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Real Estate Finance & Investment

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In This Issue

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Top Stories

Investors Look To Sell Class B Chicago Offices

The market for Class B offices is heating up in Chicago, with investors pulling the trigger on four office sales with a value-added component. Local brokers say the properties—200 and 230 West Monroe St., 311 West Monroe and 150 North Michigan—represent a shift away from the high-end office sales seen over the past year.

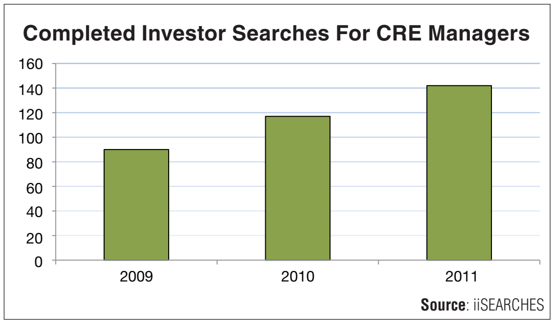
"The whole market has been chasing nothing but the cream of the crop, Class A, long-term leased buildings for the last year," one broker said. "The market is now just trying to work its way back to normal to see if all levels of product can be sold."

(continued on page 11)

Pensions Up Hunt For Real Estate Managers

Pension funds, foundations and endowments completed 142 searches for real estate investment managers in 2011, showing a steady increase from 117 in 2010 and 90 in 2009, according to

(continued on page 10)



On The Market

Keeping Calm, Trying To Carry On

On almost every street in London, it's possible to see a reproduction of Keep Calm and Carry On, a World War Two-era propaganda slogan revived in recent years. The slogan, intended to raise the morale of the country in the event of an invasion, seems to be particularly apt given the current state of the U.K. economy and commercial real estate market.

REFI was in London this past week, meeting with a number of local real estate private

(continued on page 12)

At Press Time

Divco West Back In Boston Office Deal

Divco West, which earlier this month stepped back from negotiations to acquire the Davenport Building at 25 First Street in Boston's Cambridge submarket due to problems with the building's foundations (REFI, 2/6), is said to be back in the deal. The San Francisco-based investment company has put down a hard deposit on the building after seller **AEW Capital Management** agreed to a price reduction. **Cushman & Wakefield** is handing the sale.

Divco West had originally agreed to pay $69 million for the 220,000-square-foot office building. Local players speculated that Divco West may now have received a roughly $5 million discount to cover the foundation issue, which is not uncommon in Boston.

The change of heart is not that surprising, according to local brokers. "Cambridge is so hot right now, it has [**Harvard University**] and the [**Massachusetts Institute of Technology**], which are two really big economic engines. It also has a lot of start-ups and it's a great environment to work in," said one Boston-based broker. The foundational problems are manageable, he added, noting, "They'll deal with the foundations when it is required."

Calls to Divco West and Cushman were not returned by press time. AEW declined to comment.

REFI TV: Tanya Marchiol, TEAM Investments

Tanya Marchiol, founder of **TEAM Investments**, explains why the company is expanding in the apartment sector in the latest episode of *REFI TV*. "Unfortunately, the dream of homeownership seems to be fading. Hopefully that will come back, but right now people need a place to live and with all the foreclosures and what's happening with the mortgage mess and the housing mess, apartments seem to be a good fit," she said.

Managing Editor Samantha Rowan with Tanya Marchiol

Despite improvements in the economy, Marchiol says a recovery hasn't yet taken hold. "We need to be very careful because there is a plethora of people that are still underwater. And with the [Mortgage Forgiveness Debt Relief Act of 2007] expiring this year, I think that we are going to see a lot of strategic defaults," she said. "Really, you need to look at an overall picture. What's going on in the economy? Can people work there? Are they moving to where the jobs are? How does that really fit into your investment portfolio?"

To watch, go to http://bit.ly/refi_marchiol

Tell Us What You Think!

Questions? Comments? Criticisms? Do you have something to say about a story that appeared in *REFI*? Or is there information you'd like to see published? Managing Editor ***Samantha Rowan*** can be reached at (212) 224-3996 or srowan@iiintelligence.com.

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Institutional Investor Intelligence

Capital Markets

Mesa West Sets $1B Origination Goal

Los Angeles-based value-add lender **Mesa West Capital** expects to originate about $1 billion of real estate loans in 2012, matching its activity last year. The company originates three- to five-year, non-recourse first mortgages priced from 6-7% at around a 65% loan-to-value. "We provide financing for real estate owners to stabilize their assets. We are the interim solution," said **Ronnie Gul**, principal.

Ronnie Gul

So far this year, Mesa West has already originated a $130 million loan to refinance debt on the **Hyatt Regency Embarcardero** in San Francisco. It also completed a $57 million office recapitalization in Houston and funded a $43 million acquisition loan for 150 & 151 El Camino, a Class A office complex in Beverly Hills.

"In some cases we have owners facing maturity issues, but want to hold on to the property to get the pricing they are looking for," Gul noted. Others are in need of financing to acquire an empty but well-located building.

"We often see these deals with well capitalized owners, but they need someone flexible on capital for three to five years to hold on to the asset or fix it up," he added.

