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Real Estate ALERT

THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

JUNE 13, 2018

Blackstone Planning to Flip 6 LaSalle Hotels

Blackstone has identified six hotels it intends to put on the market immediately following its pending acquisition of **LaSalle Hotel Properties.**

The fund giant's agreement to acquire the Bethesda, Md., hotel REIT for some $4.8 billion is slated to close in the third quarter. Ahead of that, Blackstone has tapped **Eastdil Secured** to begin gauging investor interest in two New York properties and one each in Boston, Chicago, Philadelphia and Washington, totaling 1,579 rooms. Eastdil is also Blackstone's real estate advisor on the buyout.

Each of the hotels is expected to be marketed individually. Their values are difficult to calculate, as none has traded in recent years. Even at a conservative estimate, the six would have a combined value of more than $500 million. Eastdil floated the potential listings to investors at last week's 41st annual NYU International Hospitality Industry Investment Conference in New York.

Any offerings, of course, hinge on whether Blackstone completes its acquisition. LaSalle's board accepted Blackstone's $33.50/share buyout offer several weeks

See BLACKSTONE on Page 8

Newmark's New Growth Target: Small Deals

After increasing its volume at the high end of the sales market in recent years, **Newmark** now wants to pump up the bass.

The firm has launched a Private Capital Group, made up of brokers who specialize in deals in the $5 million-$25 million range. They will work closely with the institutional-sales staff in a collaborative effort that is expected to generate more business at both ends of the spectrum.

The initiative began in recent weeks on the West Coast, as part of the capital-markets operation headed by **Kevin Shannon.**

The new team will focus on private-capital clients, including wealthy individuals, family offices and syndicators, while the institutional team will continue to work with the likes of fund shops, public REITs, pensions and sovereign wealth funds.

"There is not a lot of organized competition in the private-client space and there are significant fees to be generated there," said Shannon, Newmark's co-head of

See NEWMARK on Page 10

UBS Tees Up Clorox's HQ Tower in Oakland

UBS Asset Management is preparing to shop **Clorox's** headquarters in downtown Oakland, setting the stage for the city's largest-ever office trade.

Bids could go as high as $270 million for the 521,000-square-foot Clorox Building, at 1221 Broadway, which has direct access to a BART commuter rail station. At that $518/sf valuation, the buyer's initial annual yield would be about 4.25%. **Newmark,** which has the listing, is expected to begin the marketing campaign this month.

Oakland's sales and leasing markets are benefiting from spillover demand from San Francisco. While the Clorox Building would likely set an overall price record, another office listing could establish a high per-foot valuation. That 320,000-sf property, at 1330 Broadway, has an estimated value of $550/sf, or $175 million. The owner, **TMG Partners** of San Francisco, has given the listing to **Eastdil Secured.**

The Clorox Building's occupancy rate is in the low-90% area, and the weighted

See UBS on Page 9

THE GRAPEVINE

HNA Group has lost another staffer in New York. Senior vice president **Randi Kaufman** parted ways with the embattled Chinese conglomerate in the past few weeks. She had focused on investments and asset management for the firm since joining in late 2016. Kaufman had prior stints at **Silverstein Properties** of New York, **KBS Realty** of Newport Beach, Calif., and **BlackRock.** Kaufman's departure comes a few months after a round of layoffs that included investment manager **Rob Angilletta.** HNA is shopping its U.S. real estate holdings as part of an effort to reduce a crushing debt load.

Veteran industrial broker **Shin Kim** has left **CBRE** after 12 years to join **Newmark** as part of its newly formed Private Capital Group (see article on Page 1). Kim, who starts Thursday, will spearhead industrial

See GRAPEVINE on Back Page

2 Offices at Miami Transit Hub Listed

A developer is offering two new, adjacent office buildings in downtown Miami that are valued at about $210 million.

The properties, which encompass 318,000 square feet, are part of MiamiCentral, a mixed-use development that stretches for six blocks along Northwest First Avenue and is anchored by a major new transportation hub. When completed, the 11-acre development will also include about 800 apartments and more than 130,000 sf of retail space.

The listed buildings, known as 2&3 MiamiCentral, were developed by **Florida East Coast Industries** of Coral Gables, Fla. It prefers to sell them as a package. **Eastdil Secured** has the listing.

The buildings include 33,000 sf of retail space and more than 1,300 parking spaces, some of which are under a long-term contract that generates significant revenue. The estimated value would result in a capitalization rate of about 6% upon stabilization.

The 127,000-sf 3 MiamiCentral, at 160 Northwest Seventh Street, opened in February and is 94% leased. The 191,000-sf companion building, at 604 Northwest First Avenue, is expected to open later this year and is 75% pre-leased. The blended occupancy rate is 82.6%, with a weighted average remaining lease term of 10 years.

