apartment Portfolio on Block

A package of 12 apartment properties in five Southern states is on the market with expectations it could fetch nearly $250 million.

The portfolio encompasses 2,671 units in North Carolina, South Carolina, Georgia, Alabama and Texas. Investors can bid on individual properties, any combination or the entire package. The estimated value works out to $94,000/unit. **Cushman & Wakefield** is advising the owner, **Elite Street Capital** of Houston.

The offering could appeal to opportunistic investors. The average occupancy rate is 86.8%, and four properties are being repositioned. In addition to leasing up vacant space, a buyer could boost returns by raising rents after completing renovations that have begun at several complexes.

The properties, which all carry the Fields brand, are mostly garden-style complexes of two- and three-story buildings, with a blended average age of 26 years.

Three of the four Georgia properties include rent-controlled units tied to tax credits that will soon expire, allowing rent increases. The fourth, in Valdosta, is currently being converted from student housing. So far, its 131 units are 66% occupied.

The newest property in the portfolio, in Houston, lags its competitors in rents and occupancy. After it opened in 2012, a supply glut caused management to offer deep concessions to lure tenants. It now is 89% occupied with in-place rents below $1,200, compared to averages of 92% and about $1,350 for its competitors.

The breakdown of the portfolio is:

Property	Units	Year Built	Occ. (%)	Asking Rent
Fields Lincoln Green, Greensboro, N.C.	617	1987	94	$714
Fields Woodlake Square, Houston	256	2012	89	1,355
Fields Market Street, Greensboro, N.C.	244	1986	87	801
Fields at Carriage Hills, Montgomery, Ala.	242	1973	96	694
Fields One Center, Montgomery, Ala.	240	1979	81	544
Fields McEver, Gainesville, Ga.	220	2004	95	772
Fields Conover, Conover, N.C.	160	2000	98	766
Fields Riverview, Rock Hill, S.C.	160	1976	83	859
Fields East West Commons, Austell, Ga.	150	1996	81	1,107
Fields Lakeview, Greensboro, N.C.	136	1988	86	813
Fields North Valdosta, Valdosta, Ga.	131	2002	66	828
Fields Lake Lanier, Gainesville, Ga.	115	2001	89	833

San Diego Office Complex in Play

Investors are getting a crack at a newly renovated office complex in San Diego's strongest submarket.

The three-building Sunroad Corporate Center, encompassing 304,000 square feet, is expected to command bids of $173 million, or $570/sf. **Newmark** is representing the owner, local investor **Sunroad Enterprises.**

The Class-A campus is 78% occupied, versus a 91.9% average for comparable space in the surrounding University Town Center submarket — putting it in a strong position to bring in new tenants.

With several hospitals and universities nearby, Newmark has told investors that they could seek to capitalize on expanding life-science companies in the area by recruiting them as tenants. Indeed, medical, life-science and research businesses have been agreeing to some of the highest rents and longest lease terms in San Diego.

There also is little land available for future development in University Town Center, restricting competition.

At the same time, the marketing effort emphasizes expected growth in the submarket. The nearby Westfield UTC Mall just completed $600 million of renovations, while the long-planned Mid-Coast Trolley is slated to connect the area to downtown San Diego in 2021. There are also several housing developments under way.

Sunroad Corporate Center was completed in 2001. A $2.1 million renovation this year included the addition of a game room, an indoor/outdoor fitness facility, a spa, an outdoor pavilion and a cafe. The main lobby and restrooms were also improved.

Sunroad Corporate Center is on eight acres at 4401, 4435 and 4445 Eastgate Mall. The buildings, with four stories apiece, have surface parking and a garage with a combined 1,200 spaces. The complex is among just a few large Class-A office properties in University Town Center that aren't owned by **Irvine Co.** of Newport Beach, Calif. ❖

Another Tower Eyes Denver Record

Denver's office market has another contender for the per-foot price record.

Bids for the 101,000-square-foot Union Tower West, in the hot Union Station neighborhood, could reach $744/sf, or $75 million. That would eclipse the current $724/sf high-water mark. But, as previously reported, another Denver listing also is vying to set a new high.

Union Tower West, at 1801 Wewatta Street, is owned by Atlanta-based **Portman Holdings.** At the estimated value, the buyer's initial annual yield would be 4.8%. **CBRE** has the listing.

