Green Street

Real Estate Alert

THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

NOVEMBER 29, 2022

THE GRAPEVINE

Northmarq has hired its first Washington-based apartment-sales team from **Walker & Dunlop.** Managing director **Chris Doerr,** senior vice president **William Harvey** and associate **Shack Stanwick** joined the brokerage on Monday. They focus on property sales and capital raising in the Mid-Atlantic region as well as Philadelphia, Pittsburgh and the Northeast. The team reports to investment-sales president **Trevor Koskovich.** Doerr and Harvey joined Walker & Dunlop in 2015 from **Cushman & Wakefield** to help establish that firm's Mid-Atlantic business. Stanwick joined Walker & Dunlop in March 2022 from **CBRE.**

Eagle Rock Properties is the buyer of a $500 million multifamily portfolio in New England sold by **Apartment Income REIT.** The transaction, brokered

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Boston Apartment Listing Eyes Record Price

A luxury apartment tower with office space in downtown Boston is on the block with an estimated value of $375 million, which could set a price record in the market.

The 481-unit Devonshire, a mixed-use tower in the heart of the financial district, is 95.6% leased. The pitch is that the offering presents a rare opportunity to buy a trophy-quality asset that has not changed hands since it was built in 1983.

Ruben Cos. of New York has listed the 42-story building with **Newmark.** The estimated value comes out to $780,000/unit.

The apartments span the ninth through 42nd floors and offer sweeping views of the city's skyline, Boston Harbor, the Charles River and the Back Bay. The building's first through eighth floors have 132,000 sf of office space, which is fully occupied by the **Commonwealth of Massachusetts.** The state has leased the space for over 25 years, generating reliable income, according to marketing materials. The building

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Private Capital Begins Hunting For Bargains

While market volatility has prompted many institutional buyers to go pencils down on property purchases, private capital investors are picking theirs up.

Many of the biggest buyers have moved to the sidelines in recent months as increased borrowing costs and other factors have clouded valuations for commercial real estate. But private buyers — namely wealthy individuals and family offices — see the uncertainty as an opportunity to scoop up larger properties at a discount.

"When institutional capital pulls back, private capital enters the market with a more aggressive posture," said **David Gaines,** a managing director and private capital group leader at **JLL.** "When rates go up and values goes down — that's viewed as opportunistic if you are investing your own dollars."

Private capital investors often operate with greater flexibility and fewer constraints than institutional buyers, leaving them better positioned to take advantage

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Pimco Revives Listing Of Minn. Office Towers

Pimco has relaunched marketing efforts for a prime Minneapolis office property — but this time with lowered pricing expectations and seller financing.

The 1.1 million-sf Fifth Street Towers, comprising two renovated buildings, is 89% leased. Pricing is anticipated to reach $225 million, or nearly $205/sf. **JLL** has the assignment.

The property was expected to fetch $250 million when marketing launched in the first quarter. But since then, borrowing costs have risen dramatically, and financing has become all but impossible for many big, multi-tenant office properties in need of leasing work in urban markets. The result: lower office-property valuations and muted sales activity across the board.

The challenging sales market likely is what's driving Pimco to offer seller financing for Fifth Street Towers. It's willing to extend a loan of up to 65% of the purchase price with a coupon 375 bp over the Secured Overnight Financing Rate,

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Philadelphia Apartment Tower Trades

Delaware Valley Regional Center this month purchased the St. James, an apartment tower overlooking Washington Square in Philadelphia, in an all-cash deal that valued the property at $225 million.

JLL represented the seller, **Abu Dhabi Investment Authority,** advised by New York-based **Clarion Partners,** which bought the 304-unit apartment building at 200 West Washington Square in 2005. They put the tower on the market at the beginning of March 2020 but pulled the listing due to the pandemic. The high-rise was relisted in May amid expectations it would fetch more than $200 million.

The glass-and-concrete skyscraper, which fronts Walnut Street near Seventh Street, was completed in 2004 and is 95% occupied. At 45 stories, the St. James is the 15th-tallest building in Philadelphia.

The DVRC is a designated regional center — an entity that secures foreign investments for real estate and infrastructure projects under the federal EB-5 program. The program, created by **Congress** in 1990, attracts capital from wealthy foreigners, who in return receive a shortcut to permanent residency in the U.S. The program's mandate is to use foreign investment to spur job creation while simultaneously offering eligible foreign investors the opportunity to become lawful permanent residents.

Under the program, overseen by **U.S. Citizenship and Immigration Services,** wealthy foreigners seeking visas can invest directly into U.S. businesses or pool their investments through regional centers, such as the DVRC. The minimum investment amount is $800,000 for projects in high unemployment regions. Otherwise, the minimum investment is a little more than $1 million. EB-5 investments also must lead to the creation of 10 full-time jobs that exist for at least two years. Each year, up to 10,000 foreigners can be granted green cards under the program, and they later can apply for U.S. citizenship, as all permanent residents are eligible to do.

The DVRC became a designated regional center in 2014. The capital used to purchase the St. James was not a direct EB-5 investment, sources said, but rather, money previously used to fund other local infrastructure projects that resulted in the mandated job creation. This money, having already satisfied its EB-5 program requirements, was then rolled over and reinvested in the purchase by the DVRC.

Marketing materials touted the listing as a rare opportunity to acquire a value-added luxury property in one of Center City Philadelphia's wealthiest neighborhoods. The building has studio to three-bedroom units that average 1,300 sf — the largest average unit size in Philadelphia, according to marketing materials. Washington Square's affluence, paired with the large unit sizes, affords an opportunity to convert the apartments to condominiums, investors were told.

The listing also includes 28,000 sf of ground-floor retail space. The first nine floors house 311 parking spaces for residents. The retail floor is occupied by **Thomas Jefferson University Hospitals, Starbucks** and other smaller tenants, including the DVRC.

