

Crittenden Real Estate Buyers TM

Crittenden Research, Inc.
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TOP PUBLIC REITs/INDUSTRIAL

PROJECTED 2014 ACQUISITIONS

BUYER	VOLUME	DETAILS
STAG Industrial	\$350M	Buys \$5M to \$25M single-tenant properties nationwide.
Terreno Realty	\$300M	Has acquired and contracted to buy nearly \$100M of assets since January.
Rexford Industrial REIT	\$200M+	Southern California value-added buyer has spent \$185.6M.
DCT Industrial Trust	\$200M	Stabilized and valued-added asset buyer has acquired \$44M of assets since January.
Monmouth REIT	\$125M	Investment-grade buyer of long term-leased assets near primary markets.

DIVERSIFIED OFFICE/INDUSTRIAL

Digital Realty Trust	\$400M	JV with Prudential Real Estate Investors; buys properties nationwide.
Liberty Property Trust	\$375M	Has spent more than \$40M this year; buys nationwide.
Lexington Realty Trust	\$350M	Single-tenant buyer has spent more than \$80M so far this year.
Gramercy Property Trust	\$350M+	Single-tenant buyer of industrial and office nationwide.
Duke Realty	\$225M	Could acquire from \$150M to \$300M this year.
Chambers Street Properties	\$150M	Bought a \$30.2M building in Indianapolis; spent \$160M in the U.S. during 2013.
Gladstone Commercial	\$150M	Nearing \$80M of acquisitions so far this year; expanding in western U.S.
W.P. Carey	\$100M+	Industrial in the eastern and western U.S. comprises majority of holdings.

SELF STORAGE

Extra Space Storage	\$500M	Has acquired and contracted to buy \$369M of properties since January.
Public Storage	\$300M	Has purchased and agreed to acquire \$272M of properties so far this year.
CubeSmart	\$300M+	Has acquired or contracted to buy \$273M of properties.
Sovran Self Storage	\$150M	Has purchased nearly \$100M of assets since January.

Other industrial and diversified buyers to watch: Brandywine Realty Trust, Prologis, PS Business Parks, First Industrial Realty Trust, East Group Properties, DivcoWest Real Estate Investments, First Potomac Realty Trust, Norges Bank and One Liberty Properties. **Other self-storage buyers to watch:** WP Carey and Heitman Value Partners III.

2014 numbers are based on interviews, editorial assumptions and recent acquisitions activity.

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RISING RENTS, IMPROVING VACANCY SPURS OFFICE BUYERS

Cash-flush office buyers look to flood primary and secondary markets. **SL Green Realty** will surpass \$1B of deal flow in the New York metro area this year. **Boston Properties** grabs land and prepares for more with a \$600M equity offering, and **Kilroy Realty** can access up to \$1B for West Coast properties. These are among a growing number of buyers clamoring for major-market properties as the nationwide vacancy rate hovers at 15% and continues to improve. Rental increases keep big buyers interested in top-tier markets, tenants and buildings while new development gathers momentum.

SL Green Realty's \$928M of YTD acquisitions should be followed by additional JV purchases of big single-tenant assets throughout Manhattan and adjacent suburbs. **Ivanhoe Cambridge**, within weeks of selling an \$800M JV stake in the Citicorp single-tenant building to SL Green, shells out \$150M for a minority stake in another New York building. The Canada-based pension fund considers \$100M-plus trophy office buildings and other property types nationwide.

Also an active JV partner on the buy and build sides, Boston Properties gets ready for more acquisitions and development with a \$600M at-the-market (ATM) equity offering. While acquisitions staff line up JV partnership land in Washington, D.C., for future development, fee-simple buys of \$50M-plus buildings there and in Boston; Manhattan; San Francisco and Princeton, N.J., will remain in their sights.