The Class-A building, which Portman completed last year, is 97% occupied, with a weighted average remaining lease term of 12 years. There are four tenants: law firms **Husch Blackwell** (40,000 sf until 2030) and **Bartlit Beck** (25,000 sf until 2030), **Serendipity Labs** (25,000 sf until 2032) and **Fidelity Investments** (7,000 sf until 2028). A 208-space garage produces income.

The building, which is designated as LEED certified, is adjacent to Union Station, the city's central transportation hub that recently underwent a $500 million redevelopment. The surrounding neighborhood, which is attractive to employers recruiting younger workers, features the 16th Street Pedestrian Mall, a tree-lined promenade flanked by cafes and restaurants. The property is within walking distance of boutique hotels, Riverfront Park and the venues for the **Colorado Rockies** baseball team and **Denver Nuggets** basketball team.

Denver's office valuations have been soaring. The current $724/sf record was set just four months ago, 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.** That deal leapfrogged the $678/sf record that had stood for just seven months.

CBRE is also shopping the other property vying to break the record. The 109,000-sf North Wing Building, at 1705 17th Street, is valued at $735/sf, or $80 million. The property, also near Union Station, is owned by Munich fund manager **GLL Real Estate,** which put it up for sale in late March. ❖

Netflix Offices Shown in Silicon Valley

A portion of **Netflix's** Silicon Valley headquarters is about to hit the market.

The 130,000-square foot building, at 131 Albright Way in Los Gatos, Calif., is expected to attract bids of up to $95 million, or $731/sf. At that price, the buyer's initial annual yield would be 5.5%.

Newmark is representing the owner, German investor **Wealth Management Capital.** A marketing campaign is expected to launch in the coming weeks.

Netflix has nearly eight years remaining on its lease of the property, which is part of a four-building headquarters campus totaling 522,000 sf. WealthCap owns the first phase of the project, encompassing the offered property and a 133,000-sf facility at 121 Albright Way that it has no immediate plans to offer. Both of those buildings were completed in 2015.

The campus has high-end finishes and creative office space. Newmark has told investors that the property at 131 Albright Way also has specific features that make it critical to Netflix's operations, including lab space and a theater used for screenings.

The campus was developed by a joint venture between **Sand Hill Property** of Menlo Park, Calif., and **Carlyle Group** of Washington on a 15-acre site off Winchester Boulevard, nine miles southwest of downtown San Jose.

WealthCap paid the duo $193.1 million, or $734/sf, for its two buildings in a 2015 deal brokered by **JLL.** While the remaining term on Netflix's lease has since shortened, the company's strong revenue growth and soaring share price make it a desirable tenant.

King Asset Management of Palo Alto, Calif., bought Phase Two of the campus last year, paying $200 million, or $766/sf, for 261,000 sf at 101 and 111 Albright Way. **Eastdil Secured** represented the Sand Hill-Carlyle partnership in that sale. ❖

Net-Lease Sales Volume on the Rise

Some $57.8 billion of net-lease commercial real estate traded in 2017 — the second-highest tally ever — and this year is on pace to match that, according to **CBRE.**

Sales of such office, industrial and retail properties grew by 3.3% last year from $56 billion in 2016. That followed a dip from the record volume of $64.2 billion set in 2015, according to the brokerage's "U.S. Net-Lease Market Trends Report," to be released later this week.

Interest in net-lease properties continues to be driven by investors' hunt for yield. Compared with other commercial properties, they typically are a more-passive investment with reduced risk because of stable tenancy. Capitalization rates are strong across asset classes, so investors can limit exposure to one property type.

"Net-lease assets are well-positioned to satisfy both yield and diversification requirements, as well as offer a relatively low-risk investment option," the report states.

In this year's first quarter, the category breakdown for cap rates on purchases of single-tenant, net-lease properties averaged 6.7% for office, 6.5% for industrial and 6.4% for retail, according to CBRE. By comparison, 10-year U.S. Treasury yields just reached 3% last week for the first time in about four years.

"Only high-yield corporate bonds come close to matching the average yields available in the net-lease sector," the report continued, "but net-lease cap rates exhibit far less volatility, particularly during economic downturns."