The office tenants at the 13-story 3 MiamiCentral include **Viacom's MTV Latin America** (24,000 sf), infrastructure consultant **HNTB** (24,000 sf) and soccer governing body **Concacaf** (17,000 sf). Firms that have preleased space at the 10-story 2 MiamiCentral include **Ernst & Young** and media conglomerate **Grupo Cisneros.** All of the retail space is in 3 MiamiCentral, where a Publix supermarket is one of the tenants.

Marketing materials tout the rare opportunity to invest in a "transit engrained" development in a U.S. city. The new MiamiCentral transportation center, which opened this year, offers Metro Rail, Metrobus and the free, automated Metromover train service. Its Brightline train service connects to Fort Lauderdale, Fla., about 25 miles north, and West Palm Beach, Fla., about 70 miles north. An express train will eventually connect to Orlando.

The marketing campaign also noted that no other Class-A office space is under construction downtown or in the neighboring Brickell district. ❖

New Anaheim Apartments on Block

A developer is shopping a new luxury apartment complex in California's Orange County that could attract bids near $180 million.

The 400-unit property, at 1781 South Campton Avenue in Anaheim, is in the Platinum Triangle, a former industrial district that over the last decade has seen active development of luxury apartments, street-front retail space and offices.

The Class-A complex, dubbed Jefferson Platinum Triangle, was built last year and is still in its initial leasing phase. The occupancy rate is 85%.

The estimated value works out to $450,000/unit. **Eastdil Secured** is representing the owner, **JPI** of Irving, Texas.

The average unit has 927 square feet and rents for $2,628. That $2.84/sf rent is the highest among its competitive set, according to marketing materials. The average annual household income at Class-A communities in the Platinum Triangle district is more than $130,000, suggesting that renters could absorb rent increases.

The apartments, in two four-story buildings, range in size from studios to three bedrooms and feature nine-foot ceilings and walk-in closets. Some units have wine coolers, double ovens and office alcoves. The amenities include two resort-style pools, two fitness centers, a chef's kitchen and a coffee bar. There is also an underground garage and surface parking, with 730 total spaces.

Jefferson Platinum Triangle is near a variety of leisure and entertainment venues, including outdoor shopping center Anaheim GardenWalk and Disneyland. It's about a half-mile from Interstate 5 and a mile from Anaheim's ARTIC transit hub, which connects to Los Angeles and San Diego. Some 1.5 million jobs are within a 45-minute commute. ❖

Lake Tahoe Resort Up for Grabs

A **Kennedy Wilson** partnership is shopping a luxury resort north of Lake Tahoe.

The 170-room Ritz-Carlton Lake Tahoe, at 13031 Ritz-Carlton Highlands Court in Truckee, Calif., is expected to attract bids of more than $150 million from U.S. and foreign investors. **CBRE** has the listing.

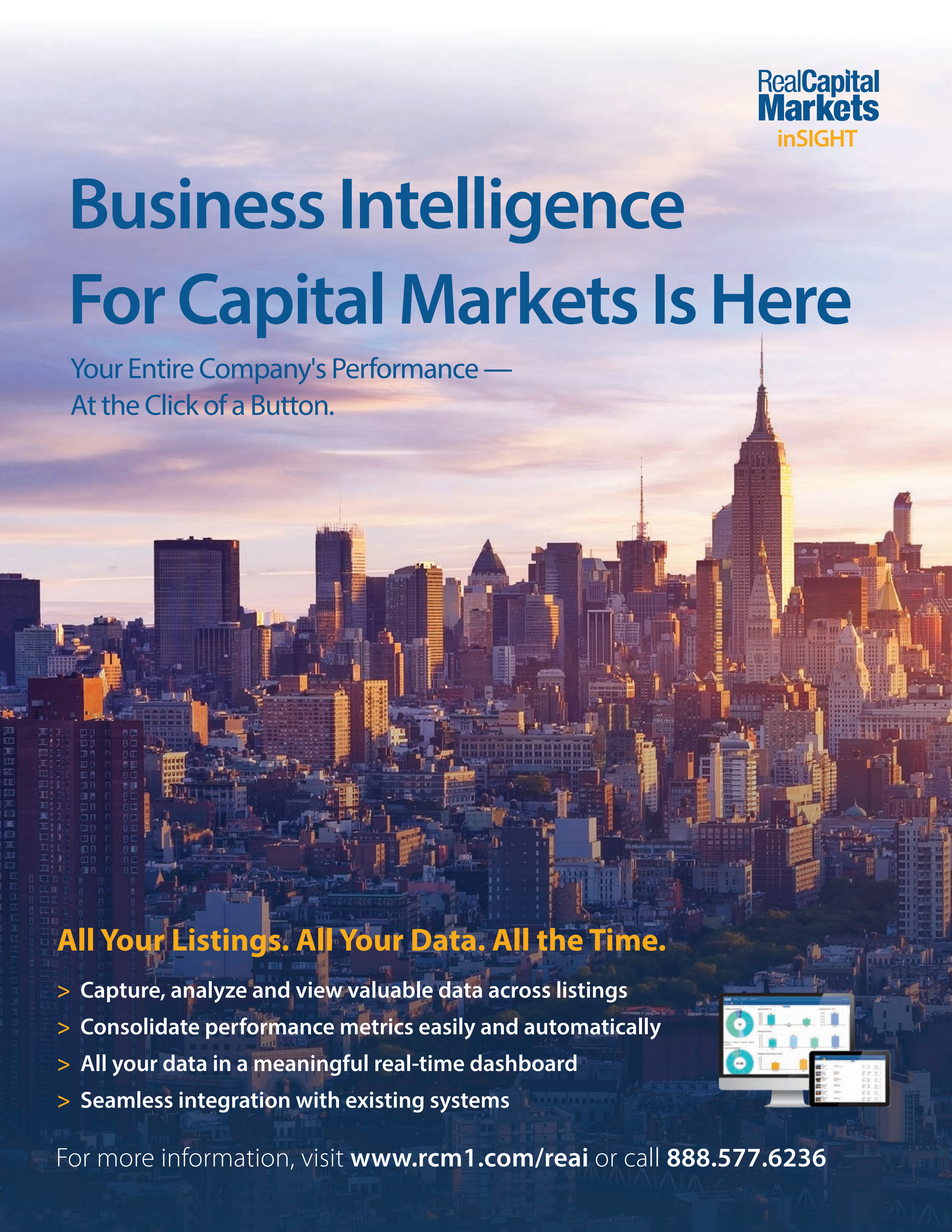
The Ritz-Carlton opened in 2009. The hotel includes 23 condominiums that aren't part of the offering. The property is the only mountain resort in California to carry a five-diamond rating from the **American Automobile Association.** Its rooms have ski-in/ski-out access to Northstar California Resort, which encompasses 3,170 skiable acres.