Mesa West Selected Loan Originations YTD

Property	Amount	Location
150 & 151 El Camino	$43 million	Beverly Hills
184 Liberty Corner	$40.6 million	Warren, N.J.
Hyatt Regency Embarcardero	$130 million	San Francisco
Ardendale Apartments	$9.5 million	Vancouver, Wash.
Office recap	$57 million	Houston
Total	280.1 million	

Source: Mesa West Capital

Mesa West is seeking retail, office, multifamily and hospitality properties in markets west of Denver. It is also looking at opportunities in New York, Boston, Washington, D.C., Atlanta, Miami and Chicago and considers only newly built, Class A properties. "Even though a Class B property might be fully occupied, when tenants' leases are up, they are flocking to newer, higher-quality buildings," said **Steve Fried**, principal.

London Players Doubt Distressed Euro Debt Deluge

Commercial real estate executives on the ground in London say reports of the tidal wave of distressed commercial debt hitting the market this year may be overstated. "Government bailouts and low interest rates have thus far led to banks not selling off loans, instead preferring to hold onto assets, and then sell them when they improve," said **Edouard Fernandez**, principal at **Wainbridge**, a London-based investment management company.

According to data from **Clairvue Capital Partners**, there is about $650 billion of U.K. and European distressed commercial real estate loans slated to mature over the next few years (*REFI*, 2/13). Similar to the U.S., many of these loans are overleveraged. "There was a lot of lending to overpay for existing assets during the last cycle, as opposed to the 1980s, when lending was for development," Fernandez said. "When the crash happened, lenders knew that they couldn't sit on half-finished or empty buildings, even if they extended the loan terms. But there hasn't been a lot of new development, which lets the banks extend and pretend because these properties have some income."

Still, there is substantial pressure on banks from the **European Central Bank** and other regulatory authorities to clean up their books. **Phillip Burns**, ceo of **Corestate Capital**, a Zug, Switzerland-based real estate private equity company, argues this pressure will help to keep loan sales down. "It is very difficult for banks to sell at a discount. They can't because they need to keep up their capital ratios," he noted.

One senior executive at a London-based private equity house said that cultural issues will likely help to clamp down a huge wave of sales. "We've been trying to explain to investors that the idea of profit maximisation is a U.S. concept. The rationale of selling loans to free up capital does not play the same way here," he noted. "In Europe, banks are driven by need rather than strategy, and the need is not widespread enough, especially with the ECB throwing banks a lifeline."

Barclays Euro CMBS Loan Set For Sale

A property backing one of the loans securitized in **Barclays Capital**'s U.K. conduit commercial mortgage securitization Indus (Eclipse 2007-1) is set to be sold off.

The Blythe industrial property is scheduled to be offloaded for £1.85 million ($2.9 million) by April 12. The asset is one of three industrial properties originally secured on the £13.1 million ($20.5 million) Gullwing loan. The buyer, who could not immediately be identified, has already put up a 10% deposit for the asset.

The sale leaves the Runcorn property—currently being marketed to potential buyers—as the sole remaining asset Gullwing portfolio. The borrower is **Gullwing Property GP Limited**, where officials could not be reached for comment.

Gullwing was one of 19 commercial property loans securitized by BarCap in the £894.5 million ($1.4 billion) CMBS in March 2007. The loan was backed by 366 assets in total spanning the office retail, industrial and residential property sectors in London, the Midlands and Scotland.

The loan now has an outstanding balance of almost £10.2 million ($16 million), which amounts to 1.39% of the current pool.

Property Markets

Penn Builds Up Real Estate

The **University of Pennsylvania** is boosting its investments in real estate and private equity for its roughly $6.5 billion endowment, according to sister publication *Foundation & Endowment Money Management*. The Quakers invest 16% in non-marketable alternatives, up from around 8% in 2004, CIO **Kristen Gilbertson** told attendees at the **NACUBO** Endowment Management Forum in New York.

Penn is cautious when selecting real estate managers because many have fared poorly in the recent environment, Gilbertson said. One challenge is finding firms that are able to have first closings close to targeted amounts. Firms raising a fraction of their target would raise red flags, she said.

Asset Manager Pulls Trigger On Boston Sale

ST Residential is selling 441 Stuart Street, a 163,000-square-foot, 11-story building in Boston that is adjacent to the city's iconic John Hancock Tower. The asset management company inherited the property from failed lender **Corus Bank**, which foreclosed in 2009 after **AREA Property Partners** and **Gold Associates** were unable to complete a planned condo conversion (*REFI*, 5/8/2009). ST Residential has tapped **Holliday Fenoglio Fowler** to manage the sale.

Boston's Back Bay Submarket

The building's conversion was halted when **Healthworks**, a women's fitness center that occupies two full floors, sued AREA and Gold Associates over their plans. At that time, the partners had gutted 11,000 square feet on the upper floors. AREA and Gold Associates subsequently defaulted on the $42 million loan. Healthworks is still a tenant in the property.

The upper part of the building is an empty shell, which local brokers said means that the redevelopment possibilities are limitless. "It would be a total renovation, but it's do-able. You could do anything with it," one broker said, adding that a hotel or office refit would be the most likely options. The Back Bay submarket has a 4% vacancy rate for office space, and a 3% vacancy rate for apartments.

