Institutional Investor

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The Definitive Source on Commercial Property Sales, Financing and Investment

Real Estate Finance & Investment

The weekly issue from **Real Estate Finance Intelligence**

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Financing

Moody's Goes Rogue On New Conduit Rating; Calls Out S&P

Moody's Investors Service has come out with a report offering a contrarian view on the ratings assigned to a recent conduit commercial mortgage-backed securities deal. While the report offers a diverging opinion from all four of the ratings agencies on the deal, Moody's singles out **Standard & Poor's** in its criticism of the assigned ratings. According to the report, the last two investment grade classes of **JPMorgan's** JPMCC 2012-C8 would be rated below investment grade based on Moody's ratings methodology. "For these classes, we would assign ratings consistent with those assigned by other agencies only if credit enhancement were substantially higher," the report reads. The deal's D and E classes were rated BBB+/BBB (high) and BBB-/BBB (low) by S&P, F**itch Ratings**, **Kroll Bond Ratings** and **DBRS**.

Summary of Major Risk Factors As Seen By Moody's

Risk Factor	Explanation
Loan Concentration	The top 10 loans make up 58.5% of the pool.
Loan Leverage	Above-average LTV for CMBS 2.0, based on a Moody's stress test.
LTV Dispersion	About 25% of the pool is more than 110% leveraged based on a Moody's stress test
Interest-only Terms	25.8% of the pool has partial interest-only terms and 5.5% have full interest-only terms.

Source: Moody's Investors Service

In regards to S&P, Moody's points to the agency's use of low cap

(continued on page 15)

Property Sales

Bidders Line Up For One Beacon

Beacon Capital's sale of a 50% stake in Boston's iconic One Beacon Street is seeing heavy interest from bidders, with 10 international and domestic investors expected to submit second-round bids on the one million-square-foot property. Bids are expected to be in the $535 to $555 per square foot range, compared to expectations of $540 to $570 initially projected by broker **Cushman & Wakefield**.

One local broker who is not involved in the transaction said that among the big names still in the running are **Boston Properties**, **UBS** and **LaSalle Investment Management**.

Local brokers say that investors have some concerns over

(continued on page 16)

Property Sales

Equity Office Shops Warner Center Assets

Equity Office Partners is cashing out of two of the signature office buildings in Warner Center in Woodland Hills, Calif. The firm has tapped **CBRE** to market Warner Center Corporate Park, a 12-building, 347,200-square-foot low-rise office complex, and Warner Premier, a 63,654-square-foot, Class A office building. CBRE's **Tom Bohlinger** and **Kevin Shannon** are handling the deal. Local brokers estimate that the properties could be sold for as much as $90 million.

Brokers say the hook for investors will be the Warner Center Specific Plan, a rezoning initiative expected to be enacted in

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EDITOR'S NOTE

Last week, the big story was retail development in the Bronx. This week, it's all about Brooklyn. **East River Partners** has launched a fund dedicated to the multifamily market in Brooklyn—the first of its kind—while large, national retailers are looking at the borough as a good place to expand given all of the families that have moved south from Manhattan. See page six for full coverage.

We write a lot about skyscrapers, but rarely talk about the observation decks that are at the top of a heady few. This week, **Eleanor Duncan** talks to **Montparnasse 56** about its plans to buy observation decks in U.S. office trophies. The company is fresh off of its acquisition of the observation deck of the John Hancock Tower in Chicago. The full story is on page 7.

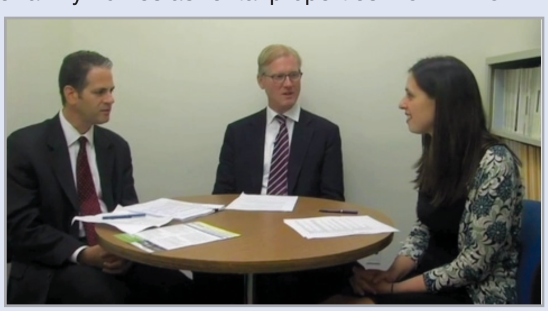
Finally, **Trepp, LLC**'s **Matt Anderson** gives a sobering interview on the impact that commercial real estate loans are having on bank balance sheets. You can read an excerpt of **Max Adams**' interview with Anderson on page 11 or you can go to http://tinyurl.com/trepp-report to listen to the full conversation.

Samantha Rowan
Managing Editor

REFI TV

Assessing The Single-Family REO Market

More traditional commercial real estate investors are looking at an emerging segment of the market: buying pools of REO single-family homes as rental properties. **Tom Hiner** and **Peter Mignone**, partners at Hunton & Williams, talk with *REFI's* **Samantha Rowan** about the high activity level the firm has been seeing in the sector.



Managing Editor Samantha Rowan with Tom Hiner and Peter Mignone

While the excitement is there, one challenge has been getting banks comfortable with financing these acquisitions because this asset class doesn't have a long historical backdrop, Mignone said. "We're working with our clients, both in private equity and in the banks, on ways to effectively finance these portfolios," Hiner added.

To watch the full interview, go to http://tinyurl.com/hunton-williams

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Institutional Investor Intelligence

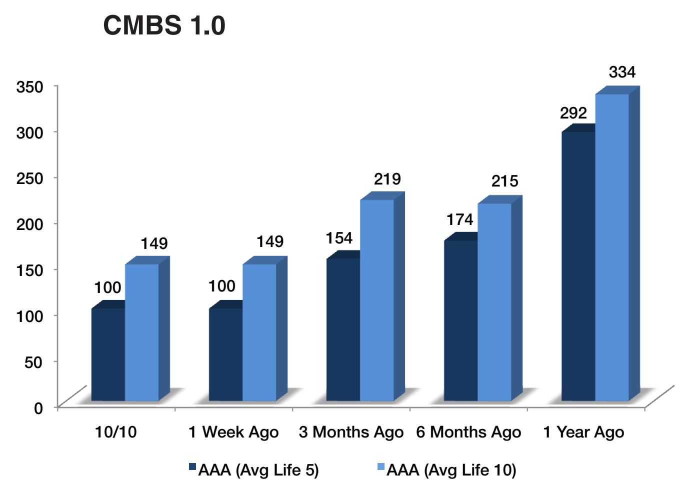
Financing

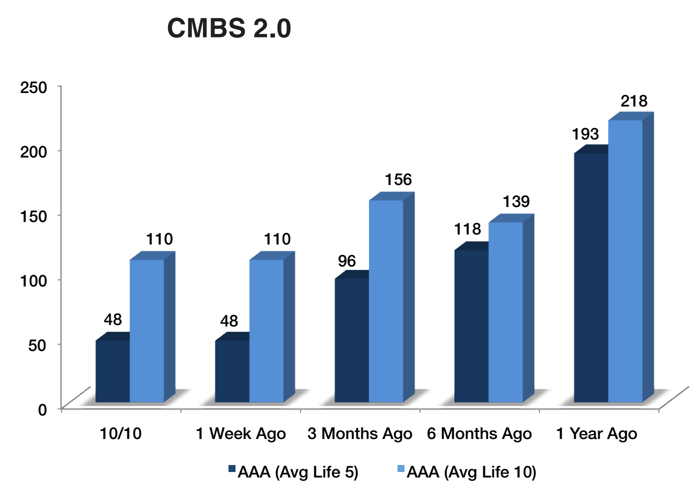
CMBS Market Snapshot

There were no new commercial mortgage-backed securities deals to hit the market this week, but the sector was still abuzz none the less. The big story came from a report from Moody's Investors Service that called out rivals, specifically Standard & Poor's for loose ratings standards (see page 1). In talking to REFI, market players were tossing around the word 'ratings' and 'shopping' in equal measure, while S&P stood stoically by its evaluation of the recent JPMorgan conduit deal. At the end of the week, presale reports were out on a new deal from the Wells Fargo and RBS partnership.