That stability has attracted foreign investors, who have added to their holdings of American net-lease assets more than any other investor group over the past four years, CBRE said. Cross-border investments tallied $6.4 billion last year, off slightly from a record $6.6 billion in 2016. Singapore ($1.6 billion) and South Korea ($1.1 billion) were the biggest sources last year. Over the last three years, the most-active foreign investments in net-lease properties were made by buyers based in Canada ($3.7 billion) and South Korea ($3.6 billion). ❖

High-End Dallas Hotel Up for Sale

Brookfield Asset Management has listed a luxury Dallas hotel that's expected to fetch bids of roughly $70 million.

The Highland Dallas has 198 rooms and 26,000 square feet of retail space. Investors are being told there's opportunity to increase the room count and boost occupancy in the retail component. Brookfield's hotel arm, **Thayer Lodging** of Annapolis, Md., has given the listing to **HFF.**

The hotel has operated under several names since it opened in 1967. In 2006, its then-owner, a joint venture that included **Behringer Harvard** of Addison, Texas, conducted an extensive $48 million renovation of the aging building and rebranded it as a Hotel Palomar, a boutique line operated by **Kimpton Hotels & Resorts** of San Francisco. The project also added residential condominiums, the retail space and a spa.

Thayer, a former fund operator acquired by Toronto-based Brookfield three years ago, bought the hotel and retail space in 2014 for $48.5 million. Since then, it has spent $6.2 million updating the property and reflagging it as part of the Curio Collection, a brand operated by **Hilton Hotels** of McLean, Va.

The nine-story property is being offered unencumbered by a management contract, and subject to a franchise agreement with Hilton that can be terminated next year. Additionally, there is some 6,000 sf of unused "shell space" on the top floor that could be converted into another 6-9 guest rooms. The condos — some in an adjacent building and others above the retail space — are separately owned and aren't included in the offering.

The ground-level retail space is 68% occupied by four tenants, including a spa and a salon. The vacancy is concentrated in a single suite.

The hotel includes a high-end restaurant, an infinity swimming pool and a fitness center. There is 13,000 sf of event space.

The property is in a well-developed area, near wealthy residential neighborhoods, as well as shops and restaurants. It's across from the Mockingbird Light Rail Station. ❖

Calpers ... From Page 1

strong interest, though the sheer size of the offering limited the pool of potential buyers. The only property in the city that has commanded more than $750 million was Amazon's 1.8 million-sf headquarters, which the online retailer bought in 2012 from **Vulcan Real Estate** of Seattle for $1.2 billion.

In December, another Amazon-leased office building in Seattle that was recently completed by a Touchstone partnership traded for a similar yield and per-foot price. In that transaction, **Takenaka Corp.** bought the 291,000-sf Tilt49 in the Denny Triangle neighborhood from a joint venture between **Principal Real Estate** and Touchstone for $268.5 million, or $923/sf. The Japanese buyer's initial annual yield was 4.3%. **Newmark** brokered the off-market deal.

The Troy Block complex, which occupies a full city block encompassing 2.5 acres, consists of the 13-story north building (419,000 sf), at 399 Fairview Avenue, and the 12-story south building (391,000 sf), at 300 Boren Avenue. Amazon, which pre-leased the entire property in 2015, donated retail space to a nonprofit organization that operates five restaurants, according to published reports.

USAA cited its long-term relationship with Amazon as a factor in landing the lease. The duo has collaborated for years on developing distribution centers as part of the online giant's global industrial and logistics chain.

The buildings were constructed above the preserved facades of two historic, low-rise landmarks: the Troy Laundry building and the Boren Investment warehouse. The complex, which has a LEED gold designation, has a five-level underground garage, indoor bike storage, two art installations by Pacific Northwest artists and pedestrian-friendly, landscaped courtyards. Touchstone acquired the site from the **Seattle Times** newspaper in 2011 for $18.4 million, according to published reports. USAA acquired a stake in 2013.

Strong rent growth has fueled investor demand for Seattle-area offices. Last year, three properties commanded more than $900/sf — previously unchartered territory for the market. ❖

Goldman Team Nabs Phila. Offices

A **Goldman Sachs** joint venture has agreed to pay about $130 million for a Philadelphia office building.

A unit of the investment bank is teaming up with an unidentified operator to acquire the 665,000-square-foot tower, at 2000 Market Street. At the roughly $195/sf price tag, the buyer's initial annual yield would be 8%. **Eastdil Secured** is brokering the sale for **Gemini Rosemont Commercial Real Estate** of Santa Fe, N.M.