The Ritz-Carlton also added a venue called the Lake Club in 2017 that includes an upscale restaurant, a bar and access for boating and other water activities on Lake Tahoe. That facility, about 10 miles from the hotel, is intended to help attract visitors during the summer months.

The resort also includes a 17,000-square-foot spa, a pool with cabanas and outdoor areas with fire pits, along with restaurants, bars and indoor and outdoor meeting spaces.

Financials for the property were unavailable. Luxury hotels in the area were 53.9% occupied in the first four months of the year, according to **STR.** Room rates averaged $185.95, which translated to per-room revenue of $100.31.

Kennedy Wilson of Beverly Hills and its undisclosed partners bought the Ritz-Carlton Lake Tahoe in 2012, paying $71 million just as the hotel market was shaking off its slump. It was sold by a lender group that had seized the property from the developer. ❖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Beacon Pitches New Charlotte Offices

Beacon Capital is offering a new office building in Charlotte that's valued at about $90 million.

The 178,000-square-foot property, at 500 East Morehead Street in the Midtown/South End submarket, is 98.6% leased. At the estimated value of $505/sf, the buyer's initial annual yield would be 5.5%. The Boston investment manager has given the listing to **HFF.**

The seven-story building was developed on a speculative basis and opened in April 2017. Its major tenants are infrastructure firm **CB&I** (63,000 sf until 2028), accounting firm **Elliott Davis** (59,000 sf until 2029), and **Lennar Multifamily Communities** (20,000 sf until 2025). There is ground-level retail space occupied by three restaurants and an attached four-story parking deck with 631 spaces.

The pitch targets core investors, emphasizing that the property leased up quickly due to its location in Charlotte's tightest submarket. The 4.2 million sf of office space in Midtown/South End is 97% occupied, according to marketing materials, and has seen average asking rent grow 50% over the past five years to $32.03/sf.

The average in-place rent at 500 East Morehead is $33.26/sf. Given that some competing properties nearby have asking rents approaching $40/sf, a buyer should be able to raise rents when leases eventually roll over. The weighted average remaining lease term is 9.1 years. There's also potential to boost returns by implementing parking fees.

Amenities include an upscale fitness center, locker rooms with showers, a rooftop terrace and three other terraces.

The property is just southwest of the Interstate 277 loop that surrounds Uptown, the city's Central Business District. It's about three blocks from a station on the LYNX light-rail line that runs along the trendy South End corridor. The area is seeing rapid development: There are 5,930 multi-family units and 226,000 sf of retail space under construction within three miles of the property. ❖

New Offices Shown Near Cambridge

A developer is offering a newly repositioned and leased-up office/laboratory building in suburban Boston.

The Linx is a 185,000-square-foot former warehouse in Watertown, Mass., near the edge of the West Cambridge submarket. Based on comparable sales, the property could trade in the vicinity of $800/sf, or almost $150 million. **Boylston Properties** has given the listing to **HFF.**

The property is a prime example of how adjoining markets have captured spill-over demand for lab and office space from Boston and Cambridge, where such space is nearly fully occupied. Tenants have increasingly pushed out into once-sleepy markets such as West Cambridge, smaller bordering cities like Somerville and Watertown and even the suburbs beyond.