The building's bottom three floors are 100% leased by retail tenants, including **Starbucks**, **Fedex** and Healthworks. Brokers are hopeful the property will trade for about $40 million, or $245 per square foot. "It's a truly phenomenal location. There are so many demand drivers around there," one broker added.

Calls to ST Residential and HFF were not returned by press time.

Henderson Tags Costs, Tenant Demand As Green Drivers

Henderson Global Investors, a London-based investment management company, sees green building in new developments as key for commercial real estate. A big part of the impetus for green construction is the life-cycle costs for buildings, **Nick Deacon**, director of central London offices, told *REFI*. Extending buildings' life cycle by increasing their efficiency would slash these costs. Another driver is tenant demand. Buildings are now rated in terms of environmental efficiency on a scale of A to G. "By 2016, if your building is an F or a G, you won't be able to let," Deacon predicted.

One problem for landlords is a disparity of engagement levels amongst different tenants, according to **Jenny Pidgeon**, director of responsible property investment at Henderson. "Landlords need closer contact with tenants to get them on board," she noted. One innovation is the introduction of more detailed metering systems. "Each tenant's energy usage is picked up by engineers, who flag overconsumption or anomalies," she said. Another idea is incorporating green clauses in leases, she added.

Another challenge facing the green initiative is the lack of a centralized rating system. LEED, the green rating system for buildings administered by the **US Green Building Council**, is more powerful than **BREEAM**, the U.K. equivalent. "There's a lack of any link to value so the U.K. suffers from a lack of comprehensive coverage, which is compounded by a lack of support from the government," Pidgeon said.

Henderson's green projects to date include a large-scale refurbishment of the New Brooks Building in Covent Garden, which was awarded a BREEAM Excellent rating. Separately, the firm's Regent Quarter development in King's Cross has incorporated some green elements, including a ground source heat pump, which harnesses the energy from open bore holes to warm the building.

Clairvue Sees Life In Real Estate Secondaries

Clairvue Capital Partners sees opportunities in real estate secondaries, or the acquisition of stakes in real estate private equity funds. In a white paper, the San Francisco-based investment management company said it believes real estate secondaries may be one of the best high-yield investment opportunities in the sector over the medium term. Clairvue invests in secondaries and recapitalizes real estate funds and other vehicles via a commercial real estate private equity fund.

Growth has been slow for real estate secondaries. Jeff Giller, managing partner and chief investment officer, told REFI the general partners and limited partners of real estate private equity funds were largely unfamiliar with the idea prior to the downturn. "During the downturn, a need arose for fund investors to create liquidity by trading out of their positions and as a result, more discovered the secondaries market," he added. "GPs are also now more comfortable with allowing trading within their funds after becoming more familiar with the secondary market mechanism while helping the LPs address their liquidity needs during the market downturn."

The white paper estimates there was about $800 million of trading per year in the real estate secondaries market in 2008 and 2009, with that volume doubling to $1.6 billion in 2010. In the broader private equity market, secondaries trading is about 0.7% of the underlying primary market. In its most active year in 2010, the market for commercial real estate secondaries was only at 0.4% of the underlying funds. Its average has been 0.2% since 2005.

However, Clairvue believes that the real estate secondaries market will continue to grow and that there will be more opportunities to buy real estate secondaries in the coming months. During the worst of the recession, the bid-ask gap between buyers and sellers was very wide. "No one really knew where the market bottom was or how far the real estate or general economy could collapse so responsible and prudent buyers had to underwrite real estate fundementals very conservatively as well as account for market risk by applying high discount rates and exit capitalization rates," Giller said. "And given how highly levered most fund investments were, most secondaries buyers ascribed very little value to fund positions. At the same time, managers' marks to market were substantially overstated because there were no sales occurring to justify big write-downs."

Now, the market is more familiar with the secondaries market, property values are stable to rising and debt and equity has returned to the market. This all means that funds are now able to recapitalize or sell assets so secondaries buyers can underwrite their eventual exists with more clarity. These factors have led to a narrower bid/ask gap between buyers and sellers and will help to spur transactions, Giller added.

FAST FACTS

- ▲ 17% of real estate private equity fund investors indicated interest in selling their stakes within two years.
- ▲ Private equity secondaries trade at around 0.7% of the underlying primary market each year. Real estate secondaries average 0.2%
- ▲ The most active year for real estate secondaries was 2010, when activity hit 0.4%.

Real Estate News Roundup

The Real Estate News Roundup is a summary of publicly reported real estate news briefs. The information has been obtained from sources believed to be reliable, but *REFI* does not guarantee its completeness or accuracy.

HFF Wraps Sale Of Calif. Medical Properties

HFF has closed on the sale of two class A medical buildings in San Diego, Calif., the company announced. The 253,676 square-foot portfolio was marketed on behalf of **Kilroy Realty Corporation**. **Jones Lang LaSalle** purchased the properties for $147.5 million. Both buildings are fully tenanted.

REIT Closes Purchase Of Senior Communities

CNL Healthcare Trust has acquired a portfolio of five senior housing communities for approximately $84 million, the company announced in a press release. The properties are located across four states and were purchased from an affiliate of **Primrose Retirement Communities**.

CTG Buys U.K. Office Portfolio

Capital Trust Group has acquired approximately $100 million of properties in the U.K., the company announced. CTG has purchased office buildings in Leeds, Cardiff, Southampton and Birmingham, all leased for 11-15 years.