Gemini acquired the building in 2013 for $110 million, or $165/sf, from **CBRE Global Investors** of Los Angeles. It then renovated the lobby, elevators, common areas and mechanical systems.

The property is roughly 95% occupied. Tenants include law firms **Marshall Dennehey, Fox Rothschild** and **Weber Gallagher,** as well as **Presbyterian Pension Board** and **Zurich Insurance.** Retail space is leased by Santander as a bank branch.

The 29-story building, at the southwest corner of 20th Street, was completed in 1972. It has a 100-seat conference center and an indoor/outdoor cafe.

The property is in the Market West submarket, near hotels, restaurants and shops. It's also close to an underground concourse that provides access to SEPTA commuter trains. ❖

CALENDAR

Main Events

Dates	Event	Location	Organizer	Information
June 11-13	CREFC Annual Conference 2018	New York	CREFC	www.crefc.org
June 24-26	U.S. Real Estate Opportunity & Private Fund Investing	Newport, R.I.	IMN	www.imn.org
Sept. 5-7	CMBA Western States CREF	Las Vegas	CMBA	www.cmba.com
Nov. 7-9	REITworld	San Francisco	Nareit	www.reit.com

Events in US

Dates	Event	Location	Organizer	Information
May 10	Old Chicago Main Post Office Tour & Reception	Chicago	RELA	www.rela.org
May 10-11	Real Estate CFO & COO Forum West	San Diego	IMN	www.imn.org
May 15	Breakfast Meeting	New York	RELA	www.rela.org
May 15-16	Real Estate Family Office & Private Wealth Mgmt. Forum	Dana Point, Calif.	IMN	www.imn.org
May 16	Only Brooklyn Real Estate Conference	New York	TerraCRG	terracrg.com
May 16-17	Global Investors Annual Meeting	New York	Link Bridge	www.linkbridgeinvestors.com
May 20-23	RECon	Las Vegas	ICSC	www.icsc.org
May 22-23	PERE CFOs/COOs Forum	New York	PERE	www.perenews.com
June 3-5	International Hospitality Industry Investment Conf.	New York	NYU	scps.nyu.edu
June 6	Boutique Hotel Investment Conference	New York	BLLA	www.bllanewyork.com
June 6	Real Estate Joint Ventures Dealmakers Meeting	New York	iGlobal Forum	www.iglobalforum.com
June 7-8	I.CON '18	Jersey City, N.J.	NAIOP	www.naiop.org
June 12	Life Sciences Real Estate Development	New York	Nancy Kelley	nancykelley.com/realestate
June 20-21	Non-Traded REIT & Retail Alternative Inv. Symposium	New York	IMN	www.imn.org
July 10-11	Research & Due Diligence Forum	New York	ADISA	www.adisa.org
July 16	Cap Intro: Real Estate Fund Investing	New York	Catalyst Financial	catalystforum.com
Sept. 6-7	Bank Special Assets & Credit Officer's Forum Midwest	Chicago	IMN	www.imn.org
Sept. 6-7	Real Estate CFO & COO Forum East	New York	IMN	www.imn.org
Sept. 12	#InnovateCRE	New York	AnySizeDeals	getbitcoincre.com
Sept. 24-25	Real Estate Private Equity Forum on Land & Homebldg.	Las Vegas	IMN	www.imn.org
Sept. 24-26	NAI Global Convention	Austin	NAI	www.naiglobal.com
Sept. 24-27	Lodging Conference	Phoenix	Lodging Unlimited	www.lodgingconference.com
Sept. 26-29	Global Summit	Fort Lauderdale, Fla.	IREM	www.irem.org
Oct. 3-5	Institutional Investor Conference	Boston	PREA	www.prea.org
Oct. 8-9	CCIM Global Commercial Real Estate Conference	Chicago	CCIM	www.ccim.com
Oct. 8-11	ULI Fall Meeting 2018	Boston	ULI	www.uli.org
Oct. 11-13	2018 Fall World Conference	Denver	SIOR	www.sior.com
Oct. 15-17	CRE.Converge	Washington	NAIOP	www.naiop.org

To view the complete conference calendar, visit the Market section of REAlert.com

Apartments Available Near Phila.