The two-story building is at 490 Arsenal Way. Boylston overhauled the former industrial building into labs and "creative" office space, signing up three tenants by the time the project was completed early this year. In April, it recruited **Kala Pharmaceuticals** and **Aileron Therapeutics,** bringing the occupancy to 100%.

The property includes a 33-foot-tall lobby, a cafe, bike storage with a shower and locker room, and outdoor and recreational areas. It is designated LEED gold. There is a shuttle bus to a subway stop on the MBTA Red Line. ❖

Southwest Rental Portfolio Available

Eight Class-B apartment complexes in the Southwest are being pitched to value-added investors.

The garden-style properties, which encompass 1,826 units, are worth about $155 million, or $85,000/unit. At that valuation, the capitalization rate would be around 5%. The owner, **MC Cos.** of Scottsdale, Ariz., will accept bids on individual properties or any combination. **CBRE** has the listing.

The complexes, considered workforce housing, are 90% occupied on average. There are two apiece in the Houston, San Antonio and Tulsa, Okla., markets. The other two are in Austin and Oro Valley, Ariz. They were developed between 1970 and 2003 and range in size from 115 to 319 units.

The apartments range from studios to four bedrooms. Some have washer/dryers, wood-vinyl floors and patios or balconies. All properties have fitness centers and swimming pools. Most of the apartments and amenities haven't been upgraded recently. The marketing campaign, which kicked off near the end of May, is touting the potential to conduct renovations and boost rents. A buyer could also lease vacant units and improve the management.

The properties are near major employers, including corporate campuses, hospitals, military bases and universities, and are described as being in areas with minimal space for new multi-family construction.

MC Cos. Portfolio

Property	Units	Year Built	Est. Value ($Mil.)
Place at Rock Ridge, Oro Valley, Ariz.	319	1995	$38.5
Place at Shadow Valley, Leon Valley, Texas	250	1984	20.0
Place at Terracina, Austin	170	1970	20.0
Place at 2500 James, Baytown, Texas	308	1973	18.5
Place at Houston Street, San Antonio	200	2003	16.3
Place at 101 Sheridan, Tulsa, Okla.	256	1985	16.0
Place at Fall Creek, Humble, Texas	115	2003	13.8
Place at 81 Yale, Tulsa, Okla.	208	1979	12.0

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Builder Shops New Conn. Apartments

A developer is marketing a new luxury apartment building in Stamford, Conn., with an estimated value of $85 million.

The 183-unit Element One, at 111 Morgan Street, at the north end of the Central Business District, opened in late 2016 and is about 95% occupied. At the estimated $465,000/unit value, a buyer's initial annual yield would be in the low 5% range.

CBRE is marketing the property on behalf of a joint venture between **Fuller Development** and **Spinnaker Real Estate,** both of Norwalk, Conn. The duo bought the land for $9.4 million and began construction in 2015, according to local reports.

The six-story building has 1-3 bedroom units with high-end finishes, breakfast bars, kitchen islands, washer/dryers, oversized windows and walk-in closets. Amenities include a lounge with a demonstration kitchen and a billiards table, a rooftop terrace, a concierge, a fitness center and electric-vehicle charging stations.

The marketing campaign is highlighting the building's performance in its first year of operation. Some 59% of residents renewed leases as they rolled over, and 12-month leases saw an average rent increase of 4.1%.

The pitch also focuses on an influx of young renters to downtown Stamford. The Central Business District's population has grown 31.8% since 2010, to 19,233.

The property is about a mile from Interstate 95 and the Stamford Transportation Center, which offers train service to Manhattan, 35 miles southwest. ❖

Vintage Industrial Package Sold

A partnership has paid **Berkeley Partners** $99.4 million for 11 industrial properties in Texas and Georgia.

The package encompasses 1.6 million square feet, with seven properties totaling 1.1 million sf in the Dallas area and four properties totaling 559,000 sf in the Atlanta suburb of Norcross. The price of $61/sf indicates an initial annual yield of 7.5% for the buyers, **Circle Industrial** of Manhattan Beach, Calif., German investment firm **FREO Group** and **H.I.G. Realty** of New York. **HFF** advised Berkeley, a San Francisco fund shop focused on multi-tenant industrial properties. The sale closed this month.

The properties are 87.3% occupied, with a weighted average remaining lease term of 2.2 years. They received heavy interest from investors, reflecting strong demand for industrial facilities with upside potential — in this case, the opportunity to quickly bring their occupancy levels in line with local averages well exceeding 90%.

HFF pitched the properties as appealing to tenants seeking "last-mile" locations in densely populated areas from which they can deliver goods ordered online. The surrounding industrial markets are among the strongest in the U.S.

On average, the buildings are 36 years old. The average ceiling height is just 16 feet.

The Dallas-area properties, encompassing 28 buildings, are 88.7% occupied. The Norcross properties, all in the Doraville Industrial submarket, consist of 24 buildings that are 86% occupied. ❖

Value-Added Apartments on Tap in DC

An apartment building in one of Washington's hippest enclaves is being marketed as a value-added opportunity.