Grubb & Ellis has filed for bankruptcy and will sell all assets to **BCG Partners Inc**., *The Chicago Tribune* reports. Grubb & Ellis currently manages 250 million square feet of property. The company cited slow recovery in commercial real estate markets in its decision to declare bankruptcy.

NewStar Closes On Credit Facility

NewStar Financial Inc. has secured a $150 million credit facility, the company announced. The facility brings NewStar's borrowing capacity to $650 million and will be used to refinance loan collateral and provide new lending capacity to support the company's loan originations.

Rockwood Appoints COO

Commercial real estate investment firm **Rockwood Real Estate Advisors** has named **Greg McManus** coo, the company announced. McManus is replacing **John Magee**. McManus has previously served as a managing director in Rockwood's capital markets group.

CRE Engineer Brings On New Director

Partner Engineering and Science, a real estate engineering services company, has hired **Kevin Schmitt** as technical director to manage institutional investor services for the company's building sciences group. Schmitt will oversee the investment advisory group, working with owners and operators from the institutional investment arena. He joins from **CIGNA Investments**, where he was a v.p. of real estate engineering and environmental services.

Apartment Manager Acquires Fla. Complex

Massachusetts-based **Aspen Square Management** has closed on the purchase of an apartment complex in Flagler County, Fla., *The Daytona News Journal* reports. The company acquired the 184-unit Pine Lakes complex for $9.65 million. The apartments are nearly fully occupied.

JLL Brings On Capital Markets V.P.

Jones Lang LaSalle has hired **Holly Minter** as v.p. of the firm's capital markets division, the company announced. Minter will focus primarily on the capitalization of apartment assets. Minter was formerly v.p. and principal for capital markets with **CBRE**.

JLL: Lenders Set High Hopes For 2012

Lenders are predicting greater amounts of capital coming into commercial real estate markets in 2012, **CoStar Group** reports. Lenders surveyed by **Jones Lang LaSalle** indicated positive expectations for the coming year and expected a 12% uptick in expected capital placement.

Hunter Closes On Atlanta Hotel Sale

Hunter Realty has closed on the sale of an Atlanta hotel on behalf of **CW Capital Asset Management**, the company announced. The 191-room Hotel Midtown was sold to **Noble Investment Group** for $16 million. The company plans on investing up to $21 million in renovations.

REIT Announces Share Pricing

Health Care REIT has priced an 18 million-share common stock offering at $53.50 per share, the company announced. The company plans to use proceeds to repay lines of credit and acquire senior and health care housing communities.

Morgan Stanley Plans Retail-Heavy CMBS

Morgan Stanley has plans to sell about $1 billion of commercial mortgage-backed securities largely tied to loans on retail properties, *Businessweek* reports. Wall Street has been financing more retail properties as **Freddie Mac** and **Fannie Mae** offer generally better terms for office and apartment property financing, the article stated.

Strategies

Cohen Financial Sets Non-Primary Market Loans

Cohen Financial, a Chicago-based real estate advisory company, recently arranged two loans in secondary and tertiary markets as more borrowers look past the primary markets for acquisitions. "We're seeing buyers look at [the secondary markets] more because there is just too much competition in the primary markets," said **Brandon Harrington**, director at Cohen Financial.

Harrington arranged a 10-year, $15.4 million loan on behalf of **Bear Creek Ventures LLC** on the Bear Creek Shopping Center in Medford, Ore. The loan, with a 70% loan-to-value ratio, was funded by **Guggenheim Securities** and is priced in the low- to mid-5% range, Harrington said.

At the same time, the firm arranged a $9.2 million loan for the Balboa Building, a high-end office and retail property on State Street in Santa Barbara. **JP Morgan** funded the loan. "State Street is ground zero for fashion. In Santa Barbara, it is *the* shopping and walking district and it is right in the heart of the city," said **Kenneth Fox**, managing director, who lead this transaction at Cohen. Fox declined to disclose pricing.

Both Fox and Harrington noted that they would like to do more deals like these, targeting all asset classes in primary and non-core markets. In the coming year, the biggest concern buyers are voicing is what will happen to the upcoming wave of commercial mortgage-backed securities loans that are maturing in 2012.

Venture Banks On Panama Canal

A new joint venture between **Woodmont Industrial Partners** and **AEW Capital Management** believes the expansion of the Panama Canal will spur the industrial market on the East Coast of the United States. A third, wider canal won't be complete in 2014 but its effect is already being seen, said **Gene Preston**, managing principal at Woodmont. "We have also seen a shift in cargo from Los Angeles to the East Coast because companies want to diversify their ports of entry after the strike of L.A. dock workers," he added.

The venture hopes to acquire $250 million of properties over the next four to seven years, seeking assets of at least $10 million in the Washington, D.C., to Boston corridor and South Florida. These markets are also supported by major population centers, Preston noted. AEW is contributing $100 million to the venture via its $500 million *AEW Opportunity Fund VI*, added **Marc Davidson**, managing director at AEW.

The firms came together after Woodmont engaged **Cushman & Wakefield**'s capital markets group to help identify a capital partner. It was seeking a partner that "shared the same philosophy of opportunities for East Coast industrial and the same risk profile," Preston said. For its part, AEW was attracted to Woodmont's reputation and track record. "They were looking for a partnership not just a money source," Davidson added.

