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## THE GRAPEVINE

Former **Bainbridge Cos.** executives **Thomas Keady** and **Paul DeCain** have started a multi-family investment shop. **Aventon Cos.** of Raleigh will purchase and develop suburban properties in the Mid-Atlantic and Carolinas, typically with 250-350 units and price tags of \$40-80 million. Keady spent about two decades at Bainbridge and was president of development when he left the Wellington, Fla., firm in the spring. He had earlier stints at **Ocwen Financial** and **IDI Group**. DeCain was Bainbridge's chief investment officer, stationed in Bethesda, Md., for about eight years before leaving this summer. He was previously a managing director at **Eastdil Secured** in Washington and had a stint at **Wachovia**. DeCain, who remains in Bethesda, said

See **GRAPEVINE** on Back Page

## Allianz Eyes Joining NY Redevelopment Play

**Allianz Real Estate of America** is in advanced talks to buy a roughly 30% stake in a 1.2-million-square-foot Manhattan property slated for redevelopment that just sold for \$880 million.

Terminal Stores, a former warehouse in West Chelsea, was purchased in late October by a partnership among **J.P. Morgan Asset Management**, **L&L Holding** and **Normandy Real Estate**. The group has announced plans to redevelop the block-long property into a “cutting-edge office and retail destination.”

The stake sale would value the complex at the purchase price of \$733/sf. In the deal, which could close this month, the U.S. unit of German insurer Allianz would assume proportional responsibility for a \$650 million acquisition and predevelopment loan the buyers obtained from **Blackstone Mortgage**, **Apollo Global** and **Goldman Sachs**. Allianz also would fund a portion of the \$520 million of equity committed by the J.P. Morgan group. J.P. Morgan is acting on behalf of **California**

See **ALLIANZ** on Page 10

## Luxury Rentals Break Secondary-City Records

Once found mainly in top markets like New York and San Francisco, ultra-luxury apartment properties have been rising in recent years in secondary cities around the country.

And as they come to market, these trophy-quality properties are toppling local pricing records in localities ranging from job-growth centers like Denver and Salt Lake City to retirement destinations in Florida.

Driving the demand for these high-end properties is a confluence of demographic and cultural trends. Affluent “empty nesters” are trading suburban homes for spacious downtown apartments. Technology companies are spreading into smaller cities, where their workers can afford top-of-market rents. Public and private investment is turning city centers into “live-work-play” districts attractive to both groups.

The result can be seen in places ranging from San Jose — where a downtown

See **RECORDS** on Page 8

## Longfellow Buying Stake in SF-Area Offices

**Longfellow Real Estate** has agreed to buy a 49% stake in an office/laboratory complex on the San Francisco Peninsula, in a deal that values the property at \$655 million.

The seller, **PGIM Real Estate**, is retaining the majority interest in the 997,000-square-foot Bayshore Technology Park, in Redwood City, Calif. The 20-building complex is about 90% leased, primarily by technology and life-science tenants. **Eastdil Secured** is advising PGIM.

Boston-based Longfellow, which specializes in buying and developing life-science properties, is ramping up its activity on the West Coast. It made its first purchase in the region last month, paying \$112 million for a 319,000-sf office campus in San Diego. **HFF** advised the local seller, **Parallel Capital**.

The pending deal shows that Longfellow is wasting no time making good on its Western expansion plan. It will pay about \$321 million for its interest in Bayshore

See **LONGFELLOW** on Page 4

## JP Morgan Markets Complex Near SF

**J.P. Morgan Asset Management** is preparing to shop the office and retail portions of a mixed-use complex south of San Francisco.

The offered space, valued at about \$250 million, encompasses some 200,000 square feet of Class-A office space and 57,000 sf of retail space, including a Whole Foods supermarket. The three-building complex, at 1000-1200 Park Place in San Mateo, Calif., also includes 19 separately owned residential condominiums.

The property, called Park Place at Bay Meadows, is 97% occupied, but pending office vacancies are expected to reduce the level to 75% before a sale is complete. The marketing pitch will highlight the potential to lease the vacant space at higher rents. **Newmark**, which has the listing, is expected to kick off the formal marketing campaign in January.

The office space is in two buildings. The condos are in the other building, above the retail space, with the Whole Foods supermarket extending from the base. The offering also includes an underground garage.

The complex is on seven acres near the intersection of U.S. Highway 101 and Route 92, which leads to the San Mateo Bridge across San Francisco Bay. It was completed in 2003. J.P. Morgan acquired the property in 2007 from San Francisco-based **Stockbridge Capital** for \$152 million, or \$591/sf, in a deal brokered by **Eastdil Secured**.

San Mateo, between San Francisco and San Jose, is part of the San Francisco Peninsula office market. But it is gaining popularity with technology companies and is increasingly associated with Silicon Valley. ❖

## Spruced-Up Offices Shown in San Jose

A recently renovated office complex in San Jose is on the market with an estimated value of \$150 million.

The 321,000-square-foot property, called Market Square, consists of two buildings in the heart of downtown, at 111 North Market Street and 111 West Saint John Street. **Newmark** is representing the owners, San Francisco-based **Ridge Capital Investors** and an unidentified partner.