Average rent for the apartments is around $4,000. All the units have their original finishes.

This year, a wave of large multifamily property listings hit the block in Greater Philadelphia, as soaring tenant demand and strong investor interest **buoyed** valuations.

Last month, **Mack Real Estate** of New York partnered with a **KKR** vehicle to pay $357 million for the 1,015-unit Presidential City apartment **complex**, 5 miles northwest of Center City. At $352,000/unit, the sale represents the most expensive apartment-property sale in Philadelphia's history, according to **Green Street's** Sales Comps Database. JLL brokered the trade for local owner **Post Brothers.**

The previous record was New York-based **Fairstead's** $233 million purchase of the 612-unit building at 1500 Locust Street, two blocks from Rittenhouse Square, in December 2021. ❖

Offices Near Phoenix Up For Grabs

A **TPG Real Estate** partnership is marketing a single-tenant office campus in suburban Phoenix that's expected to trade at a modest discount to its sale price last year.

Rio2100 totals 300,000 sf across two Class-A buildings in Tempe. Bids are expected to come in around $125 million, and a purchase at that price — $417/sf — would give a buyer an initial annual yield of just under 7%. **CBRE** is shopping the property for TPG and **Strategic Office Properties** of Phoenix.

Pantheon Freedom leases the complex under a triple-net lease that matures in June 2030. It has two seven-year renewal options. In-place rents are 19% below market rates, and the pitch is that this offers a long-term opportunity to raise rates upon rollover, while the long lease provides stability.

The two four-story buildings, at 2114 and 2116 East Freedom Way, were completed in 2018 and 2019. The complex is adjacent to the 1.3 million-sf Tempe Marketplace retail center and is 2 miles from **Arizona State University.** There are more than 2,000 parking spaces.

TPG and Strategic Office paid $132 million for Rio2100 in September 2021. CBRE brokered the deal for an unidentified seller.

Only one Phoenix-area office **property** has traded for more than $100 million this year, according to **Green Street's** Sales Comps Database. In that transaction, **Rood Investments** paid $171 million, or $353/sf, for High Street, a 510,000-sf flex office property in Phoenix. **Eastdil Secured** represented the seller, **Harbert Management.**

Phoenix was the nation's 12th-most active office-sales market in the first half, posting $1.1 billion of sales worth at least $25 million. That was nearly triple the $385.6 million that traded during the first half of 2021. As with the office-sales market nationally, trades have since slowed considerably amid a tough debt market. But some deals are still **getting done**. ❖

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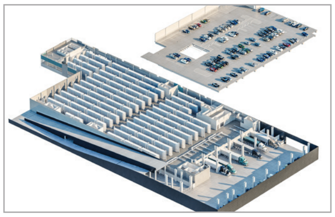
THE CUBES AT GLENDALE
Glendale, AZ
$135M | Sale



640 COLUMBIA ST
Brooklyn, NY
$330M | Sale

THE CAMPUS
San Diego, CA
$158.5M | Sale

CHICAGO HEADQUARTERS PORTFOLIO
Chicago, IL
$146M | Sale

I-80 LOGISTICS PARK
Wayne, NJ
$138M | Sale

LA MIRADA DISTRIBUTION CENTER
La Mirada, CA
Confidential | Sale

NORTHWEST HOUSTON PORTFOLIO
Houston, TX
Confidential | Sale

SOUTH ATLANTA CORE-PLUS BULK PORTFOLIO
Atlanta, GA
Confidential | Sale & Financing

THE LANDING
Mesa, AZ
Confidential | Sale & Financing

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CUSHMAN & WAKEFIELD

2 Value-Added Rentals In Texas Shown

PGIM Real Estate has teed up two value-added apartment properties near Dallas that could fetch roughly $220 million combined.

The 696-unit Oak Forest, in Lewisville, is valued at roughly $132 million, or $190,000/unit. PGIM has tapped **Walker & Dunlop** and **Engler Realty Advisors** to market the property. Separately, **CBRE** is shopping the 608-unit Oak Park, in Euless, for roughly $91 million, or $150,000/unit.

The listings are being pitched as an opportunity to buy the garden-style properties below their replacement costs. The estimated value represents a $50,000 discount per unit to what comparable properties were trading for six months ago. According to the sales campaign, after renovations, a buyer could realize a stabilized annual yield of 6.75%.

Oak Forest, at 1531 South Highway 121, was completed in 1996 on 30 acres. The property is 95% occupied, and the one- to three-bedroom apartments average 861 sf. Average asking rent is $1,449, or $1.68/sf. The complex is 20 miles northwest of Dallas and 25 miles northeast of Fort Worth.

Oak Park, at 1350 North Main Street, was built in 1978. Its one- to three-bedroom units average 820 sf, and the property is 94.4% occupied. Average asking rent is $1,463, or $1.78/sf. Oak Park is 9 miles north of Arlington and 2 miles from Dallas/Fort Worth International Airport.

The communities are 15 miles apart and were part of a 28-property portfolio that PGIM and **Carroll** bought in 2017 for $1 billion. PGIM bought Carroll's interest in the offered properties earlier this year. ❖

Slate Forms Outside Capital Program

Slate Property has hired a capital-markets pro to expand its operations into managing third-party capital.

The multifamily-property investment shop brought **Jonathan Keiter** aboard on Oct. 24 as director of capital markets. In this new role, he's focused on capital formation and business development as the firm seeks to manage outside money for the first time.

Keiter reports to co-founders and principals **Martin Nussbaum** and **David Schwartz.** Keiter previously worked for fund shop **Rialto Capital,** where he was director of capital formation and business development. Before that, he was a consultant to **Redcar Properties** and worked at **LGT Capital Partners.**

Keiter also raises capital for one-off deals and supports Slate's investment dealflow. While the firm focuses on market-rate apartments in the New York metropolitan area, it also buys or develops commercial space and affordable housing in the region. Slate also has a commercial mortgage origination arm, **Scale Lending,** and in-house property-management and construction arms.