The venture has already closed on its first deal, buying a 729,000-square-foot distribution center in Clinton, N.J., adjacent to I-78. The partners plan to add 36 loading docks to the facility to make more attractive to potential tenants, Preston noted. The vacant property, which was last occupied by **KB Toys**, was acquired from **Capmark Bank** for an undisclosed price.


Panama Canal

"We like small, chunk-size assets. When you aggregate a portfolio, institutional players are willing to pay up for a well diversified, well-put-together group of properties," Davidson added.

Apartment Investor Closes Two New Buys

Pathfinder Partners, an investor in multifamily, office and industrial assets and non-performing notes, recently closed on two multifamily properties in Seattle and Phoenix. The firm is expecting to see a more robust acquisition year in 2012, said **Mitch Siegler**, managing director and co-founder. "We did 10 acquisitions in 2011, and we have already done five by February of this year. We are finding good opportunities," he added. Both the Phoenix and Kirkland acquisitions were closed on an all-cash basis.

The San Diego-based company acquired Chelsea Courte II via the purchase of a $9.5 million note from an undisclosed major national bank. The Kirkland, Wash., property consists of 29 nearly brand-new units. The company plans on only performing some light maintenance. "We like the Seattle market because of the strong underlying dynamics like a growing population, great parks and recreation and a good number of Fortune 500 companies such as **Google**, **Microsoft** and **Boeing**," Siegler noted. He declined to disclose the price of the note.

FAST FACT

The company is looking for acquisitions of less than $15 million in major California markets, Denver, Seattle, Portland and Phoenix.

Pathfinder acquired Shorewood Apartments in Phoenix, its fourth in that market, through an REO from a bank that was the successor to the institution that originated the loan. The 21-unit property was built in 1960 and is in need of capital improvements. "Our plan is to spiff up the property and capitalize on the large unit size as well as the original vintage wood cabinets and fixtures," Siegler remarked. Pathfinder expects to close its fifth acquisition in Phoenix before the end of February.

The company is searching for acquisitions of less than $15 million in all of the major California markets as well as Denver, Seattle, Portland and Phoenix.

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Trepp's CMBS Spreads Matrix

CMBS 1.0 Conduit Spreads as of February 22, 2012

Fixed Rate	Avg Life		2/22	1 Week Ago	3 Months Ago	6 Months Ago	1 Year Ago
AAA	5	S+	179	178	242	239	137
AAA	10	S+	219	218	284	283	167
AA	10	S+	2,062	2,063	2,209	2,188	1,946
A	10	S+	2,658	2,659	2,822	2,762	2,333
BBB	10	T+	4,246	4,246	4,454	4,321	3,537
BBB-	10	T+	5,233	5,233	5,426	5,292	4,507

CMBS 2.0 Conduit Spreads as of February 22, 2012

Fixed Rate	Avg Life		2/22	1 Week Ago	3 Months Ago	6 Months Ago	1 Year Ago
AAA	5	S+	118	118	158	174	105
AAA	10	S+	129	129	174	195	130
AA	10	S+	296	297	350	336	205
A	10	S+	377	379	454	420	248
BBB	10	T+	622	624	702	661	356
BBB-	10	T+	669	671	710	669	361

Benchmarks as of February 22: 10-year Treasury 2.006 10-year Swap 2.0148

Source: Trepp, LLC

Morningstar's Loan Transfers To Special Servicing

The following is a list of loans included in commercial mortgage-backed securities deals that were recently transferred into special servicing.