The 205-unit property, at 1825 Seventh Street NW in the Shaw neighborhood, has an estimated value of $110 million, or $537,000/unit. At that price, the buyer's initial annual yield would be 4.5%. **Walker & Dunlop,** representing local development shop **Four Points,** began the marketing campaign last week.

The nine-story building, known as 7th Flats, was developed in 2013. The apartments are 98% occupied. There is more than 19,000 square feet of street-level retail space that's fully leased.

The investment play is to increase below-market rents on the retail space as leases roll over, and to lift apartment rents via some light renovations.

The weighted average remaining term on the retail leases is 5.3 years. The 10 tenants include **Right Proper Brewing** and fitness studio **Solidcore.** Asking rents nearby hover around $75/sf, nearly double the property's in-place average.

The average apartment encompasses 757 sf and rents for about $2,200. The units have modern pendant lighting, laminated wood floors and padded bathroom carpets. The amenities include a 24-hour fitness center, a rooftop terrace with gas grills and a multimedia lounge with a bar and kitchen. An underground garage has 70 spaces.

The property is next to the Shaw-Howard University Metro Station. A number of trendy bars, clothing boutiques and restaurants are within walking distance. ❖

Core Retail Play Pitched in Brooklyn

Vereit is marketing a well-leased shopping center in Brooklyn that could draw bids of about $150 million.

The 274,000-square-foot Canarsie Plaza, anchored by BJ's Wholesale Club, is 96% leased. The five-building complex, built in 2011, is being pitched mostly to core buyers, given the strength of its rent roll. It has a tax abatement that runs until 2036.

At the estimated value, a buyer's initial annual yield would be about 6%. **HFF** is marketing the property for Phoenix-based Vereit.

BJ's occupies nearly 173,000 sf, or 63% of the property, until 2030. In all, leases on some 80% of the space extend at least until that year. Other tenants include PetSmart and Planet Fitness.

The 12-acre property has 835 parking spaces. It's at 8925 Avenue D, at Remsen Avenue in the Canarsie neighborhood. More than 107,000 people live within a mile.

The marketing campaign notes that retail offerings of more than 100,000 sf are relatively rare in New York City. Indeed, just 14 have traded in the Outer Boroughs over the past five years, according to **Real Estate Alert's** Deal Database. ❖

Blackstone ... From Page 1

ago. But clinching the deal might require a higher price from Blackstone. LaSalle announced on Monday that it is considering a sweetened offer from rival bidder **Pebblebrook Hotel Trust,** also a Bethesda REIT. Pebblebrook now is offering to pay $37.80/share, plus cover the $112 million termination fee LaSalle would owe Blackstone if it backed out of the pending deal.

LaSalle holds interests in 41 hotels with some 10,400 rooms. The half-dozen that Blackstone plans to flip compete with upper-upscale properties in their markets. Most have undergone extensive renovations and been rebranded under LaSalle's ownership, in keeping with the REIT's strategy.

They include the 194-room Roger, a boutique hotel at 131 Madison Avenue in Midtown Manhattan. LaSalle acquired the leasehold interest in 2010 for $90 million and launched a renovation of what was then called the Roger Williams.

The other Manhattan property slated for the block is the 130-room Gild Hall, at 15 Gold Street in the Financial District. LaSalle acquired it for $50.5 million in 2006, when it operated as a 138-room Holiday Inn. The REIT completed a repositioning that reduced the room count while adding updates and features to compete with more high-end properties. It conducted another substantial renovation in 2016.

In Chicago, Blackstone would look to sell the 354-room Hotel Chicago, at 333 North Dearborn Street. LaSalle bought what was then the House of Blues Hotel in 2006 for $114.5 million. After a redesign and repositioning, it rebranded the property as part of **Marriott International's** Autograph Collection in 2014. The hotel is alongside the Chicago River, in the mixed-use Marina City development, which includes shops, restaurants and residential units.

The 343-room Liaison Capitol Hill in Washington is also tagged for sale. LaSalle acquired it for an unknown price in 2001, when it operated as a Holiday Inn. Repositioned as a more high-end hotel, the property underwent its latest round of renovations in 2012-2013. It's at 415 New Jersey Avenue NW, just two blocks north of the U.S. Capitol.

The Boston property on the disposition list is the 270-room Hyatt Boston Harbor. LaSalle bought it in 1998 for $73.5 million. The hotel has 19,000 square feet of meeting space that was renovated in 2009. It's at 101 Harborside Drive, next to Boston Logan International Airport, and provides water-shuttle service to downtown Boston.