The \$467/sf valuation is well more than double the property's price when the Ridge team acquired it in 2016. It paid San Francisco-based **Swift Real Estate** \$64.8 million, or \$202/sf, in a transaction brokered by Newmark. At the time, the property was called Community Towers and was 78% leased. Swift had paid \$40 million, or \$129/sf, for the property in 2014 when it was 94% leased, but two big tenants exited prior to the sale to Ridge.

Ridge and its partner invested some \$30 million to renovate the 1965-vintage complex. It's now about 80% leased. The pitch is that a buyer could make some additional upgrades, raise below-market rents upon rollover and lease up vacant space. Downtown San Jose has 10.9 million sf of office space that was 85.8% leased at the end of the third quarter, with average asking rents of \$44.40/sf.

The complex is within two blocks of a light-rail station and adjacent to San Pedro Square, an entertainment and food hub

for the city. The 12-story building at 111 West Saint John Street has 164,000 sf, and the 10-story structure at 111 North Market measures 157,000 sf.

As technology companies have gobbled up large blocks of space in the top submarkets of the Bay Area and Silicon Valley, San Jose's downtown has benefited from a surge of investment. For example, **Alphabet** and Dallas developer **Trammell Crow** plan to build an 8 million-sf mixed-use development on land surrounding the San Jose Diridon train station, less than a mile from Market Square.

The downtown area was long a "9-to-5" district, but has already made progress in pivoting toward a "live-work-play" community attractive to younger workers and their employers. Since 2000, more than 3,700 apartments have been added downtown, with nearly 60% of those developed since 2015. Another 2,100 units are under construction and there are plans for new hotels and other commercial development in the area. ❖

## Accesso Buys Suburban Minn. Offices

**Accesso Partners** has acquired a suburban Minneapolis office complex with an eye toward boosting its occupancy and revenue.

The fund manager paid \$115.5 million last week for the 497,000-square-foot Towers at West End, in St. Louis Park, Minn. The pricing works out to \$232/sf. **CBRE** brokered the sale, which closed Friday, for **DRA Advisors** of New York.

Accesso, a Hallendale Beach, Fla., fund manager, is planning to seek an equity partner to take a 70% stake in the property. The complex consists of two nine-story buildings, at 1550 & 1600 Utica Avenue South, in the West End Office Park about 5 miles west of downtown Minneapolis.

The marketing pitch emphasized the opportunity to lease vacant space and lift below-market rents. The property is 84% occupied, compared to around 88% at nearby Class-A properties. In-place rents are about 18% below the average asking rent in the surrounding West End submarket. Accesso plans to renovate the lobbies of both buildings and build a "demo" suite as part of a push to attract tenants.

The 29 existing tenants have a weighted average remaining lease term of 5.35 years. The largest are **MoneyGram Payment System** (97,000 sf), **Concur Technologies** (69,000 sf) and **Magenic Technologies** (57,000 sf).

The acquisition is Accesso's second in the Minneapolis market. In 2013, when it was known as Beacon Investment Properties, it led a joint venture that paid \$253.5 million for IDS Center, a 1.4 million-sf downtown Minneapolis office tower that's the tallest building in Minnesota.

Towers at West End's larger building, at 1550 Utica, with 243,000 sf, was developed in 1987, and the one at 1600 Utica, with 253,000 sf, was completed in 2000. They sit on about 7.7 acres with more than 2,500 surface and garage parking spaces. Amenities include a fitness center, outdoor courtyard seating, a conference center, a cafe, a hair salon and a tenant lounge.

The property is adjacent to the Shops at West End, and in the vicinity of a variety of retail, entertainment and dining venues. It's near the intersection of Interstate 394 and State Route 100. ❖

## New Rentals Listed Near Fenway Park

A **PGIM Real Estate** partnership is pitching a swanky new apartment building in Boston's Fenway section that could draw bids near \$150 million.

The 212-unit Harlo, at 1350 Boylston Street, is 96% occupied. The estimated value works out to \$708,000/unit. **Eastdil Secured** is representing PGIM and its partner, Swedish developer **Skanska**.

The 17-story property is about two blocks from Fenway Park, the home stadium of the **Boston Red Sox** baseball team. The complex opened a year ago, one of several recent developments increasing the area's appeal to millennials.

The apartments average nearly 1,500 square feet. They range from studios to three bedrooms and include some duplex lofts with terraces. Features include exposed concrete ceilings, quartz counters, blackout shades and Nest thermostats. Some units have views of Fenway Park, the Charles River and downtown Boston, which is 3 miles away. Rents average \$5.50/sf. Amenities include a pet spa, co-working spaces, a rooftop sky deck and a fifth-floor terrace with grilling stations. There's also a 24-hour concierge and laundry services.

The property is about a quarter-mile from a stop on the MBTA Green Line. ❖

## 3 Boutique Hotels Pitched in N. Calif.

**MetWest Ventures** is marketing three Northern California boutique hotels with a combined value of about \$130 million.

The portfolio encompasses the 115-room Toll House Hotel in Los Gatos, the 91-room Hotel Abri in San Francisco and the 103-room Lodge at Tiburon in Tiburon.

The properties, which are being offered as a package, generate roughly \$7.4 million of annual net income. At the estimated value of \$421,000/room, the capitalization rate would be 5.7%. **Eastdil Secured** is representing Los Angeles-based MetWest.

The pitch is that the properties are in areas where hotel performance is strong and there is little room for additional development. The hotels are being offered unencumbered by brand and management contracts. Some \$10.3 million was spent on upgrades recently, but the hotels would benefit from additional improvements.

