



# IREN

A wrap-up of  
the week's top stories

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## SEARCHES

### Iowa Public Employees Retirement System Searching for REIT Manager

The \$23 billion Iowa Public Employees Retirement System (PERS) plans to conduct a search for a REIT manager to focus on the U.S. market. Karl Koch, chief investment officer, tells IPE Real Estate the fund is happy with the performance of its existing domestic REIT manager, RREEF, and was simply looking to diversify in the REIT manager space.

RREEF currently manages a domestic REIT portfolio for Iowa PERS valued at \$225 million. The pension fund's real estate managers are RREEF, ING Clarion Partners, Invesco Real Estate, TA Associates Realty and UBS Realty Investors. *Source: IPE Real Estate, 11/11/10*

says Li. "So naturally there's a huge demand for high-end resorts."

The firm aims to hold a final closing for the six-year vehicle in January 2011. *Source: PERE News, 11/9/10*

### Sniper Capital Launches \$100 Million Macau Property Fund

Sniper Capital, a leading real estate fund manager focused on Macau and southern China, has launched a \$100 million private closed-end fund, Macau Sniper Fund, that will target undervalued non-gaming real estate opportunities in Macau. The fund's target portfolio will consist primarily of a mix of retail and restaurant assets and potentially some residential properties.

Macau Sniper Fund has received initial commitments of \$20 million from the firm's existing investor base. Sniper Capital, which has committed \$5 million of its own investment capital, will seek to build on this early momentum with a target close during the first quarter of 2011. *Released 11/11/10*

## OFFERINGS

### Banyan Tree Holds First Closing for its First China Hotel Fund

Banyan Tree Holdings, a Singapore-listed hospitality and leisure development and fund management business, has raised 953 million Yuan (\$141 million) for its first China hospitality and resorts fund, Banyan Tree China Hospitality Fund. The fund aims to make investments in Chinese companies that will undertake hospitality projects to be branded with the Banyan Tree name.

Zhang Li, managing director at Banyan Tree's Hong Kong office, tells *PERE* the fund was already effectively pre-seeded with four projects where the development land has already been acquired by the firm or is in the process of being acquired.

"As the Chinese economy expands fast, a lot of people want to spend more and more money on upgrading their living standards including things like taking more vacations,"

## COMMITMENTS

### Texas Employees Commits \$60 Million to Value-Added Fund

The \$95.2 billion Employees Retirement System of Texas committed \$60 million to Madison International Real Estate Liquidity Fund IV, a value-added fund. It focuses on all the main property types in the United States, and the fund will have the ability to invest a portion of its capital in the United Kingdom and Western Europe.

With the commitment to Madison International Real Estate Liquidity Fund IV, the pension fund has now made \$260 million of real estate commitments this year. It started the year projecting total commitments of \$540 million. *Source: IPE Real Estate, 11/11/10*

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## JOINT VENTURES

### Morningside and Harrison Street Real Form Senior Housing Venture

Morningside House Senior Living, an operator of senior housing communities, has entered into a \$200 million joint venture agreement with Chicago-based Harrison Street Real Estate Capital, a real estate private equity firm.

The partnership will focus on acquiring, repositioning, redeveloping and operating assisted living and memory care properties with a regional emphasis in the mid-Atlantic. The companies will primarily focus on increasing a portfolio of senior housing communities that exclusively provide care to seniors in need of health-related services and cognitive care, managed and operated by Morningside Management.

“We see tremendous value in contributing our existing assets into this venture, from which we can continue to grow our presence, portfolio and company platform,” says Kelly Mason, president and CEO of Morningside. “We are very selective about new communities and target only locations with strong age and income qualifications, as exists within the mid-Atlantic markets.”

The initial joint venture transaction was the recapitalization of six Morningside communities in suburban Washington, D.C. and Baltimore. The class-A portfolio consists of 480 private-pay rental units that cater to affluent assisted living and memory care residents.