A suburban-Philadelphia rental complex is for sale, with bids expected to come in at around $80 million.

Cherry Hill Towers, in Cherry Hill, N.J., encompasses 434 units in two 12-story buildings. At a $184,000/unit valuation, the property is expected to generate an initial annual yield of around 5%.

CBRE is handling marketing for **Viking Residential,** a local firm affiliated with the family of brothers **Bob** and **Bill Healey,** best known for founding **Viking Yacht** more than 50 years ago.

The complex is on 13 acres at 2145 Route 38 East, across the street from Cherry Hill Mall, a 1.3 million-square-foot regional mall anchored by Nordstrom. The occupancy rate is 91%, versus 94% for nearby competitors. The average rent is $1,530, in line with comparable communities. The property was built in 1958, but underwent a gut renovation in 2007.

In addition to leasing vacant units, a buyer could improve its return by raising rates after making minor improvements, such as replacing carpets with synthetic-wood floors and upgrading lighting. The units, which average 989 square feet, have one or two bedrooms, granite counters and washer/dryers. Amenities include a fitness center, a tennis court and a sauna. Residents have access to 1,089 covered parking spaces.

The complex is about nine miles from downtown Philadelphia and in the vicinity of major employers in New Jersey's Camden and Burlington Counties. The average household income within one mile is $93,516. ❖

Delaware Rentals Pitched With Upside

A garden-apartment complex in Delaware is being marketed as a value-added opportunity.

The 634-unit Castlebrook Apartments, in New Castle, is expected to draw bids topping $70 million, or $110,000/unit. That would translate into an initial annual yield of about 6.25%. **HFF** is representing **Galman Group,** a Jenkintown, Pa., owner-operator of multi-family properties.

The property, which is 95% occupied, dates to 1973, but has had extensive improvements over the past three years. That work included building a new clubhouse and replacing roofs, gutters, windows and sliding doors, as well as renovations to about 20% of the units.

The pitch is that the heavy lifting has been done, allowing a buyer to focus on boosting yield via further unit and amenity upgrades.

The property, at 550 South Dupont Parkway, encompasses 29 three-story buildings across 33 acres. Amenities include a fitness center, a swimming pool, a community room and laundry facilities.

Floorplans range from studios to three bedrooms, with an average rent of $939. Apartments have carpeting and balconies or patios. Some of the renovated units have black appliances, modern cabinets and washer/dryers.

The property is along U.S. Route 13, about 10 miles south of downtown Wilmington, Del., and six miles from the intersection of Interstates 95, 295 and 495. A DART bus stop is on site. ❖

Zoning Key for Listed Cambridge Site

A development site in the hot Kendall Square neighborhood of Cambridge, Mass., could become a monster deal.

Constellation Charitable Foundation had planned to build a performing-arts center on the 0.8-acre parcel, at 585 Third Street. But now it is looking at alternative locations and has listed the land with **CBRE.**

The now-vacant site, known as Block 585, is zoned for an 80,000-square-foot commercial development. At an estimated value of $300 per buildable foot, that suggests a price of $24 million. But the city has signaled that it might allow 500,000-900,000 sf of construction, likely in a mixed-use format. That would raise the value to at least $150 million.

Constellation is looking to arrange a two-step deal. First, the buyer would make a partial payment and seek approvals for the larger project. It would pay the balance of the purchase price, tied to the approved square footage, when the sale closes.

Real estate values have been skyrocketing amid strong demand in Cambridge, particularly in Kendall Square. The city has 10 million sf of office space, with an average occupancy level of 95%. It also has 9 million sf of laboratory space that is almost fully occupied, according to **JLL.**

Another 1.3 million sf of offices and 805,000 sf of labs are under construction, but tenants are expected to absorb that space with ease. Occupancy also is running high for residential and retail space amid scarce opportunities for further development, particularly in the East Cambridge submarket where Kendall Square is located.