The Toll House Hotel generated \$2.9 million of net income in the 12 months ending Sept. 30. It's at 140 South Santa Cruz Avenue, about 12 miles southwest of San Jose. The property includes a spa. It would benefit from expanding the meeting space, now less than 2,800 square feet.

The Hotel Abri produced \$1.7 million of net income in the year ending June 30, according to a loan-servicer report. It is at 127 Ellis Street in the popular Union Square district. A buyer might want to add ground-floor retail space.

The Lodge at Tiburon had \$1.4 million of net income in the first six months of the year. The Marin County property, at 1651 Tiburon Boulevard, has an outdoor pool, a hot tub and a sky deck. ❖

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## Apartment Buyer Forms 7th Fund

Multi-family property buyer **Hamilton Point Investments** is marketing a value-added vehicle.

The Old Lyme, Conn., firm began raising capital for its HPI Real Estate Opportunity Fund 7 in October with a \$100 million equity target. It already has closed on \$16 million. With leverage, the fund would have some \$300 million of buying power.

Hamilton Point doesn't use a placement agent, and instead raises capital from wealthy individuals via broker-dealers and registered investment advisors. That allows the firm to assemble and deploy smaller funds more rapidly.

Hamilton Point aims to produce a 14% return via acquisitions of properties in secondary markets in the Southeast and Midwest, where it can avoid competition with larger fund operators and big institutional investors.

Fund 6, which also had a \$100 million equity target, held a final close this year and already is fully invested. All told, Hamilton Point's first six vehicles raised about \$463 million. The firm has purchased some 70 properties encompassing 15,000 units overall.

Hamilton Point was founded in 2010. It is led by managing principals **David Kelsey** and **Matthew Sharp**. Director **Chrissy Martel** oversees investor relations. Senior vice president **Edward Tracy** leads asset management. The firm also has a property-management arm. ❖

## Brookfield Snags Boston Building

**Brookfield Property** has agreed to pay \$92 million for an office building in the red-hot Boston Seaport District that has a below-average occupancy rate.

The investment manager won a heated bidding contest for the 152,000-square-foot property, at 51 Sleeper Street. The price translates to \$605/sf. **HFF** is representing the seller, **TIAA** unit **TH Real Estate**.

Bidders were attracted by the potential to boost income by leasing vacant space. The occupancy rate is 85%, less than the 91% average in the district. Rents average \$39.55/sf, well below the submarket's \$53.34/sf average asking rate. The weighted average remaining lease term is 5.1 years.

Brookfield's projected stabilized yield is 6%, once the occupancy rate and rents are brought in line with the market.

The eight-story building is near Seaport Boulevard, at the start of a stretch of offices, shops, hotels and restaurants. It's about a block from a bridge connecting to the Financial District. The area has benefited from a wave of public and private development in recent years, and several major companies have relocated to the area.

TH Real Estate paid \$60.2 million for the property in 2013. It was listed last year as part of a larger portfolio, but a deal never emerged. ❖

## Longfellow ... From Page 1

Technology Park. The pricing values the property at \$657/sf.

PGIM acquired the complex in 2005 from local developer **Peery Arrillaga** for \$236.5 million, or \$237/sf. Then known as Westport Office Park, the property was just 40% leased at the time, according to the **Silicon Valley Business Journal**. PGIM renamed it, made a number of upgrades and repositioned it as one of the Bay Area's largest multi-tenant office campuses for technology and life-science tenants.

Bayshore Technology Park is near the intersection of Routes 101 and 92, roughly 25 miles from both San Francisco and San Jose. The buildings are at 900-1300 Island Drive and 800-3800 Bridge Parkway, alongside an inlet off San Francisco Bay.

The property's amenities include a cafe, a fitness center, an outdoor recreation area with a basketball court, a training center with a kitchen, and walking trails. There are many restaurants and hotels in the surrounding neighborhood, and a shuttle connects to a nearby Caltrain station.

Longfellow owns properties that total more than 3 million sf, a figure that would be boosted significantly by the pending acquisition. In addition to San Diego, the firm has holdings in the Boston, Philadelphia and Raleigh markets. ❖

Need to see the largest property sales that were completed recently? Go to the Market section of REALert.com and click on "Largest Deals." It's free.



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## Buyers Snap Up Tampa-Area Rentals

Separate buyers have acquired two value-added apartment complexes near Tampa for a total of \$125 million.

**General Services** of Richmond, Va., purchased the 390-unit Grand Reserve at Park Isle in Clearwater, Fla., from **Milestone Group** of Dallas for \$78 million, or \$200,000/unit.

Meanwhile, **Independence Realty** of Philadelphia bought the 276-unit Lucerne Apartments in Brandon, Fla., from **Sentinel Real Estate** of New York for \$47 million, or \$170,000/unit.

**Newmark** brokered both sales, which closed in the past few weeks. The garden-style communities are near large employers and shopping centers. The two buyers plan to expand on recent improvements.

Grand Reserve, on a 27-acre site at 2600 West Grand Reserve Circle, is 95% occupied. It was built in 1998 and encompasses 15 two- and three-story buildings.

The average asking rent is \$1,471, or \$1.25 a square foot, below the roughly \$1.75/sf average at newer properties nearby. Milestone has upgraded more than a quarter of the units, leading to rent increases of \$155. The amenities were also upgraded.