CMBS SPREADS SNAPSHOT—OCTOBER 10

CMBS 1.0 comprises transactions through 2007 while CMBS 2.0 reflects deals completed after that date.





TREPP'S CMBS SPREADS MATRIX—OCTOBER 10

CMBS 1.0

Fixed Rate	Avg Life		3/28	1 Week Ago	3 Months Ago	6 Months Ago	1 Year Ago
AAA	5	S+	100	100	154	174	292
AAA	10	S+	149	149	219	215	334
AA	10	S+	1,633	1,632	1,987	1,989	2,260
A	10	S+	2,240	2,240	2,632	2,595	2,886
BBB	10	T+	3,904	3,898	4,337	4,261	4,527
BBB-	10	T+	4,896	4,889	5,323	5,257	5,499

Trepp's CMBS Spread Matrix (2.0)

Fixed Rate (Conduit)	Avg Life		3/28	1 Week Ago	3 Months Ago	6 Months Ago	1 Year Ago
AAA	5	S+	48	48	96	118	193
AAA	10	S+	110	110	156	139	218
AA	10	S+	195	196	268	292	385
A	10	S+	282	292	398	387	499
BBB	10	T+	445	444	590	616	753
BBB-	10	T+	497	496	658	677	761

Benchmarks as of October 10: 10-year Treasury=2.204 10-year Swap=2.269

Source: Trepp, LLC

Financing

Wells, RBS Ready New Conduit

Wells Fargo and **RBS** are preparing a $1.05 billion conduit commercial mortgage-backed securities deal, and market players predict that spreads will stay within the range of what has been seen for the last two deals to price. The offering, WFRBS 2012-C9, will include seven classes, or $931.75 million, of publicly offered bonds with the remaining placed privately.

The offering is being rated by **Fitch Ratings**, **Morningstar Credit Ratings** and **Moody's Investors Service**. In the Fitch presale report, the ratings agency notes that the super senior classes have been structured with 30% credit enhancement, with a subordinate A-S class being given 21.125% enhancement. "In this transaction, these metrics identify the junior 'AAAsf' tranche as slightly thinner than Fitch would normally desire," the report states, but also adds that subordination on the junior AAA is still more than Fitch requires. It also points out that there is a heavier concentration of hotel properties, at 21.3% of the total pool. The 2012 average for hospitality concentration is 12.3%.

Investors are predicting that the rally will extend to this deal as well, with spreads expected to be in the range of 85 to 88 basis points over swaps seen for the last two deals. Final pricing for this deal is anticipated for the week of the 15th.

CMBS Data Service Launches

Morningstar Credit Ratings and the **Commercial Real Estate Finance Council** have launched a commercial mortgage-backed securities data platform. It tracks issuance, CMBS loan delinquencies, specially serviced loans, CMBS spreads, vacancy rates and top metropolitan areas for securities around the U.S.

CREF-C, which was looking to expand an existing platform, approached Morningstar to update information and make the platform easily accessible to the full spectrum of CMBS players. "[The database] is following a mandate to help investors and industry organizations. We're sitting on a really robust database that is verified on a monthly basis," said **Rob Dobilas**, president of **Morningstar Credit Ratings**.

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
Hotel	PHOV Portfolio - Freely Prepayable Portion	JPC07FL1	Various	Various	Various	$171,317,752.90	5/9/12	1/20/12
Hotel	LXR Hospitality Pool	WBC07W08	NULL	Various	NULL	$947,448,682.20	5/9/12	4/11/12
Hotel	Longhouse Hospitality Pool	WBC07W08	Various	Various	Various	$165,000,000.00	6/9/12	5/11/12
Hotel	LXR Hospitality Pool prepayable	WBC07W08	Various	Various	Various	$123,664,935.90	5/9/12	4/11/12
Hotel	Marriott - Memphis	JPC07C19	Memphis	TN	38118	$38,000,000.00	5/1/17	8/22/12
Hotel	Comfort Inn - Bethlehem	JPC07C20	Bethlehem	PA	18020	$4,416,468.07	7/1/12	8/10/12
Industrial	K-V Pharmaceutical Portfolio	JPC06LD7	Various	MO	Various	$29,343,565.69	4/1/21	8/10/12
Industrial	Westfork Building T(5)	WBC06C28	Lithia Springs	GA	30122	$6,450,349.29	8/11/16	9/3/12
Industrial	6770 Bermuda	CLT08LS1	Las Vegas	NV	89119	$6,200,000.00	9/1/12	9/4/12
Industrial	525 West Baseline Road	BSC06T22	Mesa	AZ	85210	$4,087,008.08	3/1/16	8/17/12
Industrial	South Meadows	MLT06C02	Reno	NV	89521	$3,421,611.20	7/7/16	8/30/12
Multi-family	Allanza at the Lakes	CSM07C05	Las Vegas	NV	89117	$85,000,000.00	6/11/14	8/17/12
Multi-family	Ridgeview Apartments	DBUB11L2	Elmsford	NY	10523	$50,000,000.00	6/6/16	8/16/12
Multi-family	Canterbury Apartments	CSM07C02	Myrtle Beach	SC	29579	$43,360,000.00	3/11/17	1/30/12
Multi-family	Grande View Apartments	BACM0702	Biloxi	MS	39531	$18,640,000.00	5/1/14	8/27/12
Multi-family	Gramercy Parc Apartments	JPC05C12	Las Vegas	NV	89119	$13,629,148.75	4/1/15	8/3/12
Office	Metropolitan Square	WBC05C21	Saint Louis	MO	63102	$124,420,180.60	8/11/15	8/17/12
Office	Summit Office Campus	BACM0705	Lees Summit	MO	64086	$120,000,000.00	9/1/17	8/15/12
Office	Millennium in Midtown	GSM206G6	Atlanta	GA	30309	$71,403,267.33	1/6/16	8/17/12
Office	Nemours Building	GCC06GG7	Wilmington	DE	19801	$56,325,071.35	6/6/16	8/31/12
Office	Millennium I, II, & III	BSC07P16	Conshohocken	PA	19428	$44,643,547.61	5/1/17	8/29/12
Other	DRA / Colonial Office Portfolio	MLT07C01	Various	Various	Various	$247,302,418.70	7/1/14	8/21/12
Other	DRA / Colonial Office Portfolio	BSC07P17	Various	Various	Various	$247,302,418.70	7/1/14	8/21/12
Other	DRA / Colonial Office Portfolio	BSC07P18	Various	Various	Various	$247,302,418.70	7/1/14	8/21/12
Other	Park Avenue Apartments	BSC07P18	Brooklyn	NY	11206	$46,963,266.55	8/1/14	8/17/12
Other	Boca Resorts Hotel Pool - Release	WBC06W07	Various	FL	Various	$31,809,779.83	9/15/12	4/14/11
Retail	Independence Mall	JPC06FL1	Kingston	MA	2364	$72,193,291.27	2/9/13	8/27/12
Retail	Kimco PNP - Rainbow Promenade	JPC06LD9	Las Vegas	NV	89124	$37,900,000.00	11/1/16	8/20/12
Retail	Shoppes at Jupiter	JPC06LD7	Jupiter	FL	33477	$29,649,501.40	4/1/16	8/24/12
Retail	Scranton Portfolio	BSC07P15	Various	PA	Various	$16,066,511.28	12/1/16	8/9/12
Retail	Acme Commons	GCC07G11	Bordentown	NJ	8505	$16,000,000.00	8/6/12	8/9/12

Source: Morningstar Credit Ratings, LLC

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

LNR Seen Spinning Off Euro Biz; Three Firms Chase Parent

LNR Partners is considering spinning off its European special servicing business, **Hatfield Philips**, in a separate transaction from the sale of the rest of the company. The special servicer has also tapped **Citigroup** as the advisor for the larger sale.