Finally, Blackstone plans to sell the 288-room Embassy Suites Philadelphia Center City. It's four blocks from Philadelphia Convention Center, at 1776 Benjamin Franklin Parkway. LaSalle acquired it in 2010 for $79 million. ❖

ON THE MARKET

Multi-Family

Property	Size	Estimated Value	Owner	Broker	Color
Osprey, 3750 Southwest River Parkway, Portland, Ore.	270 units 81.9% occupied	$100 million, $370,000/unit	Mack Real Estate Group, New York	HFF	Six-story, Class-A building opened in 2017 and is expected to be stabilized in the third quarter. In-place rent: $1,888. Includes 8,000 sf of retail space. On bank of Willamette River, adjacent to Oregon Health & Science University, which is undergoing 1.1 million-sf expansion.
Ocean 650, 650 Ocean Avenue, Revere, Mass.	230 units 96% occupied	$90 million, $390,000/unit	TA Realty, Boston	CBRE	Seven-story, Class-A building about five miles north of downtown Boston. Opened in 2017. Rent averages $2,355 for studios, one- and two-bedroom units. Steps away from Revere Beach. A block from Wonderland train station on MBTA Blue Line, which links to Boston Logan International Airport and downtown Boston.

Stake in Cambridge Building Offered

Madison International Realty is shopping its minority interest in a fully occupied office/laboratory building in red-hot Cambridge, Mass.

The 128,000-square-foot building, 100 Cambridge Discovery Park, is valued at roughly $95 million, or about $742/sf. A deal for the 49% stake at that valuation would produce an initial annual yield just topping 5%. But income could be lifted as leases expire by converting some offices into lab space, which is in high demand in Cambridge.

New York-based Madison is shopping its interest in the property via **Eastdil Secured. Bulfinch Cos.** of Needham, Mass., which developed and manages the building, holds a 51% interest.

The property, in the West Cambridge submarket, is evenly split between office and lab space. Occupancy and rents for both have climbed in recent years, benefiting from demand spilling over from other sections of Cambridge and Boston, where vacancy rates are in the single digits.

The weighted average remaining lease term is about four years, and rents are some 20% below the average asking rate.

The largest tenant is the **Smithsonian Institution,** which uses its space for an astrophysical observatory. Its lease runs until 2022. Others include **FogPharma** and **Genocea Bioscience.**

The building was completed in 2005. It was part of a 1.3 million-square-foot portfolio of 18 Boston-area properties that were fully owned by Bulfinch before it brought in Madison as an equity partner in 2014. That deal valued the portfolio at roughly $354 million.

The property is part of Cambridge Discovery Park, a 27-acre campus that also includes a fully leased office/laboratory building and a 150-room AC Hotel by Marriott. It's near the Alewife MBTA train station.

The other office building on the campus — the 202,000-sf 200 Cambridge Discovery Park — is also on the block and expected to fetch about $145 million. Eastdil is handling that listing for **CBRE Global Investors.** ❖

UBS ... From Page 1

average remaining lease term is just over seven years. Clorox, rated Baa1/A- by **Moody's** and **S&P,** leases about half of the space. **Brown & Toland,** a physicians group, occupies 60,000 sf. The Class-A property includes retail space on two floors, where the vacancies are concentrated.

The rents are 50% below the building's current asking rates of $60-63/sf. Given the distant maturity dates on most leases, it will take some time to unlock that potential. But the pitch is that the low prevailing rents offer a buyer a low going-in basis and set the stage for a big opportunity to boost cashflow over the long term.

Clorox formerly owned and fully occupied the 24-story building, which was constructed in 1976. In 2015, the consumer-products company sold it to a **Westcore Properties** partnership for $110 million, or $199/sf, and reduced its footprint. Westcore then renovated the building and leased up most of the space vacated by Clorox.

UBS acquired the building in 2015 for $177.3 million, or $340/sf. At the time in Oakland, rent growth was stagnant, institutional and foreign investor demand was tepid and downtown's revitalization was just getting started.

Class-A space downtown was 93% leased at the end of the first quarter, according to Eastdil's marketing materials for 1330 Broadway. Market pros say the continued revitalization of downtown, combined with a strong residential construction pipeline and growing shopping and entertainment amenities, should continue to push rent higher.

Oakland's record office deal came in 2016, when **Clarion Partners** of New York bought the 535,000-sf Lake Merritt Plaza, at 1999 Harrison Street and 1956 Webster Street, for $235.5 million, or $440/sf. Eastdil brokered that sale for **DivcoWest Properties** of San Francisco. The current per-foot high of $474/sf was set in December, when **CIM Group** of Los Angeles bought the 380,000-sf Uptown Station, at 1954 Telegraph Avenue, for $180 million. Newmark handled that sale for **Uber Technologies** of San Francisco. ❖

CALENDAR

Main Events

Dates	Event	Location	Organizer	Information
June 24-26	U.S. Real Estate Opportunity & Private Fund Investing	Newport, R.I.	IMN	www.imn.org
Sept. 5-7	CMBA Western States CREF	Las Vegas	CMBA	www.cmba.com
Nov. 7-9	REITworld	San Francisco	Nareit	www.reit.com
Jan. 14-16, 2019	CREFC January Conference 2019	Miami	CREFC	www.crefc.org
Jan. 16-18	Winter Forum: Real Estate Opp. & Private Fund Investing	Laguna Beach, Calif.	IMN	www.imn.org
Feb. 10-13	CREF/Multifamily Housing Convention	San Diego	MBA	www.mba.org
Mar. 14-15	PREA Spring Conference	Dallas	PREA	www.prea.org

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

Newmark ... From Page 1

capital markets. While the deal sizes are relatively small, commissions can hover around 5%, compared with less than a percentage point on large institutional deals.