The shop's move into managing third-party capital comes as the multifamily sector continues to outperform other property types. Slate could look to scale up its current acquisition and development business, provide rescue capital for distressed properties or owners, or target acquisitions arising from distress.

Managers looking to raise or deploy capital for vehicles targeting distressed opportunities include Atlanta-based **Carroll, Middleburg Communities** of Vienna, Va., and **PIA Residential** of Miami.

It's unclear if Slate will continue hiring for the new group.

The firm in September rehired **Cha Lee** as a senior vice president of real estate development. She moved over from **Capital One,** which she joined as a capital officer of community finance from Slate in 2018. The firm also recently promoted **John Valladares** to managing director. Both Lee and Valladares work on affordable housing.

Slate, founded in 2013, has roughly $6 billion under management, including joint ventures. ❖

Castle Lanterra Targeting Active Adult

Castle Lanterra is looking to more than double its portfolio of active-adult properties over the next two years.

The multifamily-property investment firm branched into the niche sector this year, acquiring three properties with a combined value of roughly $125 million. It's planning to invest another $250 million in the space over the next 12 to 24 months, said **Frank Small,** senior managing director and head of investments. He came aboard in May 2021 to spearhead the national expansion into the active-adult sector.

Age-restricted properties cater to adults at least 55 years old, typically those leading active lifestyles and downsizing from single-family homes. The category, which traditionally has been viewed as a subset of senior housing, increasingly is being seen as its own multifamily niche. The segment was identified as the most sought-after senior-housing investment opportunity for 2022 in a **CBRE** survey.

Castle Lanterra is "very bullish" on the segment due to its longer lengths of stay and lower turnover relative to traditional multifamily properties, Small said. Residents tend to renew their leases at very high rates, with average stays of five to seven years, resulting in stable cashflow. The properties also require less maintenance because tenants tend to take better care of their homes, leading to higher net operating income margins.

Small said Castle Lanterra is targeting light value-added properties across the U.S. and is interested in secondary and tertiary markets in the Rust Belt and Great Plains, as well as primary markets experiencing high population growth. He said markets are compelling if there is a critical mass of active adults looking to downsize but stay in their communities, near friends and family.

The properties it bought this year are:

- The 120-unit Laurel at Vintage Park, at 15455 Canterbury Forest Drive in Tomball, Texas, 20 miles northwest of Houston. Built in 2014, the property has one- and two-bedroom apartments averaging 915 sf. Average rent is $1,500, or $1.64/sf. The deal closed on Nov. 4. CBRE represented the seller, **Coastal Ridge Real Estate** of Columbus, Ohio.
- The 158-unit Diamond Oaks Village, at 24110 South Tamiami Trail, in Bonita Springs, Fla., for $70.8 million, or $448,000/unit. Built in 2017, the property has one- and two-bedroom units averaging 1,036 sf. Average rent is $2,500, or $2.41/sf. **Carlyle Group** was the seller, and **JLL** had the listing. The deal closed in March.
- The 102-unit Reserve at Lakeside, at 7 Lakeside Road in Newburgh, N.Y., for $34.3 million, or $336,000/unit. The seller was **Farrell Communities** of Bridgehampton, N.Y., which built the property in 2020. The one- and two-bedroom apartments average 841 sf and rent for an average $1,900, or $2.26/sf. The property previously was known as Farrell Communities at Lakeside.

The properties are all at least 95% occupied, Small said. The active-adult division of **Greystar Real Estate Partners** of Charleston, S.C., manages the Texas and Florida communities, while an affiliate of Castle Lanterra manages the New York property, which is near its headquarters in Suffern. ❖

Luxury Rentals Marketed In South Fla.

RAS Realty Partners is shopping the leasehold interest in a luxury apartment complex in Southwest Florida.

The 298-unit Millennium, in Fort Myers, is valued at roughly $64 million, or $215,000/unit. It's 97% occupied. RAS Realty, of Boca Raton, Fla., has given the listing to **JBM.**

Los Angeles-based **BH Properties** owns the underlying land, and the ground lease runs 99 years.

A buyer could assume a $24.3 million **Fannie Mae** mortgage with a 4.25% coupon. The loan is interest-only for five years and matures in 2029. Listings increasingly are touting attractive assumable fixed-rate loans as a sweetener amid rising interest rates.

The garden-style complex was built in 2018 on 16.2 acres. The one- to three-bedroom units average 921 sf and have granite counters, stainless-steel appliances, wood-style flooring in common areas and covered balconies or patios. Amenities include a pool with a sundeck, a clubhouse, a fitness center, a secured package concierge room and a dog park.

The property, at 9505 Blackwood Circle, is less than a mile from Gulf Coast Town Center, a retail center anchored by **Target** with more than 85 stores and restaurants, including **Bass Pro Shops, Dick's Sporting Goods, HomeGoods** and **Petco.** The complex is less than 4 miles from the Southwest Florida International Airport. Average household income within 5 miles is $120,809. ❖

Boston-Area Labs Trade At 6% Yield

Investcorp will realize an initial annual yield above 6% on its purchase last month of a life-science building in suburban Boston.

The investment firm paid $89 million, or $878/sf, for the 101,000-sf building at 20 Maguire Road in Lexington. **CBRE** brokered the deal on behalf of a joint venture between New York-based **DRA Advisors** and **Griffith Properties** of Boston.

In a market starved for pricing guidance, the sale helps confirm a benchmark for stabilized laboratory properties in Boston's suburbs amid higher financing rates. The first-year yield is similar to the 6% **MetLife Investment Management** will realize on its $103 million purchase this month of the 109,000-sf Burlington BioCenter in Burlington, Mass. **Newmark** brokered that trade on behalf of **Gutierrez Co.** and **Gem Realty Capital.**

Like Burlington BioCenter, the building at 20 Maguire Road is fully occupied. There are seven tenants with a weighted average remaining lease term of seven years. They include **Berkeley Lights, ConvaTec, Oxford Nanopore** and **uniQure.** Weighted average in-place rents, at $57.86/sf, trail average asking rates by 20.6%, according to marketing materials.