*Released 11/12/10*

## NEW BUSINESSES

### General Growth Properties Splits into Two Publicly Traded Corporations

General Growth Properties has successfully completed the final steps of its financial restructuring and emerged from Chapter 11 bankruptcy. The emergence is considered one of the largest and most complex bankruptcy cases in U.S. corporate history.

“Today marks the successful end of one chapter in GGP’s history and the beginning of another,” says Adam Metz, CEO of General Growth. “Over the past 19 months, we have taken extraordinary steps to remake GGP’s entire financial structure while at the same time refocusing our operations across all of our shopping mall properties.”

## RECENT COMMERCIAL REAL ESTATE ACQUISITIONS

Buyer	Seller	Type	Size	Location	Price (M)	Price/Unit
Gulfstream Capital Partners	Bank of Nova Scotia	Apts.	306 units	W. Palm Beach, FL	\$63.95	\$208,994.90
Passco Cos.	Principal Life Insurance Co.	Apts.	232 units	Mcdonough, GA	\$18.00	\$77,586.21
Henderson Global Investors	Invesco Real Estate	Apts.	202 units	W. Palm Beach, FL	\$12.96	\$64,170.08
DREA Group	Deaktor Development	Apts.	179 units	W. Palm Beach, FL	\$11.15	\$62,290.50
Texzona Tradewinds Partners	Ed Klugman	Apts.	480 units	Mesa, AZ	\$21.00	\$43,750.00
Not disclosed	New York Community Bank	Apts.	376 units	Clementon, NJ	\$13.50	\$35,904.26
UBS Realty Advisors	Hyatt Hotels Corp.	Hotel	445 rooms	Tampa, FL	\$57.04	\$128,174.16
STAG Capital Partners	Agellan Capital Partners	Industrial	342,700 sf	Vonore, TN	\$15.30	\$44.65
Western Realco, et al.	Knotts Placentia Partnership	Industrial	235,608 sf	Placentia, CA	\$10.30	\$43.72
STAG Capital Partners	Invesco Real Estate	Industrial	343,416 sf	Streetsboro, OH	\$10.90	\$31.74
Kilroy Realty	Beacon Capital Partners	Office	465,363 sf	San Francisco, CA	\$191.50	\$411.51
CUSO of Hawaii Services, et al.	Central Pacific Bank	Office	62,000 sf	Honolulu, HI	\$20.80	\$335.48
Hines REIT	Westwind Capital Partners	Office	689,500 sf	Minneapolis, MN	\$180.00	\$261.06
Washington SBCTC	Triple C Associates	Office	45,721 sf	Bellevue, WA	\$10.62	\$232.28
Not disclosed	Westside Plaza	Retail	93,129 sf	San Bernardino, CA	\$10.95	\$117.58
Phillips Edison Group	Centro Properties Group, et al.	Retail	242,000 sf	Independence, MO	\$10.00	\$41.32

*Source: Real Capital Analytics*

## NEWS BRIEFS

- Nonfarm payroll employment increased by 151,000 in October, reflecting job gains in mining and a number of service-providing industries, according to the Bureau of Labor Statistics. The unemployment rate remained at 9.6 percent, which has been essentially unchanged since May 2010. Private-sector payroll employment rose by 159,000 during the month; since December 2009, employment in the private sector has risen by 1.1 million. *Released 11/5/10*
- Private equity firm The Blackstone Group paid a \$16.2 million “clawback” to investors on a real estate fund in the third quarter. As of Sept. 30, the firm’s clawback obligations were \$392 million, down from \$485.3 million as of Dec. 31, 2009. *Source: Reuters, 11/5/10*
- The \$212 billion California Public Employees’ Retirement System has invested \$500 million into environmentally friendly companies that aim to improve the environment and mitigate the adverse impact of climate change. That includes companies working on fuel cell technology, solar panels, carbon trading, clean water efforts and more. *Released 11/10/10*
- Glimcher Realty Trust (NYSE: GRT) and Blackstone Real Estate Advisors completed the purchase of the Pearlridge Center, Hawaii’s second largest retail mall, from Northerwestern Mutual Life Insurance Co. for a purchase price of \$245 million. Blackstone owns 80 percent of Pearlridge and Glimcher owns 20 percent in its joint venture (see *IREN* 9/6/10). *Released 11/4/10*
- The Japanese bank Mizuho bought a 2 percent stake in BlackRock for \$500 million, which is the latest move for the bank to globalize its operations, according to *The Financial Times*. The bank will distribute BlackRock products in Japan as well as manage investments. *Source: The Financial Times, 11/12/10*