"It has been a less-professional and more-fragmented space, and we are trying to provide institutional-quality service to the space with this formal effort," Shannon said. "Before, [Newmark] handled these deals on an ad hoc basis. There was no business plan or strategy. This is a cohesive West Coast team effort. We are working like a band of brothers."

For now, the Private Capital Group consists of 15 investment pros in California — including an industrial specialist hired last week from **CBRE** (see The Grapevine on Page 1). They will initially focus on office and industrial deals across the Western U.S. It's intended to be a model that could be expanded across the country.

Sean Fulp, an executive managing director in Los Angeles, leads an 11-member team that will work closely with Shannon's institutional brokers covering Southern California, Nevada and Arizona. A four-member team in San Francisco is headed by **Seth McKinnon,** a senior managing director who joined Newmark from CBRE in April. They work under vice chairman **Steven Golubchik,** co-head of the capital-markets team for Northern California, who was recruited by Shannon from **HFF** in 2016.

Fulp and McKinnon are already talking several times a week, and the private-capital and institutional teams have merged their buyer databases. Fulp said that from that nucleus, the firm hopes to build out the platform, both by working with some of Newmark's existing 345 capital-markets professionals and by hiring additional brokers.

"It's going to grow pretty quickly," said Fulp, a veteran broker who joined Newmark in 2014 to initially focus on institutional sales. "We are trying to define best practices, create an organizational structure and roll this out nationally."

In some cases, the private-capital team will pitch deals side-by-side with institutional brokers and jointly market offerings. A private seller may have a listing that appeals to institutional investors — such as one or more small industrial properties that are now in high demand for "last mile" distribution. On the flip side, an institutional investor looking to dispose of assets could benefit by broadening the potential buyer pool to include private capital.

"Many of your value-add deals have a break-up component to them," said Shannon. "Value-add investors buy $100 million portfolios and want to break them up. That could be the most efficient means of monetizing smaller deals. The ability to provide clients that option depending on the listing is critical."

Fulp said specialists in the private-capital arena can develop relationships that will lead to continuing business.

"These clients — ultra high-net worth investors, family offices and syndicators — they may not have an acquisitions director or head of asset management," he said. "You are dealing directly with the person in charge about whether they will sell an asset or accept a price. There is no board or investment committee. And you can be meeting with them in between them dropping their kids off at school. It is a little different than how you typically interact with institutions."

Newmark's move comes as private capital accounts for a growing share of acquisitions. A January report by **Real Capital Analytics** called 2017 the "year of private capital sources," noting that they were behind 50% of U.S. purchases across property types. That figure has grown steadily from 39% in 2013 and easily topped the shares of institutions (23%), public REITs (11%) and foreign investors (11%).

To be sure, Newmark is hardly alone in chasing private-capital deals. Most major brokerages do so, with varying degrees of organization. **Marcus & Millichap** is viewed as a specialist in the area. CBRE has an Investment Properties group that handles private-capital business as part of its duties, and has dedicated teams in markets around the country. Newmark, whose roster of capital-markets pros is a quarter the size of CBRE's, is hoping it can be nimble and use its integrated approach to make a significant dent in the market segment.

Newmark, now a public company but still controlled by **BGC Partners** of New York, has grown rapidly over the past six years through hirings and mergers — absorbing **Grubb & Ellis** in 2012 and **Apartment Realty Advisors** in 2014. In 2015, it wooed star brokers Shannon from CBRE and **Robert Griffin** from **Cushman & Wakefield** as its co-chiefs of capital markets. It has continued to recruit aggressively and is building out national industrial, retail and hotel teams.

Last year, Newmark moved up one slot to fourth place in **Real Estate Alert's** annual brokerage rankings, which count trades of at least $25 million. The firm's volume skyrocketed 29% to $23.4 billion for a 10.7% share of brokered trades. That was the biggest jump of any top-10 brokerage and came despite a 10% market-wide sales drop.

Shannon said the private-capital group could be well-positioned in the event that the sales dip portends a downturn. "There is more liquidity in this space during recessions when institutions tend to go to the sidelines and big deal-velocity slows," he said. "It's going to become a more important source for capital-markets revenue at Newmark." ❖

Correction

A June 6 article, "Blackstone Nabs Rentals Near Boston," misstated the broker that handled the sale of the Avalon Blue Hills apartment complex in Randolph, Mass. The broker was **JLL,** not **Walker & Dunlop.** ❖

MARKET SPOTLIGHT

Boston and Cambridge Office Properties

- The pipeline of listings has finally picked up after a slow start to the year. Nine offerings have hit the market in the past six weeks, with a combined valuation of more than $2 billion.
- Sales are running behind the pace of last year, when volume reached $5.5 billion. So far, closed and pending trades total only $1 billion, according to the Real Estate Alert's Deal Database, which tracks transactions of $25 million or more.
- Leasing demand has slowed after boosting occupancy and rents in recent years, but it still remains healthy, according to Green Street Advisors.