The 11-building Lucerne, which was completed in 2002, is on a 15-acre site at 1419 Lake Lucerne Way. It is about 96% occupied at an average rent of \$1,193, or \$1.22/sf. The amenities and common areas were recently renovated. The marketing pitch was that a buyer could upgrade the apartments and seek to raise rents. ❖

## SC Building Offers Leasing Upside

An investment shop is pitching a renovated office building in South Carolina as a leasing play.

The 160,000-square-foot Wells Fargo Center, in Greenville, is valued at roughly \$31 million, or \$194/sf. **HFF** is representing the owner, **CapRocq** of Little Rock, Ark.

The nine-story building, at 15 South Main Street, is 85.5% occupied, with a weighted average remaining lease term of 5.3 years. **Wells Fargo** is leasing 35.1% of the space until 2025. The other 15 tenants include local and national firms in the finance, law and architecture sectors. There is 5,000 sf of retail space on the ground floor, occupied by a Wells branch and two other tenants. A connected parking deck has about 680 spaces.

Amenities include a fitness center, locker rooms, round-the-clock security and an outdoor courtyard.

The Class-A property was constructed in 1973. Over the past two years, CapRocq spent nearly \$3 million upgrading mechanical systems, common areas and signage. Marketing materials said the facelift and the amenity package put the building in a strong position to attract tenants seeking Class-A office space in the Central Business District. The building's average asking rent is \$28/sf.

The property, at East Washington Street, is on a tree-lined section of Main Street that features wide sidewalks, outdoor plazas and numerous stores and restaurants. ❖

## Troubled Hotel Listed in Suburban NY

A bankruptcy trustee has put a boutique hotel on the block in suburban New York.

The 133-room Time Nyack could attract bids of about \$30 million, or \$226,000/room. That's about \$10 million less than the property's debt load. **Cushman & Wakefield** has the listing.

The hotel is at 400 High Avenue in the village of Nyack, within Orangetown. It opened in 2016 and isn't yet fully stabilized. A federal judge put it under bankruptcy protection in July following allegations that its manager defrauded the local ownership group, according to **The Journal News**.

The four-story property was converted from a brick factory alongside an entrance ramp for the New York State Thruway (Interstate 287). It is described as the first high-end boutique hotel in Rockland County. It includes a BV Grill restaurant, a lounge with a bar and an outdoor pool and patio.

A buyer would continue ramping up the property's performance and complete the construction of a 4,400-square-foot rooftop deck that includes another bar and offers views of the Hudson River. "Time" is an upper-upscale lifestyle brand managed by **Dream Hotel** of New York, but the property is being offered unencumbered by brand and management contracts.

Time Nyack is a few blocks from Montefiore Nyack Hospital, 1 mile east of Palisades Center mall and 1 mile west of the newly built Cuomo Bridge, which replaced the Tappan Zee Bridge. ❖

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## CALENDAR

## Main Events

Dates	Event	Location	Organizer	Information
Jan. 14-16, 2019	CREFC January Conference 2019	Miami	CREFC	<a href="http://www.crefc.org">www.crefc.org</a>
Jan. 16-18	Winter Forum: Real Estate Opp. & Private Fund Investing	Laguna Beach, Calif.	IMN	<a href="http://www.imn.org">www.imn.org</a>
Feb. 10-13	CREFC/Multifamily Housing Convention	San Diego	MBA	<a href="http://www.mba.org">www.mba.org</a>
March 14-15	PREA Spring Conference	Dallas	PREA	<a href="http://www.prea.org">www.prea.org</a>