The partnership invested some $33 million to convert the aging office property to laboratory and supporting life-science space. Griffith will continue to manage the building.

The building is one of several lab properties in the Route 128 West submarket. Available lab space there is more than 99% leased, and asking rates are the highest among the suburban markets.

The property is part of a five-building office park the Griffith partnership purchased in 2013. The campus, then known as Kiln Brook Office Park, also included buildings at 70 Westview Street and 81, 83 and 131 Hartwell Avenue. All needed updating and leasing work at the time. ❖

Hawaii Offices With Vacancy Teed Up

The leasehold interest in a Honolulu office building is being pitched to value-added investors and is expected to fetch bids of $47 million.

The offering is the 288,000-sf property at 677 Ala Moana Boulevard. A buyer's initial annual yield would be 10.3% at the asking price of $163/sf. **CBRE** is handling marketing for **Redico,** a development and investment firm based in Southfield, Mich.

The 12-story building is 85% leased by 60 tenants, with a weighted average remaining lease term of 3.6 years. No single tenant occupies more than 12% of the property. Major tenants include **University Health Partners of Hawaii** (31,000 sf until July 2027), **Eye Productions** (14,000 sf until June 2023) and **John Mullen & Co.** (13,000 sf until October 2025).

The pitch is that a buyer could lease up vacant space and raise below-market leases upon rollover to boost the yield. The marketing campaign is touting recent leasing momentum — with leases on 35,000 sf lifting occupancy from 79% at the beginning of the year. Investors also have been told the asking price represents a deep discount to the replacement cost of $600/sf.

Honolulu is on Oahu, which has just 25 institutional-quality office buildings of 150,000 sf or more, according to marketing materials. No office buildings have been developed on the island since 1996. Meanwhile, office buildings increasingly are being converted to multifamily use, further decreasing supply.

The building is on a 1.4-acre site owned by **Trustees of the Estate of Bernice Pauahi Bishop.** The ground lease has 56 years remaining and matures in 2079. It includes rent adjustments every five years that are the greater of 3% or the consumer price index compounded. The current base rent is $897,000, with the next adjustment in February 2024.

The building, developed in 1966 and renovated in 2015, is two blocks from the waterfront and is adjacent to the **University of Hawaii's** medical school. There are 4,500 residential units planned within 1.5 miles.

Redico purchased the property for $50.5 million, or $186/sf, in 2007. **Eastdil Secured** advised the seller, **Ellis Partners.**

Large office trades in the Honolulu market are rare. Only five have topped $25 million over the past five years, according to **Green Street's** Sales Comps Database, and two of those occurred this year. ❖

Buffalo Apartments Offered With Debt

A local builder is marketing a 2-year-old apartment complex in downtown Buffalo with assumable debt.

The 217-unit property, in the city's medical corridor, is 94% occupied. The sales pitch notes that the apartments are popular with young professionals in the region, including medical residents and employees of the **University at Buffalo.**

Bids are expected to come in around $50 million, or $230,000/unit. At that price, a buyer's initial annual yield would be 4.5%. **Cushman & Wakefield** is marketing the property on behalf of **Cedarland Development,** a local firm led by the **Dagher** family.

The offering includes an assumable loan with an unpaid balance of $32 million and a remaining term of six years. A buyer wouldn't have to make principal payments on the debt for four years. The coupon, at 3.05%, is well below current interest rates — something that has become increasingly attractive to buyers.

The listed complex, known as the Grid, has studios averaging 375 sf, one-bedroom units averaging 482 sf and two-bedroom apartments averaging 738 sf. Most of the units are furnished. There's also 3,500 sf of street-level retail space that's three-quarters occupied.

Average rent is $1,352, or $3.04/sf. That's still below-market, giving a buyer the ability to boost revenue. Rent growth in Buffalo hit at least 8% in each of the last two quarters and is forecast to average 5.3% annually over the next five years, according to marketing materials.

Apartments have stainless-steel appliances, quartz counters and tile backsplashes. Amenities include a rooftop deck, a fitness center and coworking space. The property has 89 parking spaces, including some with car-charging stations.

The five-story building, at 1155 Main Street, was built on the site of the former Buffalo Tourist Lodge. It's near the Buffalo Niagara Medical Campus and a rail line. ❖

Boston Apartment Building Pitched

An apartment building in Boston's Fenway section with an assumable fixed-rate loan has hit the block.

The 55-unit building, at 16-20 Westland Avenue, is valued at more than $28 million, or $509,000/unit. It's 98% occupied. **Walker & Dunlop** is shopping the property for a joint venture between Frisco, Texas-based **Multifamily Acquisition Advisors** and **Serone Asset Management** of Dallas.

The duo purchased the value-added property in 2020 from **Coppola Management** of Roxbury, Mass., for $24 million, or $436,000/unit.

Investors are being told they can take over an existing loan with a below-market interest rate, an increasingly attractive feature for investors grappling with rising interest rates and debt-market volatility. The $13.2 million **Fannie Mae** mortgage carries a 2.73% coupon. The 10-year loan matures in 2030.

The building has 19 efficiency units, 12 one-bedroom apartments, 23 two-bedroom units and a single three-bedroom apartment. Units average 650 sf and average rent is $2,650, or $4.07/sf.

Apartments have high ceilings and full-size kitchen appliances. The building has an elevator and laundry facilities.