When Boston Properties revisits big office buys, it will encounter **Columbia Property Trust** and **Highwoods Properties** — which have made big buy-side strides since January. Columbia Property Trust's pricey deal in San Francisco moves the company closer to a \$350M acquisitions goal. Dealmakers could spend the remaining \$125M on either a smaller primary market asset or a larger secondary market building. Highwoods Properties targets \$300M of Class A urban infill assets in Pennsylvania and throughout the Southeast this year, as well as \$150M of new development. Deals will be supported by a recent \$300M bond offering. Treading a similar footprint is **Keystone Property Group**, targeting \$500M of deals in and outside a JV with Mack-Cali.

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RISING RENTS, IMPROVING VACANCY SPURS OFFICE BUYERS...

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The private buyer has spent more than \$300M and will consider \$10M-plus assets. Southeast buyer **Parkway Properties** prepares for \$1B of buys, which will home in on CBD and suburban properties throughout the region.

Following a recent investment-grade rating, **Franklin Street Properties** will step up acquisitions for a \$600M goal. Denver's Class A buildings in downtown and urban infill submarkets should draw additional interest, in addition to FSP's other core markets of Atlanta, Dallas, Houston and Minneapolis. Suburban markets account for 40% of the company's portfolio. In Denver and elsewhere, the buyer will encounter expanding **GLL Real Estate Partners**, with \$400M for \$30M-plus office and retail throughout gateway and primary markets nationwide. The Germany-based buyer recently entered downtown Denver.

Also look for newly public REITs to get active. **City Office REIT** will shop for \$20M to \$50M office buildings in Arizona, California Florida, Idaho, Oregon, Pennsylvania, Texas, Utah and Washington. Colorado is also a big market for the Canada-based REIT which shops for value-added properties. Additional deals will follow an estimated \$127.41 s.f. purchase of a 93%-leased multitenant office building in suburban Denver. The three-month-old public REIT has acquired an estimated \$40M of assets since January. Newly formed Empire State Realty Trust and New York REIT will also be active.

BUYERS IN BRIEF...

► With \$700M of remaining investment cash and two years to spend it, value-added retail buyer **Cypress Equities** wants grocery-anchored centers for its existing mix of lifestyle, power centers, malls and retail dominant mixed-use properties located in primary and secondary markets nationwide. The \$1.2B all-in Cypress Acquisition Partners Retail Fund will back \$20M-plus deals that can produce 17.5% or higher unleveraged IRRs during a seven-year hold period. Additional purchases will follow the fund's first purchase of the year in Birmingham, Ala., as well as 2013 buys in Glendale, Calif., Schaumburg, Ill., Eden Prairie, Minn. and Portland, Ore.

► **ARC Property Trust** eyes \$500M of acquisitions and build-to-suit deals this year as it advances into Florida, where it aims to work with five preferred developers on build-to-suit deals, as well as the Carolinas, firming a base for future expansion into Georgia and Texas in a couple years. The private REIT and developer has acquired nearly \$300M of assets since January and aims for another \$200M to be evenly split between build-to-suit and fee-simple acquisitions. Dealmakers want \$1M to \$20M properties where there are 40,000 residents within a three-mile radius.

► Shifting demographics underscore **Virtus Real Estate Capital's** entry into the apartment market and the company plans to ramp up its search for Class B and Class C value-added workforce housing properties throughout the West. The private equity buyer, with \$150M remaining in its flagship fund, will scout \$10M to \$20M assets in submarkets where people of Latino descent comprise 75% or more of the population. Texas markets including Dallas and San Antonio, as well as Oklahoma City, are among short-list markets. Besides apartments, dealmakers will also shop for Class B student housing at \$20M to \$50M near Tier One colleges and universities nationwide, in addition to self-storage and medical office.

