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Real Estate ALERT

THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

SEPTEMBER 28, 2016

THE GRAPEVINE

HFF has added an industrial investment-sales team in Chicago. **Kurt Sarbaugh** and **Robin Stolberg** started this week as directors. They moved over from **JLL,** where they spent nearly a decade and left as senior vice presidents. The duo replaces former HFF managing director **Pat Sullivan**, who left in March to join **NAI Hiffman** as a senior vice president.

Meanwhile, Seattle broker **David Otis** also moved to **HFF** from **JLL.** He started this month as a director, handling office, land, retail and industrial sales in Greater Seattle. Otis spent three years as a vice president on JLL's Seattle capital-markets team. Before that he had two-year

See GRAPEVINE on Back Page

TA Shops Core Portfolio Valued at $2 Billion

TA Associates is marketing a sprawling portfolio of core commercial properties that could attract bids of roughly $2 billion.

The package encompasses 71 well-leased office, industrial and multi-family properties spread across the country, mostly in major metropolitan areas. The office and industrial buildings total some 11 million square feet, and there are some 2,700 apartments. TA prefers to sell the portfolio intact.

The Boston fund shop typically sells assets one-by-one or grouped by asset class. But institutional demand for mixed-property portfolios persuaded it to launch the broad offering. TA's broker, **JLL,** will launch the marketing campaign this week, pitching the package as a way for a domestic or foreign investor to quickly gain scale in multiple markets. The properties have a history of strong leasing performance.

TA runs a series of value-added vehicles and core separate accounts. As of March 31, its funds had some $7.8 billion of assets under management, and the separate

See CORE on Page 11

'Last Mile' Warehouses: The Next Hot Play?

As major retailers expand their distribution networks to speed up delivery to consumers, some investors are turning their sights to warehouses in urban areas.

The e-commerce explosion has already fueled a boom in the industrial sector, accounting for 30-40% of tenant demand for warehouses, according to **JLL.** As that activity pushed occupancy rates and rents to all-time highs, institutional investors entered the sector in big numbers, snatching up large distribution centers on the outskirts of major metropolitan areas.

Now, as **Amazon.com** and other retailers race to get products to customers within a day, or even within hours, attention is turning to so-called "last mile" warehouses — smaller distribution properties in major population centers, where popular items can be positioned for near-instant home delivery.

Many of the buildings in these densely populated areas are older, Class-B

See WAREHOUSES on Page 8

LA Complex Leased to Google Up for Grabs

A developer is shopping a historic airplane hangar and adjacent buildings in the Playa Vista section of Los Angeles that **Google** is converting into a regional headquarters.

The four buildings, which will encompass 525,000 square feet once Google builds out the space, are expected to fetch roughly $300 million. The property is part of the former **Howard Hughes Aircraft** plant, which the seller, Los Angeles-based **Ratkovich Co.,** has turned into an office complex dubbed Hercules Campus. **HFF** has the listing.

The marketing campaign likens the play to a purchase of a bond issued by Google's parent, **Alphabet**. The technology giant last month began paying $11 million of annual rent under a 16-year, triple-net lease. The agreement includes annual rent bumps of 3% and three extension options of five years apiece. Alphabet has an option to buy the property after the initial lease term, at a 5% capitalization rate

See COMPLEX on Page 7

Luxury Apartments for Sale in LA

A luxury apartment building in the booming Playa Vista neighborhood of Los Angeles is being pitched to value-added investors.

The 405-unit property, at 7225 South Crescent Park West, could attract bids as high as $260 million, or $642,000/unit. The marketing pitch is that a buyer could upgrade the nearly decade-old building and seek to raise rents. At the estimated value, the projected capitalization rate after a renovation is about 5%.

ARA Newmark is representing the seller, a partnership between **Finger Cos.** of Houston and **Capri Capital,** a Chicago fund shop. The duo developed the property in 2008.

The occupancy rate is roughly 95%. The units have 1-2 bedrooms, 9-14 foot ceilings, stainless-steel appliances, granite countertops, walk-in closets and marble bathroom vanities. The amenities include a business center, a fitness center, two heated swimming pools, outdoor grilling areas and multiple clubrooms.

Playa Vista is a master-planned community on Los Angeles' west side, which has been dubbed "Silicon Beach" because of the growing presence of technology companies, including **Facebook** and **Google.**

Playa Vista has seen several massive trades over the past 18 months. For example, in February, an **Invesco Real Estate** partnership acquired the mixed-use Runway Playa Vista for $475 million from a **Lincoln Property** partnership. The property encompasses 420 upscale apartments, 217,000 square feet of retail space that includes a Whole Foods supermarket, and 33,000 sf of office space. ❖

Value-Added Rental Plays Near Phila.

Separate owners are pitching two valued-added apartment properties in suburban Philadelphia.

The complexes, which encompass 714 units, have a combined value of about $185 million. Both are well leased, but could benefit from renovations.

Madison Apartment Group is marketing the 405-unit Madison Exton Crossing, in Exton, Pa. Bids could weigh in at roughly $110 million, or $272,000/unit. At that price, the buyer's initial annual yield would be just over 5%. Philadelphia-based Madison, which developed the property in 2000, has given the listing to **HFF.**

The occupancy rate is 95%. Units have 1-3 bedrooms, large closets, dishwashers and washer/dryers. Some have wood-burning fireplaces. The amenities include a swimming pool, two tennis courts, a fitness center and a clubhouse. A buyer could upgrade the apartments and seek to boost rents, while still underpricing newer properties in the area.