Kendall Square, along the Charles River across from Boston, has a concentration of technology and healthcare tenants. Public transportation is readily accessible, and there are a number of shops, restaurants and residences. ❖

NEW DEALS

Illinois Power Center

Time Equities last week paid $32 million for a 341,000-square-foot power center in McHenry, Ill. **Mid-America Real Estate** brokered the sale for **DDR,** a Beachwood, Ohio, REIT. Shops at Fox River is at 3340 Shoppers Drive, 55 miles northwest of Chicago. It's 83% leased by Bed Bath & Beyond, Dick's Sporting Goods, PetSmart, Ross, TJ Maxx and other retailers. Time, a New York investment firm, will seek to fill vacant space, including a 30,000-sf box store. The property includes a nearly two-acre parcel that could be developed. ❖

Portland ... From Page 1

Real Estate Alert's Deal Database.

But per-foot valuations have been escalating rapidly, putting Portland near the top of secondary markets on that score. Pricing is expected to crash through the $700/sf barrier this year, a feat yet to be achieved by bigger markets such as Atlanta, Chicago, Dallas or Houston.

"Our rent growth has been tremendous for the past five years, and we still think Portland has room to run," said **Patricia Raicht,** a Portland-based national director of research at **JLL.** "We have outperformed in terms of job growth, a trend that's been sustained over five-plus years. Tech has grown significantly, but our market is still pretty diverse economically, which is something institutions like as a hedge against a downturn."

Pricing hit a new per-foot high last week, when **CBRE Global Investors** of Los Angeles bought a 100,000-sf office property called Towne Storage. It paid $630/sf, or just under $63 million, according to sources. That broke the record of $565/sf, just set in August, and exceeded the peak of the last cycle by about 75%. European, Middle Eastern and Asian investors chased the deal — significant because foreign investors previously weren't major participants in the market. **Newmark** represented the seller, **Westport Capital** of Wilton, Conn., but declined to comment on the pricing or bidders.

Towne Storage is a 100-year-old warehouse that Westport renovated and repositioned as Class-A office space last year. It's fully leased to software company **Autodesk** for 11 years — an example of technology companies' interest in Portland. The property is in the Central Eastside submarket, a former industrial area that's emerging as a hotspot for creative offices, restaurants and breweries, modeled on Manhattan's Meatpacking District. CBRE Global's purchase is a sign that major investors are branching out from their earlier focus on the Central Business District and the boutique Pearl District.

Institutional buyers accounted for 74% of Portland-area office sales above $10 million in the past three years, according to JLL — a big difference from the last cycle, when that figure was typically well under 40%. It's a similar shift to what's been seen in thriving cities below the top tier, such as Austin, Denver and Nashville.

Despite escalating prices, many investors still see value and long-term growth potential in Portland, said **Nick Kucha,** a vice chairman at Newmark. Investors can earn initial annual yields of approximately 5% on acquisitions of top office properties there, some 60-75 bp above returns on the best properties in Seattle, which has had a flurry of recent trades over $900/sf and is expected to soon cross the $1,000/sf line.

"You've seen a significant run-up of values in Portland in less than a year, but you still have the discount to Seattle," Kucha said.

Paulson, of LaSalle, said that while Seattle is in the midst of a boom, "in Portland, investors think they are maybe a little early — or at least not too late." The market doesn't feel overheated, he said, and pricing is justified because of rent growth.

Paulson said investors are buying large buildings to reposition them, betting that the likes of **Airbnb, Amazon.com** and **Google** will soon be looking for bigger footprints in the area. "If these owners land large, credit tenants, you will see sales on a per-square-foot basis ratchet up further," he said.

In a November deal in downtown Portland, **Starwood Capital** paid $188 million for the 40-story Wells Fargo Center and an adjacent data center totaling 855,000 sf. **Eastdil Secured** brokered the sale for **Wells Fargo,** which is vacating the property. Starwood, a Greenwich, Conn., fund shop, plans a major renovation of the 1973-vintage property.

Portland's 60 million-sf office space was 89.3% leased at the end of the first quarter, and the occupancy rate for the 31 million sf in the urban core hovers near 93%, according to JLL.

Some 750,000 sf of office space was completed last year, and 62% of that was leased at delivery. Another 1.3 million sf is on track for this year, all of it in the urban core, and 40% of it is pre-leased. The average asking rent for new space is $34.66/sf on a triple-net basis, and one recent contract hit a record $38/sf, up a whopping $4/sf from the previous high mark, set last year.

"We feel confident that demand on the office side remains strong and that new construction should not pose a significant problem," said Raicht, the JLL researcher. "We are starting with among the lowest vacancy rates in the country." As the new properties lease up, she said, many will hit the market in the next 12-18 months, pushing up valuations.