Westland is in the heart of Boston's premier medical and academic communities, with quick access to the Kelleher Rose Garden, **Northeastern University, Boston University** and **Berklee College of Music.**

The building was constructed in 1910 and was fully renovated by Coppola in 2012. ❖

Micro-Apartments In Jersey City Listed

A development team that specializes in energy-efficient micro-apartment buildings is shopping a new property in Jersey City's Journal Square neighborhood.

Bids for the fully furnished 122-unit Nest Micro Apartments are expected to come in at roughly $38 million, or $311,000/unit. At that price, a buyer's initial annual yield would be in the low-5% area. **Berkadia** is shopping the property for its New York-based developers, **KSNY** and **Strategic Properties.** KSNY is headed by **Keith Schwebel** and Strategic is led by **Ken Sato.**

The seven-story building, at 190 Academy Street, was completed in 2021. The apartments average 230 sf and rent for an average $1,600, or $6.95/sf. Each unit has a full bathroom, a kitchen and a combined living room, bedroom and dining-room space. Interiors feature stainless-steel appliances, butcher-block counters, induction cooktops, window seats and custom furniture. The property's website bills the furniture as "transformable," meaning it is designed to easily convert for use in living rooms, dining space and bedrooms. Bedrooms have queen-size Murphy beds.

Tenants pay $150/month to participate in Club Nest, a subscription service that includes Wi-Fi, utilities, gym membership and access to a rooftop deck and community events. A Filipino cafe, **Flip Sigi,** is located on the first floor.

The pitch is that the small, move-in ready apartments make efficient use of space and energy and are aimed at students and young professionals. There are several public transportation links near the development, including PATH trains, light-rail and ferry service to Manhattan.

The property has a 25-year municipal tax abatement under a payment-in-lieu-of-taxes agreement with Jersey City. ❖

Boston ... From Page 1

also has 6,600 sf of ground-floor retail space.

A buyer could also take over an existing loan with a below-market interest rate. The $125 million mortgage, from an undisclosed life insurance company, is interest only for the entire term.

The building, at 1 Devonshire Place, near Faneuil Hall Marketplace, has one- to three-bedroom apartments that average 887 sf. Ruben Cos. has invested $60 million in capital improvements over the past five years and has renovated more than 80% of the units with high-end finishes. A buyer could boost revenue by continuing the renovation program and raising rents.

Marketing materials note that in-place rents average $3,862, or $4.35/sf, and are at least 10% below current market rates. Investors are being told that Devonshire's apartment units are 100% market-rate in a city where new construction projects are greatly constrained due to statutory requirements on affordable units and high construction costs amid inflation.

The top two floors of the Devonshire have penthouse units and amenities including a recently renovated coworking space, a lounge, a fitness center and a pool. On the ground floor are a covered driveway and an attended lobby. There is also a 196-space below-grade garage with valet parking and car-charging stations available for residents, office tenants and visitors. ❖

Pimco ... From Page 1

better known as SOFR.

A growing number of sellers are offering financing in hopes of securing deals for difficult-to-finance office properties. Earlier this month, **Manulife** included the option in marketing efforts for 55 West Monroe Street in Chicago, which could fetch bids of up to $130 million. The 815,000-sf tower is 67% leased and is being billed as a value-added play. JLL also has that listing. Manulife likely will offer a buyer a loan for up to 65% of the purchase price. The insurer bought the property for $244 million in 2014.

Fifth Street Towers also is being pitched as an opportunity to fill vacant space, which totals 120,000 sf. It has a weighted average remaining lease term of 5.1 years, and lease expirations are minimal in the first few years. Tenants include law firms **Bowman and Brooke** and **Moss & Barnett,** along with hearing aid company **Amplifon** and pet supply retailer **Chewy.**

The glass-clad towers, with 25 and 36 stories, were built in the 1980s at 100 and 150 South Fifth Street, adjacent to a light-rail stop. A $40 million renovation completed about five years ago positioned the property to compete with trophy-level space. Since then, the buildings have logged some 600,000 sf of leasing activity, lifting occupancy from a low of 54% at the time.

The improvements included a redesigned lobby and a full amenity package, encompassing a bar, a fitness center, conference space and a tenant lounge with nap pods. It also included 118,000 sf of built-out spec suites, of which 8,900 sf is still vacant.

As in other cities, tenants seeking space in Minneapolis have shown a preference for high-quality buildings with amenities. Overall occupancy dropped at the end of the third quarter to 76% in the central business district, including space available for sublease. But Class-A buildings fared slightly better at 80%, according to a JLL report.

A sale at the estimated valuation would be a dramatic turnaround for the property. An entity controlled by New York-based investment firm **Interventure Advisors** had purchased the complex and another office property in Norwalk, Conn., for $294.4 million in 2007, just before the market crash. As Fifth Street Towers' occupancy rate fell below 70%, the owner found itself unable to pay off a loan that **MetLife** had funded, and handed over the keys.

In 2012, **Zeller** of Chicago then teamed up with Dallas-based **Invesco Real Estate** to buy the complex at a foreclosure auction for $110.7 million. Pimco, of Newport Beach, Calif., acquired the majority interest from Invesco in a 2015 deal that valued the property at $154 million. Zeller remains as an operating partner.

The current high-water market for the Boston region came in July 2021, when **KKR** bought the 414-unit NEMA at 399 Congress Street for $332 million, or $802,000/unit. The seller was **Crescent Heights** of Miami, according to **Green Street's** Sales Comps Database. ❖

Private ... From Page 1

of such opportunities. For one, their investments don't have prescribed hold periods, which allows them to extend their investment horizon should an acquired property suffer a short-term decline in value. Institutional investors, by contrast, typically have terms that require exits within three to five years.

"In the institutional space, no one wants to be wrong, and no one wants to be first because it is hard to determine what the exit capitalization rate is," said **Kevin Aussef,** global chief operating officer of **CBRE's** capital-markets group. "Private investors are not wrapped around that."

As a result, private buyers "are getting assets that they weren't able to look at six months or a year ago," when pricing was at a peak across multiple asset classes, he added.