In 19 months, the REIT GGP successfully consensually restructured approximately \$15 billion of project-level debt, recapitalized with \$6.8 billion in new equity capital, paid all creditor claims in full and achieved substantial recovery for equity holders.

As part of restructuring, General Growth has split into two separate and independent publicly traded corporations, the new General Growth Properties and The Howard Hughes Corp. The new General Growth Properties, which has started trading on the New York Stock Exchange under the ticker symbol “GGP,” is the second-largest shopping mall owner and operator in the country, with more than 183 regional malls in 43 states.

The Howard Hughes Corp. consists of GGP’s portfolio of master-planned communities and other strategic real estate development opportunities. The company will trade under the ticker symbol “HHC” on the New York Stock Exchange (see *IREN*, 11/2/10). *Released 11/9/10*

## PROPERTY TRANSACTIONS

### AIG Plans to Sell Asia Real Estate Business to Invesco

American International Group (AIG) is expected to complete the sale of its Asian real estate business to the sole bidder Invesco later this month. The sale comes after AIG’s announcement of a \$42.4 billion loss in the third quarter, while the company is already struggling to pay back an \$85 billion bailout to the Federal Reserve Bank of New York (FRBNY). In 2008 AIG received aid from FRBNY to stay afloat during the financial market’s global meltdown.

“We were extremely pleased to announce a few weeks ago our plan to repay the U.S. government,” says Robert Benmosche, AIG president and chief executive, in a statement. “We will continue with our aggressive plan to close pending transactions in order to repay the FRBNY in full, and provide for the exit of U.S. Treasury ownership over time.”

In September, AIG and FRBNY entered into an agreement for repaying its debt. Since then AIG has sold many of its direct real estate holdings. *Sources: PERE News, 11/8/10; released 11/5/10*

### CB Richard Ellis Sells Stake in Manhattan Office Building

CB Richard Ellis Strategic Partners Value 5, a commingled private equity real estate fund sponsored by CB Richard Ellis Investors, has sold a non-controlling equity interest in 1540 Broadway in New York City to HSBC Alternative Investments Ltd. and Edge Fund Advisers. The transaction values the office building at \$520 million. CBRE Strategic Partners U.S. Value 5

will maintain a majority interest and retain management of the building.

“1540 Broadway has been a major turnaround story and a success story for not just our fund investors but also for the midtown Manhattan office market,” says Vance Maddocks, president of CBRE Strategic Partners U.S. “We look forward to our partnership with Edge and HSBC to continue this success for the benefit of all our investors.”

The fund, which closed in 2007 with capital raised from institutional investors in the United States, Europe and the Middle East, purchased 1540 Broadway via a distressed sale in March 2009. *Released 11/9/10*

## Kilroy Realty Purchases Two Buildings for \$237.5 Million

Kilroy Realty Corp. (NYSE: KRC) has purchased two office properties located in San Francisco and Seattle for approximately \$237.5 million.

In San Francisco, the company acquired 100 First Plaza for a purchase price of approximately \$191.5 million. The 466,000-square-foot office property is located in San Francisco’s South Financial District. In Redmond, Wash., the company acquired Overlake Office Center, a 122,000-square-foot office property, for

a purchase price of approximately \$46.0 million. The building is located immediately adjacent to Microsoft Corporation’s corporate headquarters campus.