Meanwhile, **Rialto Capital Management**, **Starwood Capital Group** and **Cantor Fitzgerald** are reportedly the remaining bidders in the sale of LNR, the *Wall Street Journal* reported. LNR has been on the block since midsummer (*REFI, 7/20*).

Rialto is seen by many market participants as the most likely buyer of LNR, the largest special servicer in the industry (*REFI, 9/12*). The firm reportedly has the deepest pockets.

Hatfield Philips, acquired by LNR in 2004, is among the larger special servicers in Europe. It has not been as lucrative a business as LNR would have liked. “It just hasn’t grown the way people thought it would, so I am not surprised they’re selling it,” said one observer.

Calls to LNR and Hatfield Philips officials were not returned. Citi spokesman **Robert Julavits** declined to comment on the bank’s advisory role.

NGKF Taps Helios For Capital Markets Expansion

Steven Schultz

Newmark Grubb Knight Frank has added **Helios Capital Advisors**, a boutique loan sale advisory company in New Jersey. Helios also does REO transactions and makes commercial real estate investments. It has completed the sale of more than $1 billion of non-performing loans since 2009. **Steven Schultz**, founder and CEO of Helios, will be an executive managing director at NGKF.

The transaction came about after a conversation over the summer between with Schultz and **David Simson**, vice chairman and chief operating officer at NGKF. Schultz, who has worked with Simson for many years on a variety of projects, discussed how the best way to expand a boutique, family-owned company like Helios was via a partnership or merger with a national platform.

Shortly after that, Schultz talked to his family and then NGKF President **Jimmy Kuhn** about a possible alliance. “They were very interested and it all came together very fast. Culture was important, and so were people and personalities.”

Schultz noted that banks are selling off troubled loans. “We’re projecting that 2013 and 2014 will be robust in terms of liquidating non-performing loans and REO and we’re expecting to see a lot of sales from funds that made acquisitions in 2007 and 2008,” he added. “As these loans come through the market, there will be new marks on values that will help drive prices up.”

RXR Hooks Financial Firm For Starrett-Lehigh

RXR Realty has signed up the first financial tenant for New York's Starrett-Lehigh Building since acquiring the property last year. Real estate investment firm **Firefly Value Partners** is set to take 11,000 square feet in the property, located at 601 West 26th Street in Manhattan's trendy Chelsea area—a move that is indicative of a new breed of tenant in the Midtown South area.

Office demand has been shifting from Midtown's glossy skyscrapers to Midtown South's quirkier properties for over a year. Indeed, Midtown South had a blockbuster second quarter this year, seeing 1.58 million square feet of leasing activity, eclipsing the previous quarter's 990,000 square feet of leasing by 60%, according to second quarter market data from **CB Richard Ellis**. However, so far, these tenants have largely been creative media types over slick finance firms.

Bill Elder, leasing director at RXR, said the company has received a lot of inquiries for space from firms that are much of same ilk as Firefly. As for the tenant itself: "It's fair to say that [Firefly] was looking for a change in culture. They want to continue to be the best at what they do and attract the kind of talent that is drawn by the area," Elder noted. "Here, tenants are interested in the type of buildings, the amenities, the life beyond the work environment."

When RXR purchased the 2.3 million-square-foot Starrett-Lehigh Building last year for $900 million, or $400 per square foot, some called it a risky investment because of the sheer size of the asset. Now, the property is 97% occupied. "Personally, we did not view this as a scary venture, knowing how strong the market is. We saw embedded growth on existing tenants. We weren't cocky about it but we had a pretty good sense that this was a great investment," Elder said.

Now, the firm puts its leasing success down to its 'hands-on' management style. RXR's latest initiative is to house food trucks on the upper floors of the Starrett-Lehigh Building via a gigantic freight elevator. The latest addition is a Takumi Taco stand—a Mexican/Japanese fusion eatery. In addition, the firm is in the middle of $50 million capital improvement program, which will include game rooms, a fitness center, nail salon and will replace, with approval from New York's Landmark Preservation Commission, the windows inside of the building. "There's a lot going on," Elder said.

Developers Target New York's Outer Boroughs

More developers are targeting retail projects in New York's outer boroughs, with new large-scale developments underway in Brooklyn, Staten Island and the Bronx. "We're seeing a huge increase in interest from national retailers in the outer boroughs and it is triggering investment in those areas," said **Nina Roket**, partner at New York-based law firm **Olshan Law**.

Roket , who recently represented landlord **Helm Equities** on new leases for **Trader Joe's** and **Pier One** in a Staten Island development that is in the works, noted that Brooklyn is receiving particularly strong attention given its population of affluent residents who have been priced out of Manhattan. "Where Brooklyn was once shunned, it is now the place to be. People are flocking there and a savvy retailer will pick up on that," she added.

The nature of retail is different in the outer boroughs than in Manhattan. Where big box space is uncommon in Manhattan, it is popping up throughout Brooklyn and Staten Island. "People who are out there want these types of retailers. In Brooklyn, it is a different consumer with different needs," Roket said.

The Bronx is also seeing its share of the action. **Prestige Properties** recently broke ground on a $300 million enclosed mall in the Bronx—the first enclosed mall in the borough—while **Simone Development Companies** is planning a mixed-use development near the Bronx Zoo with a large retail component (REFI, 10/8).

BofA's Chicago Office Sale Heats Up

Bank of America's sale of 540 West Madison, a 1.1 million-square-foot trophy asset in Chicago, has attracted the attention of three high-level bidders. **Tishman Speyer**, **Hines** and **CB Richard Ellis Investors** have all reportedly thrown their names in the hat for the property, which is being marketed as a sale-leaseback with the bank. **Jones Lang LaSalle** is handling the sale.

540 West Madison

The bank's price tag is thought to be around $330 million, or $300 per square foot, but brokers say there has been some negotiation downwards as BofA heads towards the best and final round of bids.

Bank of America has been shedding assets across the country in an attempt to stack up its capital reserves. Indeed, **Fortress Investment** recently agreed to buy a New Jersey office campus from **Bank of America** in another sale-leaseback transaction valued at $375 million, or $208 per square foot, according to published reports.

A spokesperson for JLL declined to comment. Calls to the other parties involved were not returned.