A few years of heavy turnover in a smaller city can lead to a sales drought when there's little left to trade. But local pros say the combination of newly built and repositioned urban properties coming to market, plus a pick-up of buyer interest in suburban submarkets, should keep trading brisk for the foreseeable future.

Last month, as previously reported, **UBS Global Asset Management** began shopping the 398,000-sf Moda Tower via Eastdil. The Class-A downtown property, which is 90% leased, is expected to fetch $180 million. That would rank it among the market's top five trades. Portland's largest sale came in 2015, when UBS Realty paid $372.5 million for an 85% stake in the 1.1 million-sf Bancorp Tower. Eastdil advised the seller, LaSalle Investment.

Chicago-based LaSalle has also been active on the buy side. In August, it paid local firm **BPM Real Estate** $87.5 million for the 155,000-sf Pearl West Office Tower. **HFF** handled that deal, which set the $565/sf record eclipsed by the Towne Storage sale last week.

"We've seen a lot of assets trade in Portland, but it isn't picked over," said LaSalle's Paulson, adding that the firm is still in the hunt. "There are still selectively good opportunities, from core all the way to value-add." ❖

Marriott ... From Page 1

comparable upper-upscale hotels in the surrounding Midtown East submarket is rebounding following two years of decline, according to **STR.**

In the first two months of the year, such hotels were 75.6% occupied, up from 71.4% a year earlier. Room rates climbed almost 2% to an average of $192.14, elevating per-room revenue almost 8%, to $145.32. But that's still below the $166.05 average for per-room revenue in the first two months of 2014, according to STR.

The drop in performance has put downward pressure on Manhattan hotel values. Several newly listed properties are expected to fetch less than the owners paid earlier in the cycle. That has created a buying opportunity for investors confident in the market's resilience.

The New York Marriott East Side, which opened in 1924 as the Shelton Towers Hotel, has a Romanesque Revival facade. It was designed by architect **Arthur Loomis Harmon,** whose firm also designed the Empire State Building and other Manhattan landmarks. **Marriott International** of Bethesda, Md., took over the hotel's management in 1990.

The property was formerly owned by **Morgan Stanley Real Estate's** Prime Property Fund. The open-end vehicle acquired it in 2005 — then with 646 rooms — from **Strategic Hotels & Resorts** of Chicago for $287 million, or $444,000/room. After conducting a $24 million renovation, the open-end fund unsuccessfully shopped the property in 2008 and 2012. It subsequently added nine rooms and in 2015 struck the sale to the Ashkenazy team. The partners tried to market the hotel the following year, but no sale resulted.

To boost revenues, a buyer could renovate the guest rooms and reposition some street-level retail space. The hotel has a fitness center, 16,000 square feet of meeting space and outdoor spaces. Some rooms have balconies.

The property is between East 48th and East 49th Streets, amid a cluster of hotels, including the Waldorf Astoria New York, which is closed for renovations.

A completed sale would be the largest U.S. hotel deal ever brokered by Colliers, according to **Real Estate Alert's** Deal Database. ❖

MARKET SPOTLIGHT

Philadelphia-Area Office Properties

- Korea Investment's pending $625/sf purchase of GlaxoSmithKline's newly built headquarters at Five Crescent Drive will set a record valuation for Philadelphia. Liberty Property is the seller. Korea Investment is being advised by Coretrust Capital.
- Liberty, a REIT in Malvern, Pa., has been steadily selling in Philadelphia and its suburbs, boosting volume in the region.
- Leasing is strong in submarkets such as Market Street West, University City and nearby suburbs, which benefit from proximity to colleges and hospitals, as well as a migration of companies from more-distant suburbs. Pockets of vacancies persist in outer suburbs, according to Green Street Advisors.