Including these two acquisitions, year-to-date Kilroy Realty has acquired nine office properties totaling approximately 2.0 million square feet of space that are located in the key West Coast submarkets of , Orange County, San Diego, San Francisco and Seattle for an aggregate investment of approximately \$667.0 million.

*Released 11/10/10*

## MORTGAGE NEWS

## Douglas Emmett Refinances Southern California Apartment Portfolio

CWCapital LLC, a subsidiary of CW Financial Services and Fannie Mae have provided \$388 million for the refinance of four properties known as The Douglas Emmett L.A. Area Apartments located in Santa Monica, Calif., and Brentwood, Calif. The Douglas Emmett portfolio includes four separate class A luxury apartment complexes with 820 units located in Santa Monica and 823 units located in Brentwood. The properties are situated amidst the West Los Angeles corridor that includes Malibu, Santa Monica, Culver

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## INSTITUTIONAL REAL ESTATE, INC.

### Account Executive Opening

Institutional Real Estate, Inc. is seeking an account executive to work under the company’s Founder and CEO, Geoffrey Dohrmann, developing new client relationships while helping service existing clients. This could be an excellent opportunity for the right person to grow into a senior management position in future years.

Candidates should have 10 years of marketing/sales experience in a commercial real estate investment environment.

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**For full job description,  
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## CAPITAL MARKETS

### Equity Market Performance

Index	Beg.	End	One Wk. Chg.	YTD Chg.
DJIA	11,444.08	11,192.58	-2.20%	7.33%
Nasdaq	2,578.98	2,518.21	-2.36%	10.98%
S&P 500	1,225.85	1,199.21	-2.17%	7.54%
NYSE	7,800.66	7,623.24	-2.27%	6.10%
Amex	2,153.36	2,107.39	-2.13%	15.48%
Russell 2000	736.59	719.27	-2.35%	13.44%

### REIT Market Performance

Index	Beg.	End	One Wk. Chg.	YTD Chg.
MSCI US REIT	785.28	742.96	-5.39%	20.61%
Dow Jones REIT	230.65	218.39	-5.32%	17.55%
Dow Jones REIT TR	888.14	842.74	-5.11%	23.97%
GPR 250 Global	327.17	316.57	-3.24%	19.91%
GPR 250 Global REIT	620.32	599.24	-3.40%	19.68%

\*Total return index      \*\*As of close 11/11/10

### Individual REIT Performance

#### Best-Performing Firms in the FTSE NAREIT Equity Index\*

##### One Week

Pittsburgh & West Virginia Railroad (PW)	2.71%
Presidential Realty Corp. (PDL-B)	2.33%
Supertel Hospitality (SPPR)	1.22%
Hersha Hospitality Trust (HT)	1.12%
Piedmont Office Realty Trust (PDM)	0.98%

##### Year-to-Date

Presidential Realty Corp. (PDL-B)	228.36%
Glimcher Realty Trust (GRT)	195.20%
Strategic Hotels & Resorts (BEE)	152.69%
Ashford Hospitality Trust (AHT)	108.14%
Hersha Hospitality Trust (HT)	100.00%

\*Share-price-only performance; does not include dividends

#### Worst-Performing Firms in the FTSE NAREIT Equity Index\*

##### One Week

MPG Office Trust (MPG)	-16.55%
Pennsylvania Real Estate Investment Trust (PEI)	-11.93%
Healthcare Realty Trust (HR)	-11.75%
CoreSite Realty Corp. (COR)	-10.25%
Duke Realty Corp. (DRE)	-9.28%

##### Year-to-Date

Parkway Properties (PKY)	-21.37%
CoreSite Realty Corp. (COR)	-18.44%
Franklin Street Properties Corp. (FSP)	-13.00%
Chatham Lodging Trust (CLDT)	-12.44%
Cedar Shopping Centers (CDR)	-10.03%

\*Share-price-only performance; does not include dividends

City, Hollywood, Beverly Hills, Brentwood, Pacific Palisades, Bel Air and Marina Del Ray. *Released 11/9/10*

## INFRASTRUCTURE

### Two Canadian Pension Funds Buy Channel Tunnel Rail Link

The C\$50 billion (\$49.9 billion) Ontario Municipal Employees Retirement System and the C\$96.4 billion (\$96 billion) Ontario Teachers' Pension Plan have paid £2.1 billion (\$3.4 billion) to operate the United Kingdom's only high-speed railway line for the next 30 years.