## Events in US

Dates	Event	Location	Organizer	Information
Dec. 10	Cap Intro: Real Estate Fund Investing	New York	Catalyst Financial	<a href="http://catalystforum.com">catalystforum.com</a>
Dec. 11-12	Global Institutional Real Estate Investor Forum	New York	Markets Group	<a href="http://www.marketsgroup.org">www.marketsgroup.org</a>
Dec. 13	Multifamily Forum New England	Boston	Marcus & Millichap	<a href="http://www.multifamilyforum.com">www.multifamilyforum.com</a>
Dec. 13	Holiday Party	Chicago	REIA	<a href="http://www.reia.org">www.reia.org</a>
Dec. 13	Industrial Real Estate Forecast		CAPRE	<a href="http://www.capremedia.com">www.capremedia.com</a>
Dec. 19	Breakfast with Real Estate Titans	New York	iGlobal Forum	<a href="http://www.iglobalforum.com">www.iglobalforum.com</a>
Jan. 9, 2019	New Year's Networking Event	New York	RELA	<a href="http://www.rela.org">www.rela.org</a>
Jan. 29	Apartment Strategies Outlook Conference	San Diego	NMHC	<a href="http://www.nmhc.org">www.nmhc.org</a>
Jan. 29-31	NMHC Annual Meeting	San Diego	NMHC	<a href="http://www.nmhc.org">www.nmhc.org</a>
Jan. 31	Data Center & Cloud Infrastructure Forecast East	Dulles, Va.	CAPRE	<a href="http://www.capremedia.com">www.capremedia.com</a>
Feb. 7-8	Middle-Market Multifamily Forum Northeast	New York	IMN	<a href="http://www.imn.org">www.imn.org</a>
Feb. 11-12	Bank Special Assets & Credit Officer's Forum East	Miami	IMN	<a href="http://www.imn.org">www.imn.org</a>
Feb. 25-26	New Hotel Construction & Development	New York	IMN	<a href="http://www.imn.org">www.imn.org</a>
Feb. 26	Northern California Data Center Summit	San Francisco	CAPRE	<a href="http://www.capremedia.com">www.capremedia.com</a>
Feb. 28	Real Estate Women's Forum	New York	Green Pearl	<a href="http://rewomensforum.com/newyork">rewomensforum.com/newyork</a>
Feb. 28	Data Center & Cloud Infrastructure Summit	Scottsdale, Ariz.	CAPRE	<a href="http://www.capremedia.com">www.capremedia.com</a>
March 12	Opportunity Zones Forum	New York	IMN	<a href="http://www.imn.org">www.imn.org</a>
March 19-20	Middle-Market Multifamily Southwest	Dallas	IMN	<a href="http://www.imn.org">www.imn.org</a>
March 21-22	Multifamily Property Management	Austin	IMN	<a href="http://www.imn.org">www.imn.org</a>
March 31-April 3	Real Estate Investment Summit	West Palm Beach, Fla.	Opal Group	<a href="http://www.opalgroup.net">www.opalgroup.net</a>
April 1-3	2019 Spring Conference	San Antonio	ADISA	<a href="http://www.adisa.org">www.adisa.org</a>
April 2	Strategic Real Estate & Lending Summit	New York	MBAofNY	<a href="http://www.mmany.org">www.mmany.org</a>
April 3	Texas Institutional Real Estate Investor Forum	Austin	Markets Group	<a href="http://www.marketsgroup.org">www.marketsgroup.org</a>
April 10	East Institutional Real Estate Investor Forum	New York	Markets Group	<a href="http://www.marketsgroup.org">www.marketsgroup.org</a>
April 29-30	Real Estate Private Equity Forum on Land & Homeblgd.	Miami	IMN	<a href="http://www.imn.org">www.imn.org</a>
April 29-30	Real Estate Family Office & Private Wealth Mgmt. Forum	Dana Point, Calif	IMN	<a href="http://www.imn.org">www.imn.org</a>
May 14-15	Middle-Market Multifamily West	Santa Monica, Calif.	IMN	<a href="http://www.imn.org">www.imn.org</a>
May 16-17	Real Estate CFO & COO Forum West	Santa Monica, Calif.	IMN	<a href="http://www.imn.org">www.imn.org</a>
May 19-22	ReCon	Las Vegas	ICSC	<a href="http://www.icsc.org">www.icsc.org</a>
June 5	West Institutional Real Estate Forum	San Francisco	Markets Group	<a href="http://www.marketsgroup.org">www.marketsgroup.org</a>
June 12-13	Real TECH 2019	New York	IMN	<a href="http://www.imn.org">www.imn.org</a>
June 24-25	Non-Listed Alternative Investment Products Symposium	New York	IMN	<a href="http://www.imn.org">www.imn.org</a>
July 15	Annual Golf & Tennis Outing 2019	Ardsley On Hudson, N.Y.	MBANY	<a href="http://www.mmany.org">www.mmany.org</a>
July 15	Cap Intro: Real Estate Fund Investing	New York	Catalyst Financial	<a href="http://www.catalystforum.com">www.catalystforum.com</a>

## Events Outside US

Dates	Event	Location	Organizer	Information
Dec. 9-10	Real Estate Investment: Valuation & Financing	Dubai, UAE	Fitch Learning	<a href="http://www.fitchlearning.com">www.fitchlearning.com</a>
Jan. 21-22, 2019	Alternative Investments Conference	London	LSE	<a href="http://lseaic.com">lseaic.com</a>
Feb. 4-5	Global Alternative Investing Summit 2019	London	Opal Group	<a href="http://www.opalgroup.net">www.opalgroup.net</a>

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

## Records ... From Page 1

high-rise now on the market is expected to break the city's \$627,000/unit pricing record set just last year — to Fort Lauderdale, Fla., where a luxury tower is being shopped with an eye-popping whisper price of \$846,000/unit.

"Ultra-luxury apartments are new to Fort Lauderdale this cycle," said **Still Hunter**, co-head of **CBRE's** South Florida multi-family brokerage team. "I think people across the demographic spectrum are beginning to appreciate the benefits of renting versus owning. And you see these communities popping up that are so nice, and it's interesting to see that the ones with the highest rents are outperforming everything else."

Whether moving up in their careers or approaching retirement, pros say many tenants at these properties are seeking large floorplans, condo-quality finishes and locations within walking distance of shops and restaurants. They're also attracted by hotel-like amenities, such as 24-hour concierge service, valet parking, expansive lobbies and ample lounge areas.

Older "renters by choice" are looking to trade out of homeownership, but not necessarily downsize. Buildings that cater to them with larger-than-average apartments are one reason for high per-unit valuations.

"We're witnessing renters seeking two-bedroom and three-bedroom places, so when their kids come in from college, they still have a large living space, but they don't have all the maintenance and upkeep that they were accustomed to," said **Will Matthews**, head of **Colliers International's** east region multi-family advisory group.