On the Market

Property	Seller	Hit Market	SF (000)	Estimated Value ($Mil.)	Estimated Value (Per SF)	Broker
701 Market Street (75% stake)	Madison International Realty	March	746	$175	235	Cushman & Wakefield
Lower Makefield Corp. Center, Yardley, Pa.	AIG	February	467	90	193	Cushman & Wakefield
1650 Arch Street	CBRE Global Investors	February	553	80	145	CBRE
Bay Colony Office Park, Wayne, Pa.	Equus Capital	January	250	60	240	Newmark
Graham Building (stake)	Grasso Holdings	April	242	53	219	JLL
3501 Corporate Parkway, Center Valley, Pa.	Gulf Islamic Investments	April	178	50	281	HFF
200&400 Campus Drive, Collegeville, Pa.	TA Realty	April	183	35	191	Cushman & Wakefield
301&303 Lippincott Drive, Marlton, N.J.	Greenfield Partners, Somerset	April	170	34	200	HFF

Recent Deals

Property	Buyer	Closed	SF (000)	Sales Price ($Mil.)	Sales Price (Per SF)	Broker
1600 Market Street	American Real Estate, partner	February	826	$160	194	HFF
Five Crescent Drive	Korea Investment	(Pending)	208	130	625	CBRE
2000 Market Street	Goldman Sachs, partner	(Pending)	665	130	195	Eastdil Secured
Four suburban properties	Equus Capital	March	518	92	178	None
Fire Tower Bridge, West Conshohocken, Pa.	Equus Capital	(Pending)	222	77	347	JLL
Renaissance Park, King of Prussia, Pa.	MLP Ventures	January	662	77	116	CBRE
907 Market Street (office condo)	Thor Equities	February	214	42	195	Newmark
1760 Market Street	Chelsea/Village Associates	March	127	32	248	JLL
Two properties, Mount Laurel/Marlton, N.J.	Mobius	March	305	31	103	HFF

NOTE: For the offerings of stakes, the full value and size of the properties are shown.

THE GRAPEVINE

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to co-found an investment shop. His Los Angeles firm, **Brasa Capital,** seeks value-added and opportunistic plays in the West and Texas. Along with Samek, its principals are **Matt Milich,** most recently a vice president at **Pearlmark Real Estate** of Chicago, and **Elliot Weinstock,** who was a vice president at Los Angeles-based **Kearny Real Estate.** Brasa aims to invest $5 million to $25 million of equity at a time in all major asset classes except hotels. At AEW, Samek was head of the Western U.S. region for the Boston firm's opportunity fund series. Earlier, he worked at **Broadreach Capital** of Los Angeles.

Peter Crovo left **Prologis** late last month to join **NFI Real Estate.** He's chief investment officer for the Cherry Hill, N.J., warehouse developer and logistics provider. Crovo was a senior vice president based in East Rutherford, N.J., for Prologis, spending seven years at the San Francisco industrial REIT. Before that, he worked for six years at **Seagis Property,** an industrial shop in Conshohocken, Pa.

Rubenstein Partners has added **Louis Merlini** as a vice president of asset management. He started last month in the fund operator's Philadelphia headquarters, reporting to chief operating officer **Eric Schiela.** Merlini was previously a principal at another Philadelphia fund shop, **Miller Investment.** Also last month, Rubenstein hired **Rosita Bitetto** as a construction and development associate in Philadelphia and, as previously reported, added **Peter Gottlieb** as a senior vice president in Boston.

Real estate veteran **Jon Foulger** has joined **MedProperties Realty** of Dallas as a director, responsible for identifying acquisition and development opportunities. He reports to managing principal **Darryl Freling.** Foulger was most recently a vice president of business development and financing for healthcare real estate at **Astoria Property,** an arm of **Nueterra Capital** of Leawood, Kan. He had a prior stint at **Cottonwood Properties** of Dallas. MedProperties is seeking to raise $250 million of equity for MedProperties Fund 3, which buys and develops healthcare properties nationwide.

CrowdStreet of Portland, Ore., has hired **Kimberly Foley** as a director of investor relations. She started this week, reporting to vice president of investments **Ian Formigle.** Foley is tasked with growing the crowdfunding platform's roster of 2,000 participating investors to more than 10,000. The shop plans to increase its investor-relations staff to eight, from three, by yearend. Foley arrived from **Jensen Investment** of Lake Oswego, Ore., where she was a director of institutional services.

Hanover Co. has hired **Zach Anderson** as a development director, responsible for land acquisitions and for multi-family and mixed-use projects in the San Francisco Bay Area. He started last week in the Houston firm's Danville, Calif., outpost. Anderson previously worked for **Anton Development** of Foster City, Calif., as director of acquisitions. He also had stints at **Colliers International** and **Cushman & Wakefield.**

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