A Roof With A View

Observation Deck Investor Chases U.S. Views

Montparnasse 56, a French group that operates observatory decks around the world, has been making headlines in recent months for its dealings with two of the highest—and most high-profile—buildings in the U.S. The investor recently acquired the observatory at the John Hancock Tower in Chicago and is now in the running to operate what will be the highest viewing platform in the U.S.—1 World Trade Center.

Real estate is key to these investments, but Montparnasse is also buying into any property's ultimate bragging rights: the view. But in these crisply calculated bidding wars, how do you value something as esoteric as a vista?

The answer is simple: it's about the money. "You have to look at it as an operating business," said **Eric Deutsch**, v.p. at **Montparnasse 56 USA**. "You look at existing operating observation decks, and take account of the metrics of the business and revenue. You look at the market itself—visitation in the city, where those visitors are coming from, whether there is an observation deck in that market. And you look at the logistics of the asset—capacity, how you will get the people up there, and ancillary economic drivers."

Montparnasse 56, named after the tallest tower in Paris, started out in 1974 by acquiring the 56th floor of its namesake alongside the long-term rights for the roof terrace of the building. The firm looked to expand again after the reunification of Germany, when it acquired the Berliner Fernsehturm, an iconic TV tower in Berlin and the tallest structure in Germany. America, with its love of skyscrapers, was the next logical step.

Hancock Tower

The firm paid nearly $45 million for John Hancock's observatory tower, according to published reports. Montparnasse now wants to expand the number of visitors—now at around 500,000 a year—and plans to renovate the 17,400-square-foot space on the 94th floor, which includes a café and an ice-skating rink.

Deutsch declined to discuss the bidding process for 1 World Trade Center's viewing platform. According to the *New York Times*, the other two finalists are **Legends Hospitality Management** and **GSM Projects**.

Chinese Investor In Line To Buy Class B Los Angeles Office

Chinese investor **Golden Mountain Investment** has reportedly emerged as the top bidder on 800 Wilshire Blvd., a well-located Class B office building in downtown Los Angeles. Owner **Prudential Real Estate Investors** put the property on the block via **Jones Lang LaSalle** in July (*REFI* 07/12).

Golden Mountain reportedly bid $53 million —a snip above Prudential's target price of $52 million. The building, termed the best of the second-tier properties in the area by one local broker, is located at the intersection of Wilshire Boulevard and Flower Street in the center of the CBD.

The trade could signal a shift in the wind for Chinese investors, who have traditionally focused their energies on hospitality in the real estate sphere. "I haven't seen a lot of [Chinese investors] go for general office. They're dipping their toes in the water and seeing what will happen," said an L.A.-based broker.

The city has seen an influx of foreign capital over the past year. Indeed, when **CB Richard Ellis** sold the Pacific Financial Center at 800 West Sixth Street in Los Angeles earlier this year, five of the top six bidders were foreign capital. "L.A. is seen as a fairly safe haven for capital—and these investors have a lot of money," said the broker.

Calls to JLL and Golden Mountain were not returned by press time.

New Fund Targets Brooklyn Condo Plays

East River Partners has launched a fund targets to invest in the redevelopment of multifamily properties in Brooklyn with the aim of selling individual units as condos. The fund, the first of its kind in Brooklyn, is concentrating on deals with a total cost of $5-20 million. "More families are staying in New York. We have the premise that uptown moved downtown and downtown moved to Brooklyn," said **Jody Kriss**, co-founder.

The New York-based company has raised $10 million from high-net-worth individuals for *ERP Fund I* and hopes to raise a total of $25 million. The fund targets larger two- or three-bedroom apartments that are geared toward families. "Everything we have done is buying existing buildings in brownstone, tree-lined neighborhoods in Carroll Gardens and Park Slope," said Joseph Cohen, co-founder. "Three-bedroom apartments in Manhattan are starting at $3 million right now. The cost is 40-50% of that in Brooklyn."

The fund can use leverage of up to 75% but has been closer to the 65% range so far. Its acquisitions have mainly been from very long-term, private owners who rarely have mortgages and are selling for family reasons rather than due to economic distress.

Buyside Funds

New Real Estate Funds

• **East River Partners** has launched a fund which it aims to invest in the redevelopment and conversion to condominium of multifamily properties in Brooklyn. The fund, the first of its kind in Brooklyn, is concentrating on deals with a total cost of $5-25 million (see story, page 6).

• **Angel Oak Capital Advisors**, an Atlanta-based investment and advisory company, has launched a fund specializing primarily in private label legacy mortgage-backed securities and also commercial mortgage-backed securities. The *Angel Oak Multi-Strategy Income Fund* has raised $270 million thus far and the firm has not set any fundraising limit (*Real Estate Finance & Investment*).

• Commercial real estate investment firm **TerraCap Management** is raising a fund that aims to take advantage of the Southeastern U.S. market and the upside that it sees as part of the region's improving real estate fundamentals. *TerraCap Partners II* will aim to acquire office, retail, industrial and hospitality properties as well as land, focusing mainly on select Florida markets. It will look to acquire properties at below replacement costs, in the range of $2-20 million (*Real Estate Finance & Investment*).

• **Unico Properties** is soliciting $300 million of equity for its first commingled fund. **MacGregor Global Investments** will act as the fund's placement agent, and is contributing up to $15 million of equity. The fund is expected to leverage its buying power to $750 million, and is projected to have return rates of 13-15% (*Real Estate Alert).*

• **Urban Green Investments** is anticipating seeking up to $100 million in equity for its first fund which will be used to purchase California apartment complexes. Urban Green plans on focusing on rent-stabilized apartment buildings in the Bay Area's nine counties, though it is keeping an open mind towards the Los Angeles area and California's more inland regions. The fund would ideally have returns in the mid-teens. It expects investments raging from $10 million to $30 million (*Real Estate Alert*).

• Magna Hospitality has raised $84 million for *Magna Hotel Fund 4*, with investors that include the **University of Michigan**'s endowment. The fund will have an opportunistic focus and will develop, reposition and buy hotels in primary U.S. markets and Canada. It will target limited or select-service properties (*Commercial Real Estate Direct*).

• Minnetonka, Minn.-based **Founders Properties** wants to raise a $100 million fund to buy properties that are showing strong performance across the U.S. *Founders Properties Income Fund II* will hold properties for five years and target office and industrial properties in the greater metropolitan areas of markets that include Chicago, Minneapolis, Indianapolis, Houston and Nashville (*Commercial Real Estate Direct*).

• **Blackstone Group** has completed fundraising for *Blackstone Real Estate Partners VII*, raising $13.3 billion. The fund is the largest opportunistic commercial real estate fund and was launched in 2011 with an equity goal of $10 billion. It will use leverage of 65% and has commitments from 250 investors globally (*Commercial Real Estate Direct*).

• **Latitude Management Real Estate Investors**, formerly **Legg Mason Real Estate Investors**, has raised $100 million for *Latitude Management Real Estate Capital III*. The fund will originate short-term financing for properties that have recently been sold, with an emphasis on apartments, office buildings and hotels in select markets (*Commercial Real Estate Direct*).

• **RCG Longview**, which is raising a $500 million debt fund, recently secured a $75 million equity commitment from the Pennsylvania Public School Employees' Retirement System. *RCG Longview Debt Fund V* aims to originate loans to fund new acquisitions or restructure existing debt via bridge and mezzanine loans, b-notes and preferred equity investments (*Commercial Real Estate Direct*).