Demand from older, affluent renters was the driving force behind the development of the 183-unit McKenzie in Dallas, which opened this year. The 22-story property has an average unit size of 1,607 square feet and rents that start at \$3,550. Representatives of the developer — a partnership between Toronto fund manager **Tricon Capital** and local firm **StreetLights Residential** — told local media outlets that most of the tenants are in their 50s and 60s, and some had recently sold their homes. **Eastdil Secured** is marketing the property. It's expected to attract bids of \$140 million, which would translate into a Dallas-area record of \$765,000/unit — roughly five times the city's average per-unit price.

In the Gulf Coast city of Sarasota, Fla., marketing is under way for the 180-unit DeSota, which also caters to wealthy middle-aged renters. Its average tenant is 48 years old and has an annual household income of \$223,700. Units average 1,139 sf, among the largest in the market. The building is expected to fetch bids around \$85 million, or \$472,000/unit, more than double the local record of \$215,000/unit. **Cushman & Wakefield** is representing the developers, **Carter & Associates** of Atlanta and **Hunt Cos.** of El Paso, Texas.

Cushman is also the broker for the Icon Las Olas high-rise in downtown Fort Lauderdale. Local developer **Related Group** designed it as a condominium building, but opened it this year as a rental property due to high tenant demand — and it's now 95% leased. The estimated value of \$230 million would slightly

exceed the high-water mark for a Florida multi-family trade — and at \$846,000/unit, would blow away Fort Lauderdale's record of \$526,000/unit set last year.

Meanwhile, the migration of technology companies to markets like Austin, Denver, Pittsburgh, Raleigh/Durham, Salt Lake City and Portland, Ore., has likewise spurred development of high-end apartments catering to their workforces — which in many cases can afford rents well above typical levels.

The Salt Lake City region has become known as "Silicon Slopes," thanks to the large presences of technology companies including **Adobe** and **Microsoft**. **Kip Paul**, a Cushman broker there, said asking rents at some apartments in the area may shock local renters but be considered a bargain for high-tech workers relocating from primary markets like San Francisco. "One [apartment] manager told me that when local people would look at units they'd say: 'You want \$1,300 for a one-bedroom? You're nuts,'" Paul said. "But people moving here from out of state would say: '\$1,300 for a one-bedroom? I'll take two of them.'"

The Denver area, where **Alphabet**, **CA Technologies** and **Oracle** each have more than 500 employees, has seen a spate of luxury-apartment development in recent years, leading to new pricing records. Only three properties in the city have ever sold for more than \$400,000/unit — all three in the last 18 months. The current record is \$649,000/unit, set in 2017 when the 218-unit Steele Creek Apartments sold for \$141.5 million.

"Technology firms have played a significant role in the leasing up of these Class-A deals, especially in secondary markets," said Matthews at Colliers. "There are meaningful tech-growth stories in Pittsburgh, Austin and Raleigh. So many of these secondary markets have a critical renter base that's from the technology community."

In San Jose, the technology industry is undoubtedly fueling a boom in luxury high-rise apartments, which local pros said didn't exist in the last cycle. The city is becoming the de facto urban hub of Silicon Valley, and a variety of development and transportation projects are underway — including a plan by Alphabet to develop up to 8 million sf of office space over the next several years.

Last year's sale of the 213-unit 360 Residences for \$133.5 million set a new San Jose per-unit record of \$626,000/unit. And that may not last long. A 312-unit high-rise, One South Market, hit the block last month and is expected to fetch around \$641,000/unit, or \$200 million. **HFF** is representing the owner, **Essex Property** of San Mateo, Calif.

"For decades, downtown San Jose has severely lagged other urban markets when it comes to offering a true live-work-play environment," said **Philip Saglimbeni**, a San Mateo-based broker at **Marcus & Millichap's** Institutional Property Advisors platform. "It's really only over the last four to five years that that has started to change."

The record valuations seen in recent trades show that at least some investors see ultra-luxury properties in secondary markets as a good bet. Part of the appeal, market pros said, is that

See RECORDS on Page 9



**Records** ... From Page 8

the bidding pools aren't as deep as they are in bigger markets, so capitalization rates tend to be higher.

But bid-ask spreads may be starting to widen.

**Brian McAuliffe**, president of institutional properties in CBRE's capital markets division, said rent growth at many core properties, including the new luxury buildings, hasn't been as

strong as it had been in earlier years, and bidders are keeping that in mind.

"The availability of capital, and the interest by capital for these types of offerings, continues to be very strong, but at much more disciplined valuation levels compared to previous years," he said, speaking specifically about the past six months. "And that's a direct result of the more modest rent growth that these properties are able to achieve in today's market." ❖

**ON THE MARKET**

**Retail**

Property	Size	Estimated Value	Owner	Broker	Color
Little Elm Towne Crossing, 2700 East Eldorado Parkway, Little Elm, Texas	150,000 sf 95.2% leased	\$31.5 million Yield: 7%	Dunhill Partners, Dallas	HFF	Completed in 2007 in an affluent part of suburban Dallas. Average household income within 5 miles is \$151,000. Marketing campaign touts the center's stability, with 80% of the leased space occupied by national retailers, including 24 Hour Fitness, Dollar Tree and Hobby Lobby. Weighted average remaining lease term: 4.1 years.

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## Manhattan Apartments Up for Grabs

Three adjacent apartment buildings on Manhattan's East Side are on the block with an asking price of \$40 million.