To be sure, private investors often have been the first to step up in the wake of a downturn. They remained active buyers through the early months of the pandemic, and they led the charge following the global financial crisis more than a decade ago. Now, private buyers are wading in to take advantage of listings that are selling at discounts compared with the start of the year, when cap rates in some asset classes hit historic lows.

Across the board, property values are down 12.9% from their most recent peak, according to **Green Street's** latest Commercial Property Price Index. Apartment and industrial properties are 17% below peak, while office properties are down 14%, according to the report.

"Contrarian betting is a time-tested strategy," said **Kevin Shannon, Newmark's** co-head of capital markets. And he noted family offices aren't under scrutiny from investment committees who next quarter might ask, "Did we buy that too soon?"

Many private capital investors also benefit from greater financing maneuverability, with the ability to tap into credit lines and leverage relationships with regional banks. They "have the ability to lean on their balance sheets and agree to partial recourse or recourse financing, which will provide more competitive financing options," said **Sean Fulp,** a vice chair and head of office capital markets for the Southwest at **Colliers.**

With sales activity still depressed, private capital investors have yet to come out in full force, but there are signs that they're gaining steam. From August through October, private buyers accounted for 51.6% of bidders on deals worth $100 million or more, up from 49.7% in the four-month period ending in February, according to a JLL report. At the same time, institutional and other buyers stepped back slightly from auctions of larger properties, accounting for 48.4% of bidders from August through October, versus 50.3% in the later period. But they did increase their presence in auctions for properties below $100 million.

The expectation is that private investors will ramp up activity in the months to come, especially if inflation and broader market conditions stabilize.

"Transaction activity will return, and it will be led by private capital investors," Fulp said.

The sweet spot for private buyers appears to be around $75 million, though some have been chasing larger properties more recently. Last month, **99c,** a firm co-launched by **Carlo Bellini,** closed on its $252 million purchase of 175 Water Street in Manhattan, a vacant 685,000-sf building that once served as **AIG's** headquarters. JLL represented the seller, **Vanbarton Group.**

Similarly in San Diego, local investment shop **Cush Enterprises** paid **Alexandria Real Estate Equities** $55.5 million for the 110,000-sf laboratory property at 13112 Evening Creek Drive South. Newmark also brokered that sale. ❖

ON THE MARKET

Retail

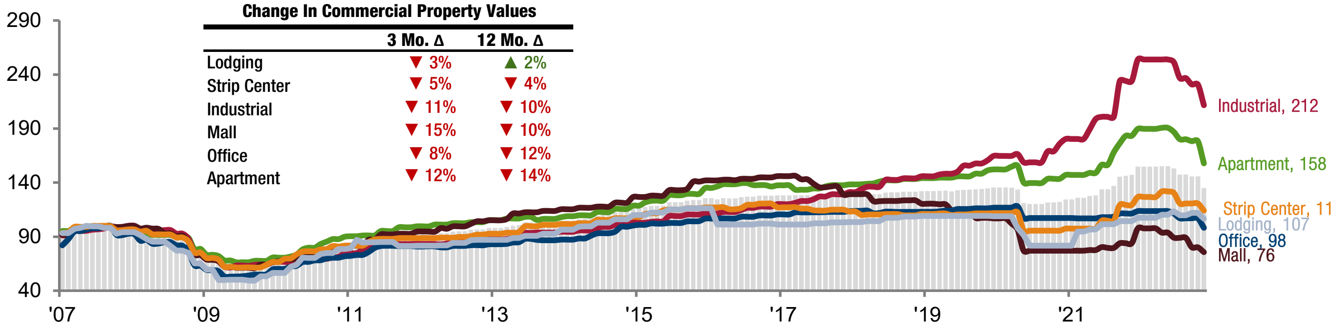
Property	Size	Estimated Value	Owner	Broker	Color
Springbrook Prairie Pavilion, 2503 Fort Hill Drive, Naperville, Ill.	278,000 sf, 99% occupied	$100 million	ShopCore Properties, a unit of Blackstone	CBRE	Suburban Chicago shopping center anchored by Whole Foods, which plans to renovate its 50,000-sf store. National retailers lease 75% of the space and have a weighted average remaining lease term of five years. Sales pitch notes that the tax rate of surrounding DuPage County is well below neighboring Cook County. Center is near the intersection of 75th Street and State Route 59, across from the Fox Valley Mall.

MARKET MONITOR

SUMMARY

- The MSCI US REIT (RMZ) Index is down 24% year to date, lagging the S&P 500's performance by about 800 bp.
- Net lease private-market nominal cap rates have increased 125 bp from lows hit earlier this year.
- On average, net lease REITs trade at a 14% premium to underlying property values.
- Real estate is still expensive relative to corporate bonds, though the spread has tightened in recent weeks.

GREEN STREET COMMERCIAL PROPERTY PRICE INDEXES



Change In Commercial Property Values

	3 Mo. Δ	12 Mo. Δ
Lodging	▼ 3%	▲ 2%
Strip Center	▼ 5%	▼ 4%
Industrial	▼ 11%	▼ 10%
Mall	▼ 15%	▼ 10%
Office	▼ 8%	▼ 12%
Apartment	▼ 12%	▼ 14%