• San Francisco-based investment manager **Carmel Partners** has launched *Carmel Partners Investment Fund IV* for which it has raised $820 million. The apartment investor exceeded its initial goal of $700 million. It is looking for high-yield investments, including developing properties and acquiring troubled assets (*Commercial Real Estate Direct*).

• **Bascom Group**, a value-added and distressed specialist, has raised *Bascom Value-Added Apartments Investors LLC*. The fund, its first investment vehicle, will target acquisitions in the apartment and commercial sectors. It reportedly targeted $50 million (*Commercial Real Estate Direct*).

• **Brookfield Asset Management** and **Fairfield Residential Co**. are targeting multifamily properties via the *Brookfield Fairfield U.S. Multifamily Value Add Fund*. The partners have raised $323 million for the fund, which will seek undervalued properties in supply constrained markets (*Commercial Real Estate Direct*).

OCTOBER INVESTMENT FUND ROUNDUP

Company	Fund	Amount Raised	Target	Investment Focus
East River Partners	ERP Fund I	$10 million	$25 million	Redeveloping multifamily properties in Brooklyn.
Angel Oak Capital Advisors	Angel Oak Multi-Strategy income Fund	$270	NA	Legacy RMBS and CMBS securities.
TerraCap Management	TerraCap Partners II	NA	NA	Office, retail, industrial properties mainly in Florida.
Unico Properties	NA	NA	$300 million	Will buy value-added properties in Seattle, Portland and Denver.
Urban Green Investments	NA	NA	$100 million	Apartment complexes in California.
Magna Hospitality	Magna Hotel Fund 4	$84 million	NA	Bus, develops and repositions U.S. hotels.
Founders Properties	Founders Properties Income Fund II	$100 million	NA	Will acquire stable properties with good performance nationally.
Blackstone Group	Blacsktone Real Estate Partners VII	$13.3 billion	$10 billion	Will make opportunistic acquisitions globally.
Latitude Management Group	Latitude Manaement Real Estate Capital III	$100	NA	The fund will originate short-term financing, with an emphasis on apartment, offices and hotels.
RCG Longview	RSG Longview Debt Fund V	NA	$500 million	The debt fund will finance acquisitions or restructure existing debt.
Carmel Partners	Carmel Partners Investment Fund IV	$820 million	$700 million	Acquires high-yield apartment properties.
Bascom Group	Bascom Value-Added Apartment Investors	NA	$50 million	Buys apartment and commercial properties in distressed or value-added situations.
Brookfield Asset Management, Residential Co.	Brookfield Fairfield U.S. Multifamily Value Fund	$323 million	NA	Undervalued properties in supply constrained markets.

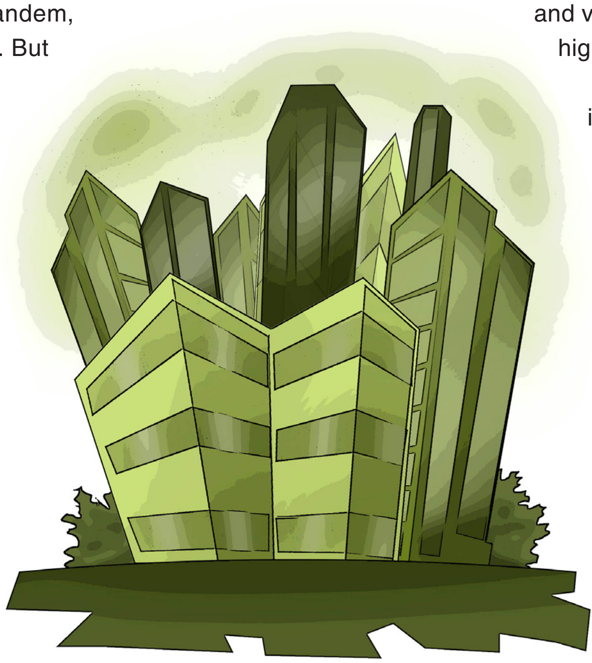
Source: REFI, published reports

Real Estate: Greening the Bottom Line

By Greg Martin

Greg Martin is the national practice leader for the real estate group at accounting firm Moss Adams.

The real estate sector's response to sustainability is not unlike that of other industries today: maintain profitability amid the recession and recovery and, in tandem, address environmental sustainability. But as signs of economic improvement appear, there's renewed attention to green versus economic sustainability—and for some real estate investors, owners, and operators, a lot has happened while they were tending to their economic woes.



A proliferation of measures and monikers have arisen, expanding from LEED to newer measures such as the Green Building Challenge, Net-Zero Energy buildings, and the **University of Maastricht**-sponsored Global Real Estate Sustainability Benchmark, which is gaining investor attention. And just this past April, the **American Institute of Architects** endorsed the International Green Construction Code, seeking a global standard.

The sustainability trend is being driven largely on the ground level as tenants and users of real estate have become more savvy and, in many cases, are demanding greener spaces or asking their companies and investment managers to seek out properties that meet various sustainability objectives.

> "Sustainability is beginning to really matter in real estate, and for some investors and tenants, it's evolving to become part of their minimum requirements for seeking investments and space."
>
> —Greg Martin

Hines recently reported that more than 850 of its tenants joined its Hines Green Office program, which aims to reduce waste and the carbon impact of the properties it owns and manages. In addition, a 2009 study that appeared in *American Economic Review* reviewed some 10,000 office buildings in the United States and concluded that a green label such as LEED or Energy Star raised the market rents and values of commercial space, including a 16% higher sale price.

Sustainability is beginning to really matter in real estate, and for some investors and tenants, it's evolving to become part of their minimum requirements for seeking investments and space.

Clearly, we're years away from the majority of real estate—not just new construction but existing buildings—claiming reduced carbon footprints or from a majority of investors requiring sustainability measures along with their economic return measurements. But the trends now surfacing are being eyed carefully.

Tenants with a sustainability mission are beginning to prefer commercial space in green-qualified buildings. The **US General Services Administration** has a mandate to build or occupy only LEED-certified space, and companies ranging from Silicon Valley start-ups to Fortune 500s are demanding similar qualities.

PNC Bank embarked in 2009 on a plan to build more green branches. In April 2012 a **University of Notre Dame** study concluded that PNC's 93 LEED-certified branches, compared with its 469 non-LEED offices, averaged $3 million more in annual revenues, or $461,300 in extra sales per employee, opened 458 more deposit accounts, and booked $994,900 more in consumer loan balances. Also, utility costs were $675.26 lower per employee at the green branches. The bank's aggressive marketing to highlight its green branches—positioning it as a competitive advantage over its rival banks—played a strong part.

FAST FACT

A 2009 study of 10,000 U.S. office buildings published in the American Economic Review found that properties with **Energy Star** or **LEED** labels saw a sales price that was roughly 16% higher.

As consumer and client demand in sustainability continue to have an impact on the bottom line, real estate will respond to that demand. It's good, green business.

Views

Q&A

Podcast: Commercial Real Estate Loans Stress U.S. Banks

A new report from **Trepp, LLC** has found that exposure to troubled commercial real estate loans is a major factor in the health of banks. The New York-based analytics and advisory company last week released its first Capital Adequacy Stress Test Report, which aims to evaluate the effect of various stresses on more than 6,000 U.S. banks. The report, which uses a model that is adapted from one used by the Federal Reserve, found that commercial real estate loans made up almost 40% of the losses for banks that failed the test. One in eight banks didn't pass the test, noted **Matt Anderson**, a managing director at Trepp.