Property Type	Loan Name	Deal ID	City	State	Zip	UPB	Maturity date	Date xferd to S/S
Healthcare	The Barrington	WBC07C34	Largo	FL	33770	$18,000,000.00	5/1/12	12/16/11
Healthcare	Lewisville Estates	WBC07C34	Lewisville	TX	75077	$16,010,000.00	5/1/12	12/16/11
Hotel	National Conference Center	LBFR06C5	NULL	VA	20176	$41,632,595.96	8/9/12	2/7/12
Hotel	Annapolis Marriott Waterfront	BSC07P16	Annapolis	MD	21401	$39,000,000.00	6/1/12	1/31/12
Hotel	Homewood Suites - Sandston, VA	WBC05C20	Sandston	VA	23150	$10,632,534.65	6/11/15	12/14/11
Hotel	Wingate Inn - Lynchburg, VA	JPC07C20	Lynchburg	VA	24502	$8,505,285.41	8/1/17	1/23/12
Hotel	Hampton Inn West	GECC07C1	Wichita	KS	67213	$7,377,277.54	2/1/12	1/24/12
Industrial	Northeast Florida Industrial	CTG06C04	Green Cove Springs	FL	32043	$26,257,112.39	3/11/16	12/19/11
Industrial	Rio Grande Industrial Portfolio (Roll-Up)	BACM02P2	Various	TX	Various	$13,863,745.69	1/1/12	1/12/12
Industrial	Mars Powerline	MLCF0705	Fort Lauderdale	FL	33309	$13,388,186.14	1/8/17	1/10/12
Industrial	Commerce Park II	GECC03C1	Irving	TX	75063	$12,645,262.53	1/1/13	1/12/12
Industrial	Home Depot Distribution Center	BSC02TO6	Charlotte	NC	28216	$4,607,628.30	1/1/12	1/19/12
Multi-family	Lembi Trophy Portfolio 1	LBUB07C2	San Francisco	CA	Various	$73,620,000.00	3/11/12	12/21/11
Multi-family	Greenwich Residential	GCC06FL4	Greenwich	CT	6830	$33,315,745.41	2/5/12	1/23/12
Multi-family	Lembi Trophy Portfolio 2	LBUB07C2	San Francisco	CA	Various	$18,770,000.00	3/11/12	12/21/11
Multi-family	Poplar Pointe Apartments	COM06C07	Atlanta	GA	30349	$15,917,556.61	3/1/16	2/2/12
Multi-family	Auman Portfolio - Ashley Oaks	CLT08LS1	Greensboro	NC	27409	$15,120,000.00	7/1/17	2/1/12
Office	Pacific Shores	GECC07C1	Redwood City	CA	94063	$165,875,000.00	1/1/12	1/10/12
Office	Southern California Portfolio	GCC07GG9	Various	CA	Various	$123,449,000.00	1/6/12	1/11/12
Office	Curtis Center Office Building	GSM206G8	Philadelphia	PA	19106	$92,000,000.00	9/6/11	1/18/12
Office	369 Lexington Avenue	COM06C08	New York	NY	10017	$60,000,000.00	1/1/17	2/1/12
Office	One Pacific Plaza	MLCF0707	Huntington Beach	CA	92647	$57,073,273.00	10/7/16	11/11/09
Other	Kerzner International - Call Protected	CSM06TF2	NULL	Various	NULL	$596,175,242.13	2/15/12	1/25/12
Other	Westgate Business Center	WBC05C16	San Leandro	CA	94577	$33,206,147.22	12/11/11	12/20/11
Other	Kerzner International - Palmilla	CSM06TF2	NULL	Various	NULL	$21,764,909.69	2/15/12	1/25/12
Other	Kerzner International - Condo-Tel JV	CSM06TF2	Various	Various	NULL	$15,533,272.39	2/15/12	1/25/12
Other	Empire Portfolio	GECC05C2	Various	NJ	Various	$14,309,815.13	4/1/15	1/31/12
Retail	Genesee Valley Center	JPC07L11	Flint	MI	48507	$110,406,302.00	12/5/16	1/30/12
Retail	Fashion Outlet of Las Vegas (24)	COM07C09	Primm	NV	89019	$103,000,000.00	2/1/12	1/26/12
Retail	Design Center of the Americas	GMAC06C1	Dania Beach	FL	33004	$88,369,405.82	8/1/15	1/24/12
Retail	Design Center of the Americas (DCOTA)	GECC05C4	Dania Beach	FL	33004	$88,369,405.33	8/1/15	1/24/12
Retail	Blackpoint Puerto Rico Retail	MLCF0706	Various	PR	Various	$84,675,000.00	2/8/12	2/2/12

Source: Morningstar, Inc.

For more information, go to http://ratingagency.morningstar.com/ or call (800) 299-1665

Pensions Up Hunt

(Continued from page 1)

exclusive data from iiSEARCHES.

There were 40 searches for allocations of more than $100 million, accounting for $6.8 billion in 2011, and $10.1 billion of completed searches overall. This is up from the $6.6 billion of total searches in 2010.

Seven of the $100 million-plus searches were for core or core-plus managers, four were for non-core, four were for REIT managers and five were for debt managers. Several were more narrowly focused, including one senior housing fund, two industrial funds, one targeting emerging real estate and one concentrating specifically on Brazil. "These searches support the view that pension funds are seeking greater diversity in their real estate holdings, with perhaps a greater emphasis on allocations to income-producing assets providing a steady return in this low-interest rate environment," said **Joseph Bailitz**, an audit principal at accounting firm **Rothstein Kass** in San Francisco.

2010 Completed Searches

Of the 117 searches completed in 2010, 26 were for allocations of $100 million or more, accounting for $4.5 billion. Five of these searches targeted core real estate investments, while four were REIT funds and another 14 were for unspecified real estate asset classes. Three of the completed searches in 2010 of more than $100 million targeted distressed assets.

2009 Completed Searches

While there were 90 completed searches, dollar amounts were disclosed on only 55 of them, which amounted to $3.96 billion, or an average of $72 million. Assigning that average to the searches with no disclosed mandate amount would bring 2009's total to $6.48 billion, just below 2010's volume.

Three funds completed searches of more than $100 million: the **Teacher Retirement System of Texas** with $1.4 billion, the **Teachers Retirement System of the State of Illinois** with $1.2 billion and the **New York State Common Retirement Fund** with $300 million. Of the total $2.9 billion, nearly 70% was slated for investment in core quality real estate.

Other Observations

There were just a handful of allocations to distressed real estate over the past three years, which one market player thinks is a reflection of what banks and investors learned during the downturn in the late 1980s and early 1990s. "There was a big distressed opportunity that never came," he said. "Banks remember what happened on the deals that they sold for steep discounts. This time around, banks and investors

Completed Searches By Size

	2009	2010	2011
Greater than $100M	8	26	40
Less Than $100M	44	91	102
Total	90	117	142

*Data from 2009 does not include dollar amounts for all completed searches.