The properties, at 344-348 East 62nd Street in the Lenox Hill neighborhood, encompass 70 apartments and two retail units. At the \$571,000/unit price, the buyer's initial annual yield would be a scant 2.5%, based on \$1 million of in-place net operating income. **Avison Young** is representing the owner, an unidentified partnership that has held the buildings for more than 60 years.

The six-story buildings are 94% occupied. There are 24 units each at 344 and 346 East 62nd Street. The property at 348 East 62nd Street houses 22 apartments and the retail spaces, one of which is leased.

While the likely capitalization rate would be skimpy, marketing materials note that the properties include 43 units with some form of rent control that a buyer eventually could renovate and offer at higher rates. There also are 23 market-rate units that could benefit from upgrades.

Marketing materials additionally point out that rents for the market-rate units are well below those for comparable properties. A buyer also could convert one-bedroom units to two bedrooms and expand ground-floor units into a cellar level, creating duplexes with backyard spaces.

The buildings are between First Avenue and Second Avenue on the south side of East 62nd Street, two blocks from the Roo-

sevelt Island Tramway and the Ed Koch Queensboro Bridge.

The pitch highlights the strength of the recently rezoned Midtown East area, where an expected office-redevelopment wave promises to boost employment. ❖

## Allianz ... From Page 1

**State Teachers**, according to **Bloomberg**.

**CBRE** brokered the October sale on behalf of a joint venture between New York fund operator **GreenOak Real Estate** and an entity led by local investor **Coleman Burke**.

The property, at 271 11th Avenue, consists of connected seven- and nine-story buildings that fill the block bounded by 11th and 12th Avenues and West 27th and West 28th Streets, just south of the Hudson Yards redevelopment area. The buildings were constructed in 1891 as warehouses, with railroad tracks running through the ground floor of the complex.

Burke, operating via **Waterfront New York**, bought the property in 1983 for \$12 million, according to **Commercial Observer**. The firm then converted the building to self-storage and office space. Tenants include architecture firm **Grimshaw**, cosmetics firm **L'Oreal USA** and **Uber Technologies**. GreenOak bought a partial interest in a 2014 deal that valued the property at about \$300 million.

The new ownership group intends to convert about 500,000 sf of self-storage space to Class-A offices. It would also add 100,000 sf of glass-enclosed penthouse office space on top of the complex, according to **The Real Deal**, which reviewed development plans. That addition would require approval from **New York City's Landmarks Preservation Commission**. The plans also call for a rooftop terrace, which would overlook the Hudson River a block to the west, and a retail corridor within the complex, similar to Chelsea Market.

For Allianz, the deal would be its second large minority-stake acquisition this year in Manhattan. In January, it completed a two-step transaction to purchase a 43% interest in the nearly 1.9 million-sf building at 1515 Broadway. That transaction valued the property at \$1.95 billion, or \$1,050/sf. Seller **SL Green Realty** of New York retained the majority interest. ❖

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## NEW DEALS

### Raleigh-Area Apartments

**Hudson Capital Properties** paid \$55 million for a garden-style apartment complex in a suburb of Raleigh. The New York investment shop closed Nov. 20 on the \$182,000/unit purchase of the 302-unit Cornerstone Apartments, at 100 Terrastone Place in Cary, N.C. **Newmark** brokered the sale for **White Oak Partners** of Columbus, Ohio. Hudson plans extensive upgrades to the 1997-vintage property, which consists of 19 three-story buildings on 24 acres. It's 96.7% occupied at an average rent of \$1,206, or \$1.25/square foot. ❖

## MARKET SPOTLIGHT

## Silicon Valley-Area Office Properties

- This is the fifth straight year that sales have eclipsed the last cycle's \$5.4 billion peak. Closed and pending transactions total \$7.3 billion, putting the market on track for its second-highest total ever, trailing only the \$9.7 billion record set in 2015.
- The booming technology sector has sent property valuations soaring. The average per-foot price has jumped 26% this year to \$655/sf, more than double the previous cycle's high. The \$2,252/sf sale of 530 Lytton Avenue in Palo Alto set a new record.
- HCP's unbrokered sale of Shoreline Technology Center in Mountain View for \$1 billion was the largest single-property office trade in Silicon Valley history. CBRE represented the buyer, Alphabet, whose Google unit is the biggest tenant.

## On the Market

Property	Seller	Hit Market	SF (000)	Estimated Value (\$Mil.)	(Per SF)	Broker
HQ@First (110-130 Holger Way), San Jose	Pimco, Lane Partners	September	604	\$500	\$828	Newmark
400-450 Concar Drive, San Mateo	Goldman Sachs, Hines	September	306	300	980	Eastdil Secured
Park Place at Bay Meadows, San Mateo	J.P. Morgan Asset Management	(Pending)	257	250	973	Newmark
Oakmead West, Sunnyvale	DWS Group	September	431	200	464	CBRE
Campus Center, Milpitas	Hudson Pacific Properties	October	472	170	360	Eastdil Secured
Market Square, San Jose	Ridge Capital Investors	November	321	150	467	Newmark
Murphy Crossing, Milpitas	Embarcadero Capital	(Pending)	369	130	352	Newmark
Century Plaza, Foster City	DivcoWest	November	116	60	517	Newmark
2460 & 2480 North First Street, San Jose	TMG Partners	November	148	56	378	Cushman & Wakefield
2150 North First Street, San Jose	Wayzata Investment	October	120	50	417	Newmark
3600 Peterson Way, Santa Clara	Consolidated-Tomoka Land	November	75	45	600	Newmark
2665 North First Street, San Jose	New York Life	October	131	45	344	Newmark