REFI: What is the story behind the Capital Adequacy Stress Test?
MA: Trepp built a model to forecast bank earnings, loan performance and capital impacts under a variety of scenarios, really to assist banks with internal forecasting and capital planning needs. Of course, one offshoot of that is to assist banks in working with their regulators. So the report is a rolling nine-quarter forecast that plugs into the requirements for stress testing that are mandated by Dodd-Frank. Those requirements, the mandates, are just starting to really impact banks this year and into next year.

***REFI*: Some of the findings seemed alarming. For example, in adverse economic conditions, the report found that one in eight banks could fail, without additional capital. How significant is that?**
MA: Well, it's significant but maybe not too surprising in a certain sense. We are four years, or five years depending on how you count it, into the downturn and subsequent tempered recovery. So it certainly is meaningful that we have over 800 banks that will need to either raise capital or somehow change their picture on the capital front in order to handle a severe downturn.

I should stress that this is a severe downturn scenario that we are analyzing. We are hoping that would be unlikely to occur at this point, but I suppose that still underscores that there is still a fair bit of room for progress and really additional capital that banks would be expected to raise even at this point, that's after a significant amount of capital raising over the last four years.

REFI: Was there a discrepancy between larger and smaller banks or by geographic regions?
Matt: Yes, there clearly are big differences. Maybe, not too surprisingly, it's predominantly smaller banks that failed our stress test. For larger banks, it's only about 5%. But almost 13% of banks with total assets less than a billion failed.

***REFI*: How much of a drag are commercial real estate loans on these banks?**
MA: Banks are still working through problem commercial real estate loans. There is still about $90 billion of non-performing commercial real estate loans on bank books, which is down from a peak of $154 billion back in the early 2010. Clearly, there has been some improvement since then, but with $90 billion of non-performing loans out there, there is still a lot of room for improvement.
For banks that failed our stress test, commercial real estate is clearly a sore spot, accounting for 40% of the forecasted losses in the stress scenario. For the larger universe of all banks, commercial real estate does not lean quite as large, rather residential real estate is bigger total exposure and would incur bigger losses and a downturn.

REFI: What is the takeaway for commercial real estate investors?
MA: Banks of all sizes have trimmed their commercial real estate exposure over the last four or five years. In that time, the market itself has been experiencing issues with higher delinquency rates and lower rents, and less financing from other sources. It's certainly not a positive picture for commercial real estate right now.
Some of the larger banks have increased their lending recently, and especially their market shares. Smaller banks are still cutting back in terms of exposure. One takeaway would be that there are still quite a bit of non-performing loans out there that need to be worked through. The other big take away is really the disproportionate impact on smaller banks.

I think the smaller banks are and will be under increased pressure to trim their commercial real estate exposure. I do not think smaller banks will be nearly the source of fresh commercial real estate capital that they were leading up to the market peak and since down downturn. I would say for the next five to 10 years smaller banks will be less of a source of commercial real estate investing.

To listen to the full interview, go to http://tinyurl.com/trepp-report.

Builders & Buyers

Hunt Sells West Apartment Portfolio

Hunt Investment Management has sold three apartment properties in the Western United States for about $139 million. "We sold the properties to capitalize on successfully implementing our value-added program, which we have executed ahead of schedule. We wanted to take advantage of our success and to return money to our investors," said **Ed Oprindick**, executive v.p.

The properties include the 156-unit Waterstone Santa Clara in Santa Clara, Calif., the 248-unit Montebello in Kirkland, Wash., and the 202-unit Axcess in downtown Portland, Ore.

The Waterstone building is located in the heart of Silicon Valley, close to **Facebook**, **Google** and only two miles away from **Apple**'s new world headquarters. The Montebello and the Axcess properties boast similar location benefits. The Montebello is in a suburb of Seattle, where the job market has gained 50,000 jobs for the 20- to 35-age set over the last couple months. Axcess is located near Portland's mall, restaurant scene and other types of entertainment.

The properties were part of a larger a value-added fund. "This fund is overweighed to apartments, though our company does have properties and investments across the board. Right now multifamily and residential supply remains well below historic averages, which is creating strong demand, even in a slow growing economy," Oprindick said. "Our fund is attempting to take advantage of this demand, since we believe supply will not be back to historical levels until 2014 to 2015. By that time, we believe the economy should began to accelerate, leading to additional demand for rental housing."

Hunt owns properties throughout the United States, though at this time it is attempting to focus on purchasing buildings in gateway markets in Northern California, Seattle, suburban Chicago, and Phoenix. It has $3.2 billion in assets under management.

Norway's Oil Fund To Target U.S. Property Next Year

The **Norwegian Government Pension Fund Global** is planning to continue its real estate push by looking for opportunities in the U.S. starting next year, according to sister publication *iiSEARCHES*. **Norges Bank Investment Management**, the managing arm of the fund, is ready to target the U.S. market to allocate parts of the 5% real estate mandate there, said **Karsten Kallevig**, property cio. "I certainly hope that in 2013 we will be able to start investing in the U.S. as well," he told *iiSEARCHES*.

The plan follows a recent deal in the U.K., where it made its second major investment. It purchased a 50% stake in Meadowhall shopping centre in Sheffield and entered a joint venture with REIT **British Land** (iiSEARCHES, 8/10).

When the 5% mandate for real estate was given by the Norwegian **Ministry of Finance**, the fund targeted the U.K., Germany and France as the key markets as they are the largest and most liquid. This strategy remains but other countries in Europe could also be welcomed into the mix, depending on opportunities, Kallevig said. "There are a couple of other markets in Europe that we are looking at in a slightly more opportunistic manner. We are certainly open for when interesting opportunities or special transactions come up outside of U.K., France or Germany," he added.

On the retail side NBIM targets specifically large, dominant shopping centres, as well as prime high street shopping areas. "These are best positioned to do well not only in the short term but also in the long term. They offer more than just the basic shopping experience," Kallevig said.

Declining to comment on future deals, Kallevig added that the team continues to look at several jurisdictions at the same time and that there are a number of transaction discussions at the moment. Office and retail remain the key targets as they are more liquid.

Greyhound, Rushmore Form Retail JV

Greyhound Partners and **Rushmore Properties** have formed a joint venture to acquire value-added retail properties in primary and secondary markets in the Southeast and Southwest. "Our combined ability to raise the required equity was the impetus behind the joint venture," said **Marc Reinisch**, managing principal at Rushmore.

The venture just completed its first acquisition, buying the Village at Lee Branch for about $19 million. The 273,000-square-foot community shopping center is in suburban Birmingham, Ala. **Prime Finance** originated a floating-rate loan for about 70% of the total purchase price. "It's a modern community center built in 2004 in a major regional trade area. We acquired it for a fraction of construction costs," Reinisch noted.

The property is 80% leased, but the venture has plans to implement a modest capital improvement project. The partnership expects to hold the property for about three to five years and either sell or refinance it, Reinisch added.

The acquisition was the first for the partnership in Birmingham. "The new community centers in secondary markets in strong regional locations is a good strategy," Reinisch added. Secondary markets also are less competitive, with lower equity requirements for acquisitions, he noted.

The venture is looking for properties in the $10 million to $20 million range. Still, the partnership is not an exclusive relationship and Rushmore may do deals with other partners, Reinisch added.