Source: iiSEARCHES

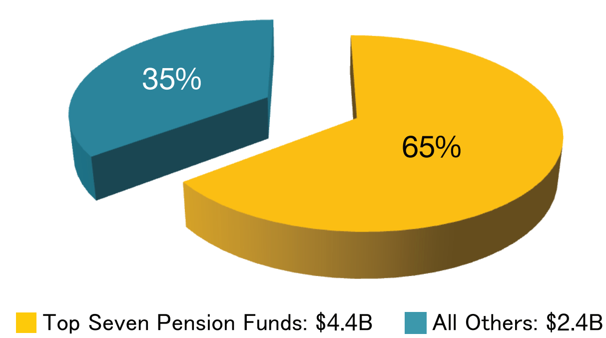
Type of 2011 Completed Searches Over $100 million

Asset type	Number	% of Total	Allocation	% of Total
Core/core-plus	7	18%	$1.01 billion	15%
Debt	5	13%	$950 million	14%
Non-core	4	10%	$750 million	11%
REIT	4	10%	$575 million	9%
Unspecified/other	20	50%	$3.5 billion	51%

Source: iiSEARCHES

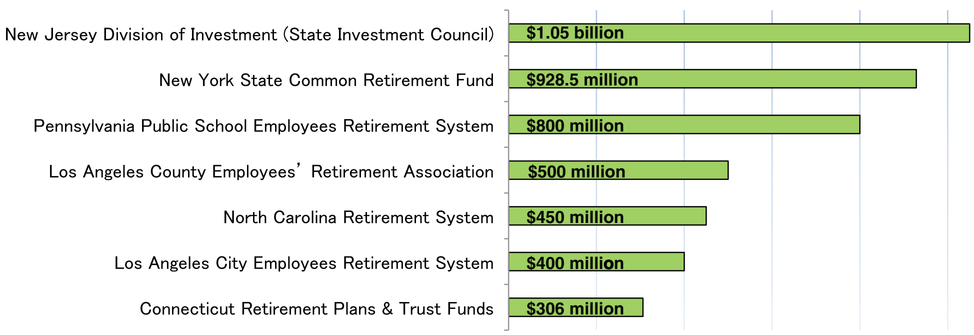
$100M+ Searches: Seven Funds Dominate

Seven pension funds accounted for 65% of all searches of more than $100 million in 2011, aggregating $4.4 billion.



Source: iiSEARCHES

Largest Allocations in 2011



Source: iiSEARCHES

Most Active Consultants in 2011

Consulant	Number of Searches	Dollar Amount of Searches
R.V. Kuhns & Associates	16	$1.783 billion
Hewitt EnnisKnupp	14	$2.565 billion
The Townsend Group	14	$1.414 billion
Courtland Partners	13	$1.701 billion
Wilshire Associates	10	$2.045 billion

Source: iiSEARCHES

have been more circumspect."

The market player pointed to the sale of 40 Wall Street in New York, a one million-square-foot office that was sold for $7 million, or $7 per square foot, in 1993. Although this was seen as the bottom of the market at that time, two years later, **Donald Trump** acquired the building for $1 per square foot.

A complete list of searches is available at www.realestatefinanceintelligence.com

Pipeline Nears $4 Billion

As REFI went to press there were 42 open searches totaling nearly $4 billion, according to IISearches. New searches are defined as active mandates while potential searches include events such as asset-liability studies, plans awaiting formal approval or statements regarding asset classes that could lead to searches.

Asset Class Breakdown

Status	Strategy	Searches	Amount (in millions)
New	Core	3	$1,933
	REITs	2	$255
	Value Added	2	$0
	Other	3	$155
Potential	Core	4	$13.5
	REITs	4	$111
	Value Added	3	$50
	Other	19	$1,463.50

Source: iiSEARCHES

Current Search Activity

Status	Searches	Amount (in millions)
New	13	$2,343
Potential	29	$1,652
Total	42	$3,995

Source: iiSEARCHES

Largest Potential Searches

Fund	Amount (in millions)
New Mexico State Investment Council	$840
CalPERS	$200
Orange County Employees Retirement System	$152
Arkansas Teachers Retirement System	$100
Contra Costa County Employees Retirement Association	$75

Source: iiSEARCHES

Largest New Searches

Fund	Amount (in millions)
California State Teachers Retirement System (CalSTRS)	$1000
Ohio Bureau of Workers Compensation	$900
Massachusetts Pension Reserves Investment Management Board	$250
Michigan Municipal Employees Retirement System	$130
Wichita Retirement Funds	$25

Source: iiSEARCHES

For more information on this data call ***Keith Arends*** *at 212-224-3533.*

Investors Look *(Continued from page 1)*

200 and 230 West Monroe

GE Asset Management is shopping 200 West Monroe Street and the majority of 230 West Monroe St. via **Holliday Fenoglio Fowler**. While 200 West Monroe is now 83.8% leased, 230 West Monroe has an occupancy rate of 89.2%. Market estimates place the combined value of the buildings at around $210 million, or $165 per square foot.