The U.K. government announced its plan to sell off the rail link in June as part of a program of asset sales to raise much-needed public funds.

"This is great news for taxpayers and rail passengers alike," says Transport Secretary Philip Hammond. "It is a big vote of confidence in U.K. PLC and a big vote of market confidence in the future of high-speed rail."

The 68-mile line links London to the tunnel underneath the English Channel and is used by Eurostar trains heading to and from Paris and Brussels. *Source: The Guardian 11/5/10*

## SNEAK PREVIEW

### From "Seeking Clarity"

**Now available in the November issue of *The Institutional Real Estate Letter – Europe***

In the past, funds have frequently included a number of additional fees such as acquisition and disposal fees, debt arrangement fees and development management fees along with a variety of other possible fees, but these are coming increasingly under pressure.

The message seems clear — investors have expressed a preference for funds with simple and transparent fee structures that align the interests of the fund manager and the investors. However, as a result of the market turbulence over recent years, fund managers have commented that it is not only larger investors who are demanding fee discounts in side letters to the final fund documentation, but that smaller, first-closing investors are frequently doing so, too. In this sense, if the fee tiers available to different investors are not reported, fee structures are becoming less transparent.

— **Kati Paatela**, analyst – property investment and finance, **KTI Finland**

## COMMITMENT ACTIVITY

Organization	Total Assets	Investment	Strategy	Allocation (\$M)	IREN Issue
Illinois Municipal Retirement Fund	\$23.5B	Cornerstone Patriot Fund	Core	\$75	11/1/10
Illinois Municipal Retirement Fund	\$23.5B	Invesco Core Real Estate Fund	—	\$75	11/1/10
Maine Public Employees Retirement System	\$9.7B	Prima Mortgage Investment Trust	—	\$75	11/1/10
Texas Employees Retirement System	\$95.2B	Madison International Real Estate Liquidity Fund IV	Opportunistic	\$60	11/8/10

Source: Institutional Real Estate, Inc.

## PEOPLE

**Gregg Adzema** has been hired as executive vice president and CFO for Cousins Properties. He replaces **Jim Fleming**, who is retiring. Previously, Adzema served as CIO and executive vice president for two advisory and real estate firms in Charlotte, N.C.

**Mark Carroll** has been hired as senior director of asset management at Campanelli Cos. Previously, he was the founder of Slate Island Capital and vice president of acquisitions at Sovereign Investment Co.

**Ronald Capello** has joined Grubb & Ellis Co. as senior vice president of private capital markets. He will be responsible for retail real estate investments. Previously, he was a senior director and investment sales broker for Fameco Real Estate.

**Robert Cord** has joined Cassidy Turley as a senior managing director of property management for Northern California. He will be responsible for the overall

leadership, strategic focus and profitability of the property management division in Northern California. Previously, Cord was CEO, president and founder of Cord Commercial, based in Sacramento.

**Richard Fahley** has joined Jones Lang LaSalle as a managing director. He will be responsible for representing tenants, owners and investors in their real estate planning, analysis, market positioning and implementation. He will focus on representing mid-size portfolio companies in the delivery of multiple services across markets. Previously, he was a founding partner of FHO Partners.

**Ron Miller** has joined Invesco Real Estate as director of acquisitions. He will be responsible for executing the company's investment strategy for larger portfolio acquisitions, recapitalizations and programmatic investing in the western United States. Previously, Miller was executive vice president for Internacional Realty and Royalton Real Estate Capital.

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