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.

Cushman & Wakefield Arranges Floating-Rate Credit

Cushman & Wakefield Equity, Debt and Structured Finance has arranged a $47 million non-recourse floating rate facility on behalf of a joint venture between **Meritage Properties** and **GTIS Partners**, the company announced. The facility was originated for Atrium at Rock Spring Park, located at 10401 Fernwood Road in Bethesda. The lender was a major U.S. commercial bank. At the time of acquisition in 2006, the property was 66% leased. It is now fully leased with no near-term rollover.

Lexington Completes Common Stock Deal

Lexington Realty Trust has completed a 15 million share common stock offering, according to a press release. The company sold the shares at $9.45 and has granted its underwriters the right to sell another 2.25 million shares for over-allotments. It will use proceeds to repay debt on its secured credit line and for general corporate purposes. **Wells Fargo Securities**, **BofA Merrill Lynch**, **Jefferies** and **KeyBanc Capital Markets** were joint book-running managers, with **Barclays** as lead manager and **RBC Capital Markets** and **Stifel Nicolaus Weisel** as co-managers.

Lightstone Taps CIBC For Construction Loan

The Lightstone Group has tapped CIBC for a $51 million construction loan on behalf of *Lightstone Value Plus Real Estate Investment Trust*, the company announced. The loan is for a 199-unit residential development located at 50-01 2nd Street in Long Island City, Queens. The 12-story, upscale rental complex is close to Manhattan and includes a state-of-the-art fitness center. The company is also working on an apartment rental development in Carroll Gardens and is considering the development of a retail outlet mall in the Bronx.

Mack-Cali To Buy Roseland Partners

Mack-Cali Realty Corporation has struck a deal to buy the real estate development and management businesses of **Roseland Partners**, a multi-family residential community developer and operator in the Northeast, the company announced. The acquisition also includes interests in six operating multi-family properties totaling 1,769 apartments and one condo-residential property totaling four units. The portfolio is located from New Jersey to Massachusetts. Mack-Cali agreed to pay $134.6 million and will finance the acquisition via its $600 million unsecured revolving credit facility.

DivcoWest Buys Austin Offices

DivcoWest has completed the acquisition of the Littlefield and Scarbrough Buildings, two offices at Sixth and Congress Streets in downtown Austin, the company announced. The early 1900s-vintage buildings were renovated in the late 1990s. **Heitman** was the seller.

Clarion Partners Acquires Beverly Hills Office

Clarion Partners has acquired 100 N. Crescent Drive in the Golden Triangle of Beverly Hills for $80 million, according to a press release. The 120,000-square-foot, four-story, Class A office building has a marble exterior façade, a three-story lobby and atrium, an adjacent park, a garden courtyard, and balconies. It is located with significant frontage on Wilshire Boulevard.

Broadreach Taps Mesa West For Denver Recap

Broadreach Capital Partners has selected **Mesa West Capital** for a $59 million loan to recapitalize two office buildings in Denver, according to a press release. The properties include a 10-story, 188,707-square-foot office at 143 Union Boulevard in the Union Corridor of Lakewood and a 12-story, 277,710-squar-foot office at 303 E. 17th Avenue in downtown Denver.

Savills Markets Net-Leased Office Portfolio

Savills LLC has been tapped to sell a 47-property, net-leased bank branch portfolio in the New York City metro area, the company announced. The seller is a private Irish investment group. The portfolio is valued at about $100 million and included urban and suburban space. **Citibank** is the tenant.

Skanska, Grosvenor Plan Mixed-Use D.C. Development

Skanska USA Commercial Development and **Grosvenor Americas** are planning to start work on a mixed-use complex in Washington, D.C.,'s Capitol Riverfront district, according to a press release. The project will total more than 650,000 square feet and will be located between M and N Street. It will include an 11-story, 224,000-square-foot office building with 11,000 square feet of additional retail space on the ground floor.

People & Firms

NGKF Names New Senior Exec

Newmark Grubb Knight Frank Capital Group has hired **David Dolan** as a new senior managing director in Philadelphia. Newmark has also recently hired **Michael Margolis**, who was brought on in August. The two hires will collaborate with **BGC Capital Markets** and **Cantor Commercial Real Estate**.

United Realty Names Director

United Realty Partners, a New York-based investment and advisory company, has named industrialist **Leonard Toboroff** to its board of directors. The company, founded by **Jacob Frydman** and **Eli Verschleiser**, is working to raise a real estate investment trust as well as capital to make acquisitions of distressed and performing properties n the East Coast. Toboroff was the founder and director of **Steel Partners Acquisition Corp.** and executive director of **Corinthian Capital**.

CBRE Hires Industry Long Time CRE Veteran

CBRE Group has hired New York commercial real estate veteran **Joseph Fabrizi**, the firm announced in a press release. Fabrizi joins from **Cushman & Wakefield** where he served as broker for 27 years. With CBRE, he will serve as executive v.p. in the New York branch's office leasing business.

Heitman Appoints Two In London

Heitman has appointed **David Stubbs** as its global macro strategy analyst, and **Jacques Perdrix** as a v.p. in its London office, the company announced. Stubbs will concentrate on global macro/strategy analysis, and Perdrix will focus on the European listed real estate securities market, particularly on fundamental industry, company and stock analysis. Both will report to **Mark Abramson**, managing director.