## Recent Deals

Property	Buyer	Closed	SF (000)	Sales Price (\$Mil.)	(Per SF)	Broker
Shoreline Technology Center, Mountain View	Alphabet	November	\$800	\$1,000	\$1,250	None
Bayshore, Redwood City (49% stake)	Longfellow Real Estate	(Pending)	997	655	657	Eastdil Secured
3000 Hanover Street, Palo Alto	Sand Hill Property	October	519	380	733	Cushman & Wakefield
Sierra Point Towers, Brisbane	HCP	(Pending)	427	245	573	Eastdil Secured
4300 & 4400 North First Street, San Jose	Alphabet	November	377	155	410	HFF
Pruneyard Office Towers, Campbell	(Unidentified)	(Pending)	365	145	397	Eastdil Secured
11 R&D buildings	(Unidentified)	(Pending)	799	141	176	Eastdil Secured
530 Lytton Avenue, Palo Alto	C.M. Capital	October	52	118	2,252	Newmark
3170 Porter Drive (leasehold), Palo Alto	(Unidentified)	(Pending)	99	100	1,014	Eastdil Secured
Gold Street Technology Center, San Jose	PSAI Realty	September	303	92	304	Newmark
Central Park Plaza, San Jose	Preylock Real Estate	September	308	84	272	None
Valley Oak Technology Center, San Jose	Kennedy Wilson	September	434	81	187	CBRE
590 East Middlefield Road, Mountain View	Sand Hill Property	September	100	80	801	Eastdil Secured
San Carlos Science Center, San Carlos	(Unidentified)	(Pending)	82	70	849	JLL
1149 Chess Drive, Foster City	(Unidentified)	(Pending)	126	65	514	JLL
Century Plaza at Santana Row, San Jose	(Unidentified)	(Pending)	104	64	618	Cushman & Wakefield
85 Willow Road, Menlo Park	(Unidentified)	(Pending)	39	60	1,552	JLL
3850 Fabian Way, Palo Alto	(Unidentified)	(Pending)	100	60	600	JLL
5905-5965 Silver Creek Valley Road	Santa Clara County	(Pending)	346	51	147	(None)
Five R&D/flex buildings, Fremont	(Unidentified)	(Pending)	222	49	221	Eastdil Secured
Orchard Corporate Center, San Jose	(Unidentified)	(Pending)	101	48	475	Cushman & Wakefield
2581 Junction Avenue, San Jose	Nautilus Global Investment	November	93	29	316	CBRE

Note: For the sale of a stake, the full value of the property is shown.

**THE GRAPEVINE**

... From Page 1

the new shop will tap his and Keady's investor contacts to raise capital for one-off deals.

**Newmark** has added an investment-sales team in Stamford, Conn. Five members of local boutique brokerage **RHYS**, including founder **Cory Gubner**, moved to Newmark last month. Gubner was named an executive managing director. He's joined by managing director **Christian Banger**, directors **Alex Haendler** and **Sam Chambers** and associate director **Jon Conway**. The team will handle property sales, as well as office and retail leasing, in Connecticut and New York's Westchester County.

Nascent fund operator **Jadian Capital** has hired a managing director for investor relations. **Matthew Innes** joined the New York firm last month. He was previously a vice president at New York advisory firm **Hodes Weill & Associates** and had earlier stints at **Building and Land Technology**

of Stamford, Conn., **Camden Securities** of White Plains, N.Y., and **CBRE**. Jadian, which invests in commercial real estate, other real assets and associated companies, is led by managing partner and founder **Jarret Cohen**. He founded the shop last year after leaving **Fir Tree Partners** of New York, where he was head of private real estate.

Law firm **DLA Piper** has added **Fonda Duvanel** to its real estate team in New York. She started Monday as of counsel, representing clients nationally on property sales and acquisitions, development projects, debt and equity financing and loan servicing. She reports to partners **Chris Smith** and **Eugene Pinover** as part of the firm's 200-attorney real estate practice. Duvanel spent the past 21 years at **Schulte Roth** in New York, working on a variety of real estate transactions.

**Arash Najafi** started at Greenwich, Conn., advisory firm **Arch Street Capital** last month as a vice president in New York. He's focused on acquisitions of single-tenant, net-leased properties

nationwide, mostly in the office and industrial sectors. He reports to president and chief investment officer **Anup Patel** and senior vice president **Damian Taylor**. Najafi previously worked on investments at **Thor Equities**, the New York shop led by investor **Joe Sitt**. Najafi had prior stints at **RBS** and **Stonehenge Management** of New York.

**Kerrie Weis** joined **TH Real Estate** in San Francisco last month as a senior director of retail investments. Weis had been a senior vice president at **Eastdil Secured**, where she spent eight and a half years.

**Nadia Podkopova** joined **Spirit Realty Capital** this month as a director of acquisitions in its Dallas headquarters. Podkopova had been a vice president of acquisitions and asset management at **Tricom Real Estate** of Dallas, where she spent nearly four years. She previously worked at **Capview Partners** and **Dunhill Partners**, both of Dallas. Spirit, founded in 2003, is a public REIT that focuses on single-tenant, triple-net-leased properties.

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