Source: Green Street

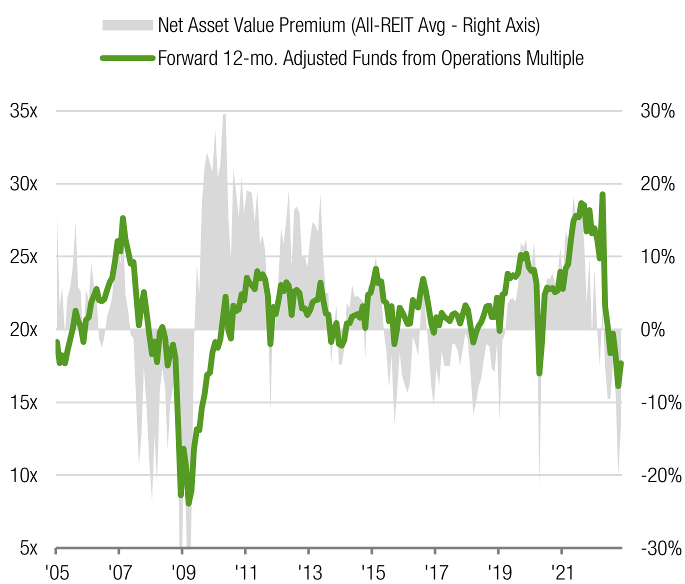
PUBLIC MARKET PERFORMANCE

	Total Returns*			Pricing Metrics		
	1 mo.	YTD	Last 12M	Prem to NAV	Prem to Assets	Nominal Cap Rate
RMZ	1%	-24%	-18%			
S&P	2%	-16%	-12%			
US 10-Yr.	3%	-14%	-14%			
Apartment	0%	-29%	-23%	-24%	-19%	4.8%
Healthcare	8%	-19%	-15%	-2%	-2%	6.1%
Lodging	-2%	-6%	1%	-18%	-11%	8.8%
Industrial	4%	-27%	-18%	-7%	-6%	4.3%
Mall	11%	-21%	-21%	0%	0%	7.7%
Manu. Housing	7%	-28%	-23%	-13%	-10%	4.4%
Net Lease	5%	-6%	-1%	22%	14%	7.1%
Office	3%	-33%	-30%	-37%	-24%	5.6%
Storage	-7%	-23%	-12%	-24%	-20%	4.7%
Strip Center	9%	-8%	-3%	-10%	-6%	6.3%
Wtd. Avg.	**1%**	**-24%**	**-18%**	**-16%**	**-11%**	**5.7%**

**Pricing as of 11/28/2022*

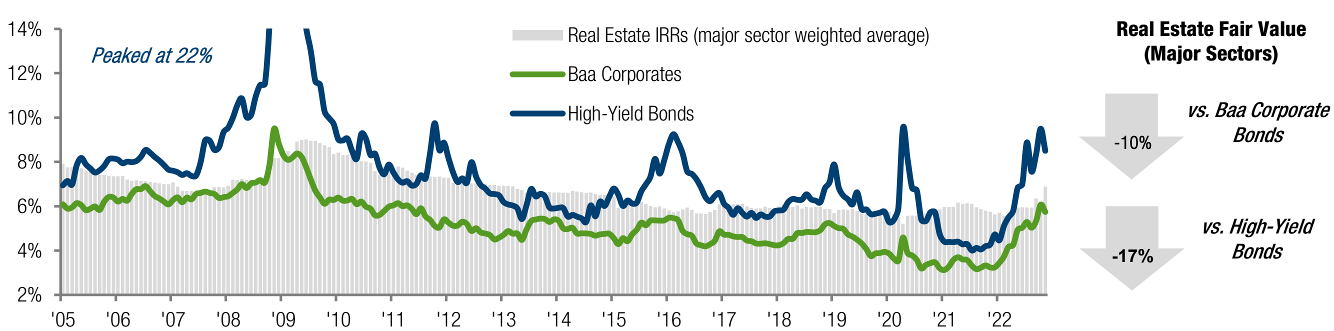
Sources: Bloomberg, Green Street

NAV PREMIUMS AND REIT AFFO MULTIPLES



Source: Green Street

REAL ESTATE RETURNS VS. BOND YIELDS

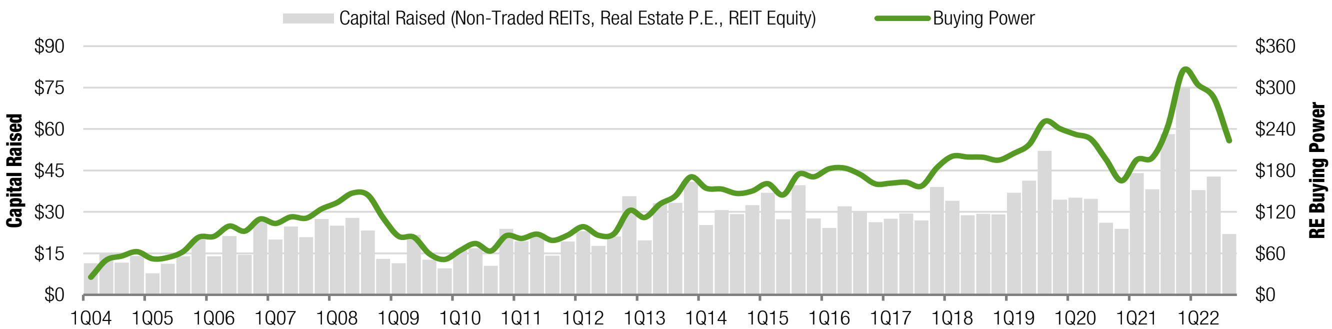


Sources: Bank of America, Moody's, Green Street

MARKET MONITOR

US REAL ESTATE CAPITAL RAISING AND BUYING POWER ($BIL.)

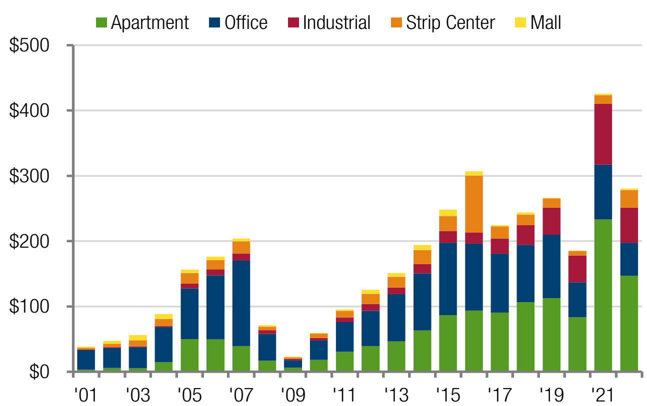
Buying power calculated as cash plus estimated incremental debt



Sources: Robert A. Stanger & Co., Preqin, SNL, Green Street

SALES VOLUME BY PROPERTY TYPE ($BIL.)