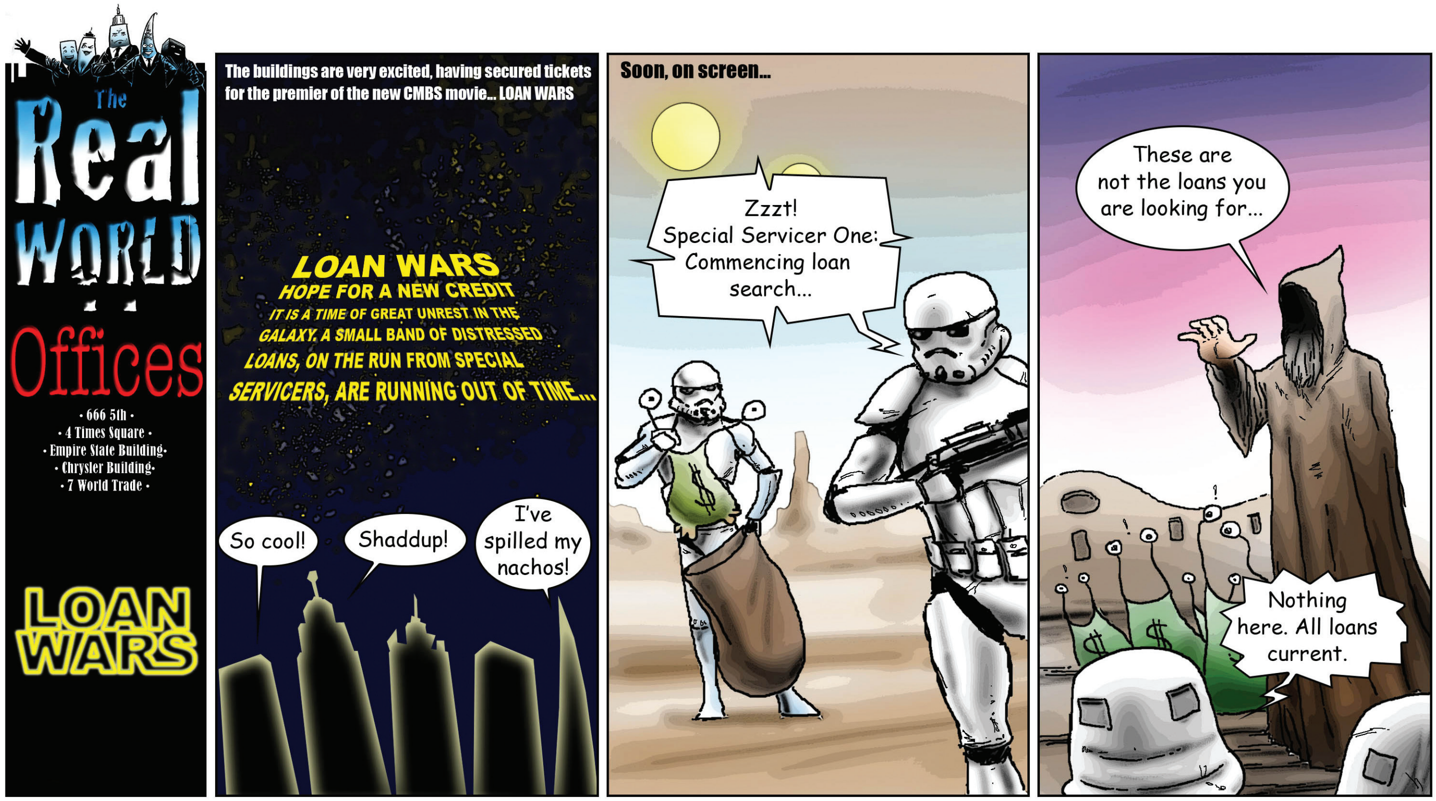
Cassidy Turley Names New CEO


Joseph Stettinius

Cassidy Turley has named **Joseph Stettinius Jr**. as its new ceo, according to a press release. Stettinius was previously the president of the brokerage firm and succeeds **Mark Burkhart**, who will transition into an advisory capacity. Stettinius is based in Washington, D.C.

Inland Real Estate CEO To Step Down

Brian Conlon, ceo of **Inland Real Estate Group's** real estate investment arm, will be retiring at the end of the year, according to Commercial Property Executive. Conlon served with Inland Real Estate for 13 years and was appointed ceo in February 2012.



Moody's Differs *(Continued from page 1)*

rates in valuing the properties in the conduit pool. It also takes issue with several loans in particular, again pointing to S&P's consideration of their investment-grade status. "S&P appears to have assigned no credit enhancement at the low investment-grade level to six loans ranging in size from $6.2 million to $125 million," the report states. "Not a single one of these loans based on our analysis, merits investment-grade consideration, whether on a standalone or diversified pool basis." The $125 million loan referred to in the report is the largest in the entire deal and constitutes 11% of the total pool.

"We stand behind our ratings and our analysis of the transaction," said S&P spokesman **Edward Sweeney** in response to a request for comment. Philipp was out of the office and could not be reached, while Levidy did not respond to requests for comment.

Since unsolicited ratings are rare, opinions on the motivation of the Moody's report differ. "It seems to me that they need to protect themselves now that S&P is back in the game," one investor observed. Another noted that the report seems to be a direct attack on S&P, as this was the first 2012 conduit to not rated by Moody's as well as the first to include four ratings agencies. "Their intention here, and what they've done, is an attack on S&P and the validity of its new criteria," said another market participant, who added that the report has the potential to disrupt the still-frail CMBS market. "This commentary alone could cause market instability."

The JPMorgan deal is the first S&P-rated conduit since its misstep on a similar deal in August of last year (*REFI*, 7/29).

Since then, the ratings agency has overhauled its ratings methodology, with some investors predicting it to take significant market share in 2013. Others, however, worry that with S&P back in the game, ratings shopping will become easier and issuers will play the six ratings agencies against each other to obtain the best ratings possible.

Calls to the issuers were not returned. ***—Max Adams***

Equity Office *(Continued from page 1)*

December. The plan will ramp up the density limits on the area, meaning that buyers have the option of including residential development of up to 2.5 FAR on top of an office with a 2.0 FAR. "It's an interesting future development opportunity," an L.A.-based broker said.

Both assets are well-occupied: the low-rise Warner Center Corporate Park is 93% leased with a tenant roll that includes the GSA. Warner Premier is 100% leased to a diverse tenant base including **Serena Software** and **Charles Schwab**.

Investors are trying to draw attention to the real estate perks of the submarket, pegging it as the 'downtown of the San Fernando office market.' While average vacancy in the San Fernando market is now at 18.4%, recent transactions have breathed life into the area. **Douglas Emmett**, for example, was recently said to be purchasing Farmer's Plaza, a two-building office complex in the submarket, in a deal valued at up to $110 million, or $220 per square foot (*REFI* 09/12).

Calls to the parties involved were not returned by press time.

—Eleanor Duncan

Bidders Line Up

(Continued from page 1)

tenant rollovers. **MassHousing Finance Authority**'s lease for 12% of the building expires in March 2015, according to data from **Trepp, LLC**. Meanwhile, law firm **Skadden, Arps, Slate, Meagher & Flom**, which occupies 6%, or 67,260 square feet, is facing a lease expiry date of March 2014.

Calls to Skadden were not returned by press time but a spokesman for MassHousing said the authority has hired **Colliers** to help evaluate its options and is in the early stages of figuring out its next step.

Upper estimates of $555 per square foot would value the property at a maximum of $610.5 million—$40 million above Beacon's asking price when it tested the market in 2008 (*REFI* 09/12), and $187.5 million more than Beacon paid in 2006. In 2009, Beacon sold a 50% stake to German insurer **Allianz** in a $254 million deal that valued the property at $508 million, or $499 per square foot.

Beacon Capital is selling a number of big buck properties this month. A **MetLife** partnership was recently slated to buy the former Washington Mutual Tower in Seattle for about $550 million, or $550 per square foot, according to published reports. The transaction is set to be one of the largest office trades in the U.S. this year.

A spokesman for Beacon and **Rob Griffin**, who is handling the sale at Cushman & Wakefield, declined to comment. Calls to Allianz were not returned.

—***Eleanor Duncan***

QUOTE OF THE WEEK

"More families are staying in New York. We have the premise that uptown moved downtown and downtown moved to Brooklyn."—**Jody Kriss**, co-founder of **East River Partners**, on the company's plans to redevelop multifamily properties in Brooklyn (see story, page 6).

ONE YEAR AGO

Dealers shot down a move to improve the transparency of **Markit's** new TRX.II synthetic commercial mortgage-backed securities index. The proposal would have required participating banks to disclose where they were marking the underlying bonds…**TMG Partners** and **Farallon Capital Management** had listed the largest office building in San Francisco's South Market district. The 670,000 square foot property at 650 Townsend Street was expected to sell for as much as $280 million.

FIVE YEARS AGO

Several real estate investment trusts had issued common stock over a three-week period, with more than $1 billion raised. At the same time, REITS were also seen issuing preferred stock, convertible and unsecured debt to tap into acquisition opportunities...Michigan-based residential developer **Crosswinds National**, founded by **Bernie Glieberman**, was looking to recapitalize a number of development projects, and was also hunting for a joint venture partner for new acquisitions. The company was seeking up to $150 million through an investment or in specific projects.