The 623,524-square-foot 230 West Monroe, the older of the two buildings, may see some difficulty as its largest tenant, investment bank **Wells Fargo & Co**, is set to move to 10-30 South Wacker. The move will allow the bank, now spread out in five offices, to merge its operations in the city into 300,000 square feet of space. The **Jewish Federation of Metropolitan Chicago** owns 113,354 square feet of 230 West Monroe that is not part of the sale.

Wells Fargo now occupies 9% of the building. "That will be a significant space for any buyer to lease up. They're a huge presence at West Monroe," said a broker. The relocation started last November, and will continue in phases.

New Chicago Class B Office Sales

Building	Owner	Expected Sales Price	Broker
200 & 230 West Monroe	GE Asset Management	$210 million/ $165 per square foot	HFF
150 North Michigan	SEB Asset Management	NA	Jones Lang LaSalle
311 West Monroe	VEF Advisors	$40 million/ $102 per square foot	Eastdil

Source: Real Estate Finance Intelligence

150 North Michigan

German investor **SEB Asset Management** is selling the Smurfit-Stone building, a 650,000-square-foot office building at 150 North Michigan Avenue, after a long-term hold. The company acquired the building in 1999, paying about $113.2 million, or $174 per square foot. **Jones Lang LaSalle** is handling the sale.

Crain Communication will move into about 65,587 square feet in the building in March, which will result in a name change for the 41-story office tower. The building is about 77% leased, with law firm **SmithAmundsen** as its largest tenant. The building has been in a number of movies, including *Adventures in Babysitting* and *Transformers: Dark of the Moon*.

311 West Monroe

VEF Advisors is selling 311 West Monroe via **Eastdil**'s New York office. The firm, an affiliate of **AREA Property Partners**, acquired the 392,000-square-foot building for $43 million in 2005 for its *Value Enhancement Fund VI*. The property has about 20,625 square feet of space available, giving it a vacancy rate of 5%.

The property's largest tenant, **Harris Bank**, is said to be two years away from the end of its lease and there's speculation that it could relocate. The bank now occupies 70% of the building, taking up around 259,000 square feet at the property. Brokers said the building is likely to trade for around $40 million, or $102 per square foot.

Officials at the firms involved either declined to comment or didn't return calls. ***—Eleanor Duncan***

Keeping Calm *(Continued from page 1)*

equity funds to get the gauge of the market. The message from these managers was eerily similar: with few prospects for significant economic growth, high unemployment and banks that continue to be weighed down by heavy debt loads, the U.K. commercial real estate market isn't expected to see significant growth anytime soon. Especially outside of London. The rest of Europe is in a similar boat.

What was particularly interesting was the consensus that U.K. and European banks won't be unloading the estimated $650 billion of maturing loans on their books anytime soon (see story, page 3). One seasoned fund manager said, "We're starting to see a trickle of deals. Compared to what it was, it looks enormous. But there needs to be a bigger trickle. No matter how much banks reserve, they can't afford to write things down to the values where they will trade."

Still, investors said there are opportunities in London, Paris, the major markets in Germany and the retail sectors throughout the U.K. and Europe. We talked to many investors who are buying properties with one or two impairments with the aim of bringing these assets up to institutional-grade. There's financing for that kind of deal, just like there's financing for the core or core-plus deals in the major markets. "At some level, it's a sifting game," the fund manager commented. "We are looking for properties that have economic potential that can be realized at the same time as increasing their institutional appeal. Any of those things increase liquidity."

The emphasis on redevelopment and reuse is a major theme among investors. This makes sense, partly due to the high replacement cost for properties and partly from the increased emphasis on the greening of Europe's office market. This focus brings to mind another World War Two era slogan: Make Do and Mend. There's a lot of that going on in London today, just like there are a lot of people keeping calm and carrying on.

—***Samantha Rowan***

Quote Of The Week

"Unfortunately, the dream of homeownership seems to be fading. Hopefully that will come back, but right now people need a place to live and with all the foreclosures and what's happening with the mortgage mess and the housing mess, apartments seem to be a good fit."—**Tanya Marchiol**, founder of **TEAM Investments**, on why the company is expanding into the apartment sector (see story, page 2 or watch the full REFI TV interview at **bit.ly/refi_marchiol**).

One Year Ago In Real Estate Finance & Investment

Murray Hill Properties was close to reaching a deal with **Vornado Realty Trust** to recapitalize One Park Avenue in New York. Vornado was set to become the property's new majority owner, while Murray Hill would keep a small equity stake…**Warren Dahlstrom**, the president of the investment services group at **Colliers International**, was aggressively scoping new talent, including entire teams as it was preparing to expand its platform… Two luxury New York City apartment buildings were close to a sale. The Sagamore on the Upper West Side was under contract for $140 million, while The Elektra at 290 Third Avenue was going for $125 million.

Five Years Ago

RFR Holding was shopping 1334 York Avenue in Manhattan, headquarters of **Sotheby**'s auction house. The 480,000-square-foot was expected to trade as high as $500 million. **Jones Lang LaSalle** was handling the sale…**CIM Group** paid $117 million for the **BB&T Center**, a Class B office building in Charlotte. **Jones Lang LaSalle** brokered the deal on behalf of an investor group led by **Little & Co**…**Aetos Capital** was set to unveil an Asian equity real estate sector fund. The firm, run by former **Morgan Stanley** exec **James Allwin**, had focused on funds of hedge funds and real estate private equity.