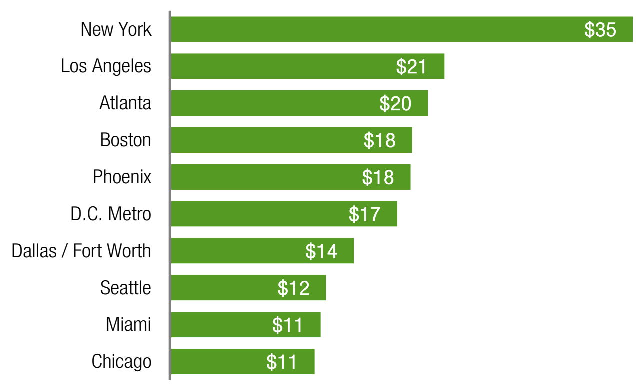
Volume representative of verified transactions $25 million or more



Source: Green Street

LAST 12 MONTHS TRANSACTION VOLUME ($BIL.)

Volume representative of verified transactions $25 million or more



Source: Green Street

NOTABLE RECENT TRANSACTIONS

Individual property transactions of $25 million or more. Excludes portfolios and partial-stake sales.

	Property Name	Date	Sector	Market	Price ($Mil.)	SF / Units	Price PSF / Unit	Buyer	Seller
1.	Marnell Corporate Center 5	11/25/22	Office	Las Vegas	$31.9	111K	$288	Patriot Real Estate	TA Realty
2.	Dock Street Flats - North Loop	11/23/22	Apartment	Minneapolis	$47.0	185	$254,054	Connor Group	PNC Realty Investors
3.	Compass on 360 State Street	11/21/22	Apartment	New Haven, Conn.	$160.0	500	$320,000	Beachwold Residential	BentallGreenOak
4.	Bristol Business Center	11/21/22	Industrial	Hartford, Conn.	$79.3	1,160K	$68	Treetop Development	BLDG Management
5.	Chicago Tribune Publishing Center	11/21/22	Industrial	Chicago	$200.0	286K	$699	Bally Soo Kim	Nexstar Media
6.	260-268 Elizabeth Street	11/21/22	Apartment	New York	$40.0	48	$833,333	Prime Finance	Investors Bank
7.	Eastyn Park	11/21/22	Apartment	Tucson	$42.5	279	$152,330	Greenwater Investments	Living Well Homes; Sheiner Group
8.	Grove Ontario Commerce Center	11/21/22	Industrial	Inland Empire	$55.0	121K	$456	EverWest Real Estate Investors	Penwood Real Estate Investment Management
9.	Wickshire Fort Lauderdale	11/21/22	Senior Housing	Fort Lauderdale	$39.0	293	$133,106	Cedar Health Group	Wickshire Senior Living
10.	Bellis Fair	11/18/22	Mall	Bellingham, Wash,	$47.5	774K	$61	4D Development	Brookfield

Source: Green Street

THE GRAPEVINE

... From Page 1

by **Melnick Real Estate Advisors,** was announced last week without identifying a purchaser. The Plainview, N.Y.-based apartment-property investment shop funded the deal via its $425 million Eagle Rock Multifamily Income & Value Fund 2, which held a final close over the summer. AIR, based in Denver, listed the six-property, 1,314- unit package earlier this year. The initial annual yield, based on trailing-12-month net operating income, was 4.4%, though Eagle Rock could boost that via renovations and rent increases.

Industrial pro **Ben Rosen** joined **Hillwood** as a senior vice president this month. He targets industrial-property investments in New Jersey and New York. Rosen previously spent six years at **Duke Realty,** which was acquired by industrial titan **Prologis** in October. Before that, he worked at **Woodmont Industrial Properties** and former industrial fund shop **KTR Capital Partners.**

KORE Investments of Greenwood Village, Colo., hired **Richard Caldwell** last month as a managing director and head of business development. He's focused on investor relations, reporting to chief executive **Jack Kim.** Caldwell, who started on Oct. 17 in Northern California, was previously chief lending officer at **Extensia Financial,** a commercial real estate debt arm of **Avana Cos.** He also has worked at **Pacific National Bank, Buchanan Street Partners** and **Bank of America.** KORE, which stands for Kingdom Oriented Real Estate, invests nationally across property types.

Julio Alberto Villalobos-Torres joined multifamily-property investment firm **Fairstead** in October. Based in the firm's New York headquarters, he's an asset-management analyst focused on affordable housing. He's on a team led by senior director **Michelle Militello,** who joined Fairstead early this year from Philadelphia-based **Penrose.** Villalobos-Torres spent the past two years working for **Freddie Mac,** leaving as a senior underwriting analyst whose duties included affordable housing.

Anthony Connell joined **Colliers** as an apartment-sales associate this month. Based in Irvine, Calif., he works for sellers and buyers of multifamily properties in Orange County. Connell reports to team leader and executive vice president **Pat Swanson.** Previously, Connell worked at **Matthews Real Estate Investment Services** in Newport Beach, Calif.

BlackPearl Capital is looking to hire an asset manager focused on its hotel portfolio. Candidates should have at least six years of hotel experience in either asset or property management. The recruit will help evaluate acquisitions, among other duties. The post, based in New York, reports to co-founder **Michael Tacorian.** Resumes can be sent to **Jacob Bain** at jacob.bain@blackpearlcapital.com.

REAL ESTATE ALERT **Visit REA Website**

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