► As senior-housing buyer **Tryko Partners** enters a new market for an estimated \$100M acquisitions goal, look for additional interest in skilled nursing and senior housing assets throughout the Northeast and Mid-Atlantic. Dealmakers have another \$30M for skilled nursing buys and \$20M for affordable and HUD Project-based Section 8 senior housing properties. Additional skilled-nursing deals may resemble Tryko's recent entry into the Baltimore market. Last month it paid approximately \$9M for a 120-bed skilled nursing asset built in 1994. There's a mix of private-pay and Medicaid patients at the 89%-leased property. It also buys apartments.

► Value-added buyer **Atalanta Realty Investments'** \$100M acquisitions target will focus on industrial, office and retail priced from \$20M to \$50M. While Hawaii office appears to be Atalanta's chief go-to market, it plans a 2015 expansion into California's Sacramento, San Diego, San Francisco, San Jose and Riverside markets, plus Dallas, Houston, Las Vegas, Phoenix and Seattle.

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BUYERS IN BRIEF

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BUYERS IN BRIEF...

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Atalanta seeks cap rates of 7%-plus upon stabilization; however, new development and redevelopment transactions also will be considered. The year-old company makes its first purchase in downtown Honolulu with a pair of buildings averaging a 73% occupancy rate.

► **Gladstone Commercial** expects to spend more time in the West with \$70M remaining for mostly industrial and office buys. The public REIT eyes expansion into Portland, Ore., Salt Lake City, Phoenix and San Francisco's East Bay, in addition to growing its foothold in the Denver MSA and Colorado Springs. Future deals will complement footholds in the Midwest, Northeast and South. Dealmakers consider properties occupied by one to four or five tenants signed to minimum seven-year lease terms. Transactions typically range from \$5M to \$60M.

► Apartment and retail buyer **Passco** has nearly \$300M remaining for its regional acquisitions strategy. Although Class A apartments in the Midwest and Southeast regions are a major focus, the private buyer will expand into additional markets for 200 unit-plus mid-rise, garden-style and high-rise complexes built after 2000. Dealmakers have acquired 954 apartment units for \$108M since January. On the retail side, look for Passco to scout Arizona, California, Nevada, Texas and Washington for \$3M to \$10M strip and neighborhood centers, shadow-anchored centers and multitenant pads.

Deals in Detail

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In this late June deal, private buyer Alliance Private Capital Group LLC paid an estimated \$35 per s.f. for a grocery-anchored center in West Palm Beach, Fla. The cap rate is 7% for the 99%-leased asset built in 1998. Anchors at the 357,500 s.f. center include Winn-Dixie, Kmart, Ross Dress for Less and Party City; their leases roll in seven to 10 years. The all-cash deal to seller Kimco Realty closed 60 days after initial contract, in this widely marketed deal. Kimco Realty could top \$750M of acquisitions this year; it has acquired more than \$250M since January.

Deals in Detail

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Tasico Garfield LLC enters the U.S. with a \$30,000 per key buy of a full-service hotel facing the Cincinnati River. Canada-based Tasico Hospitality Group plans to renovate the 220-room Radisson Hotel Cincinnati Waterfront with new windows, carpets, bedding and other case goods. Based on trailing income, the cap rate is 13.1%. The Covington, Ky. Hotel, which was partially renovated in 2007 and built in 1972, has a two- to three-star rating. The all-cash deal in mid-June closed 120 days after initial contract. Mumford Co. represented seller SMC Hotel Partners LLC and advised the Ottawa-based buyer.

As part of a \$100M buy-side goal, Pathfinder Partners paid \$4.5M for a partially built single-family community about 79 miles southwest of Denver. The private buyer, with JV partner Meriwether Cos., plans to build out 20 lots zoned for duplexes at the 10-acre site. The deal closed in early June, reflecting a 57-day contract-to-close period.

Pathfinder Partners, more than half its way to meeting a \$100M acquisitions goal, evaluates industrial, office, retail and land parcels in Denver, Seattle, Portland, Ore., Phoenix and California's primary markets — comprising the San Francisco Bay Area, Los Angeles and San Diego.

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