On the Market

		Hit	SF	Estimated Value		
Property	Seller	Market	(000)	($Mil.)	(Per SF)	Broker
53 State Street, Boston	UBS Asset Management	May	1,200	$830	$691	Newmark
75 State Street, Boston	Brookfield, Australian Super	May	841	625	743	Newmark
Pier Four, Boston	Tishman Speyer	April	372	410	1,102	Newmark
200 Cambridge Discovery, Cambridge	CBRE Global Investors	May	202	145	718	Eastdil Secured
100 Cambridge Discovery, Cambridge (49% stake)	Madison International Realty	June	128	95	742	Eastdil Secured
One Washington Street, Boston	Georgetown Co.	May	155	95	613	Cushman & Wakefield
Ten Fawcett Street, Cambridge	Griffith Properties, Artemis	May	142	56	394	Newmark
15 Court Square, Boston	Brickpoint Properties	June	80	30	375	Colliers International
28 Damrell Street, Boston	(Unidentified)	June	96	30	313	Colliers International

Recent Deals

			SF	Sales Price		
Property	Buyer	Closed	(000)	($Mil.)	(Per SF)	Broker
28 State Street, Boston	Heitman	June	572	$418	$731	Eastdil Secured
451 D Street, Boston	Related Beal	May	461	278	603	Eastdil Secured
Four Blackfan Circle, Boston (condo)	Intercontinental Real Estate	June	192	273	1,421	HFF
177 Huntington Avenue, Boston	PNC Bank	April	198	138	694	HFF
226 Causeway Street, Boston (condo)	Rockpoint Group	(Pending)	193	107	554	Newmark
The Quad, Cambridge	Invesco Real Estate	April	200	73	365	HFF

Note: For the sale of a stake, the full size and value of the property are shown.

THE GRAPEVINE

... From Page 1

sales for the platform's Southern California team, which is led by executive managing director **Sean Fulp.** Kim will work closely with executive managing director **Bret Hardy,** who leads institutional industrial sales in the Western U.S. Kim departed Friday from CBRE, where he was a first vice president covering Orange County.

Alexander Fraser is leaving **GI Partners** after a 15-year tenure. The word is he'll depart at month's end to pursue new opportunities. Fraser was a managing director at the San Francisco investment manager before becoming a senior advisor at yearend. During his tenure, Fraser lined up acquisitions in real estate and other asset classes, and recruited new separate-account clients.

Acquisitions pro **GauRav Khanna** has joined **Gazit Horizons,** the New York subsidiary of Israel's Gazit-Globe, as a senior vice president. He started in mid-May, focusing on property acquisitions in the New York metropolitan area. He had been a senior vice president at **Vornado Realty** of New York, where he spent the past eight years. Khanna had a prior stint as director of real estate and development for the **Le Pain Quotidien** restaurant chain. Gazit Horizons, launched last year to buy income-producing assets in the U.S., is headed by president **Jeffrey Mooallem.**

Michael Chukwueke will join industrial investor **Duke Realty** this month as a vice president in Irvine, Calif. He'll focus on infill acquisition and development opportunities in Southern California for the Indianapolis REIT. He reports to regional senior vice president **Chris Burns.** Chukwueke spent almost two years at **Rockefeller Group** of New York as a manager of development in the Western U.S. He previously worked at **TIAA-CREF** and **Bascom Group** of Irvine.

Apartment specialist **Kevin Smith** set up an investment shop last month in partnership with **Edwin Villegas,** who heads **Winmar Construction** of Washington. Winmar Capital, also of Washington, will target value-added rental properties of at least 200 units in the Mid-Atlantic region and Florida, with a focus on deals of at least $50 million. Smith spent the past three-plus years working on acquisitions at **Jefferson Apartment Group** of McLean, Va. He had prior stints at **Capreit** and **Centerline Capital.**

KKR has added an associate to its real estate team. **Payton Larson** started this month in the firm's New York headquarters. She joined from **Goldman Sachs,** where she spent three years. Before that, Larson was a real estate investment banking analyst at **RBC.**

Industry veteran **Ned White** joined New York investment shop **Ceruzzi Properties** in the past few weeks. He was previously a principal at **Property Markets Group** of New York, where he had been since 2001. Before that he worked at **Extell Development** of New York for four years and had an earlier three-year stint at Property Markets. His title at Ceruzzi is unknown. The firm, which was led by founder **Louis Ceruzzi** until his death late last year, is now headed by president **Arthur Hooper.**

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