The property, at 201 Iron Lake Drive, also has 7,000 square feet of fully leased retail space. It's near a new Whole Foods supermarket and about 30 miles northwest of downtown Philadelphia.

Separately, an **Invesco Real Estate** partnership is showing the 309-unit Londonbury complex, at 301 Washington Street in Conshohocken, Pa., about 13 miles northwest of Philadelphia. Bids could reach about $75 million, or $243,000/unit. **JLL** is marketing the property for Dallas-based Invesco and its partner, **Clarion Partners** of New York.

The occupancy rate is about 97%. About 5% of the units have been upgraded, enabling rent bumps of $75-95. A buyer could continue that program. The units have 1-2 bedrooms, nine-foot ceilings, walk-in closets, washer/dryers and granite countertops. The amenities include a clubhouse, a swimming pool, a fitness center, a billiards/poker room, a business center and a barbecue area.

The Invesco partnership bought the complex in 2011 for $77.7 million, or $251,000/unit, from **O'Neill Properties** of King of Prussia, Pa. ❖

Bentall to Buy New Calif. Warehouses

Bentall Kennedy has agreed to pay a **Clarion Partners** joint venture about $190 million for Anaheim Concourse, a new, high-quality warehouse complex in Southern California.

The Seattle firm's initial annual yield would be a rock-bottom 3.9%, reflecting the intense demand for core warehouses in top markets such as Anaheim.

The 965,000-square-foot property was completed last year. The price works out to roughly $195/sf. **CBRE** is brokering the trade for New York-based Clarion and its partner, **Panattoni Development** of Newport Beach, Calif.

The scarcity of large, single-property industrial listings helped boost the offering's appeal to institutional investors looking to deploy capital quickly. The price would be the highest for a California warehouse property since **Real Estate Alert** began tracking sales in 2001.

The marketing campaign billed Anaheim Concourse as a state-of-the-art "trophy" complex. It has 32-foot ceilings, modern sprinklers and all-concrete truck courts, and is LEED certified.

When it hit the market in June, the seven-building property was 86% leased with a weighted average remaining lease term of 7.8 years. **Disney** is the largest tenant, occupying 17% of the space. There is staggered rollover, with no expiration until 2021 and leases on less than 20% of the space rolling in any year through 2026.

The complex is in the 112 million-sf Northern Orange County submarket, where the occupancy rate was 98.4% at midyear. Rents grew 17.5% in the past two years and are projected to grow another 7.4% this year and 5.9% next year, according to CBRE.

Anaheim Concourse is along the 91 Freeway, with buildings on North Miller Street, North Ocean Circle and La Palma Avenue. Freeways 55 and 57 and Interstate 5 are all within six miles. The complex is 14 miles from John Wayne Airport and 37 miles from Los Angeles International Airport. ❖

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August 2016

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Mixed-Use Complex Listed in Austin

J.P. Morgan Asset Management is marketing the leasehold interest in an Austin mixed-use complex that could attract bids of about $170 million.

The property, known as The Triangle, encompasses 529 apartments that are 92% occupied and 112,000 square feet of retail space that's 89% occupied. The offering is being pitched as a value-added play, because retail space rolls over within a few years and the apartments could be upgraded.

At the estimated value, the buyer's initial annual yield would be roughly 5.5%. J.P. Morgan has given the listing to **HFF.**

The eight-building complex is on an 11-acre site at 4600 West Guadalupe Boulevard, adjacent to a city park and a few miles north of downtown. It was developed in three phases from 2005 to 2009.

The underlying ground is leased from the **State of Texas,** but J.P. Morgan has fully prepaid the ground rent through the 2051 maturity date. There is an option to extend the lease by 25 years.

The property's biggest potential upside stems from the retail space, whose tenants include CorePower Yoga, Hopdoddy Burger Bar, Mandola's Italian Market, OfficeMax and Orangetheory Fitness. The retail rents average $30.80/sf on a triple-net basis, below the market average of roughly $35/sf. The weighted average remaining lease term is just 3.8 years, so a buyer could seek to boost rents as leases roll over. Some underperforming tenants could be replaced by restaurants that might help increase sales throughout the retail space. The average sales figure for the retail tenants in 2015 was $459/sf, 10% higher than in 2013.

A buyer could also look to boost its return by updating the apartments, which have 1-3 bedrooms, 10-foot ceilings, walk-in closets, granite countertops and washer/dryers. Some units have wood floors, brick-accent walls and balconies.

The amenities include private courtyards, three swimming pools, a business center, a fitness center and a shuttle service to a nearby campus of the University of Texas. There are 1,267 parking spaces in a garage and 402 surface spaces. ❖

Correction

A Sept. 21 headline, "Apple Offices Available in Houston," misstated the location of Capital Ridge, an office building listed by **Miller Global.** The property, leased to **Apple,** is in Austin, not Houston. ❖

Fresh From Big Sale, LBA Eyes Fund

LBA Realty is seeking to raise at least $800 million of equity for its sixth high-yield property fund.

LBA Realty Fund 6 would target core-plus returns via acquisitions of warehouses, light-manufacturing facilities and perhaps office properties. With leverage, the vehicle would have some $2 billion of buying power.

LBA generally buys small properties that can later be combined into portfolios for sale. The Irvine, Calif., shop targets buildings that are underperforming, so it can boost value via renovations, expansions or more-efficient management. The firm also develops properties, mainly in supply-constrained markets. Geographically, it focuses on the West Coast and Texas, but will consider deals in the Eastern U.S.

The marketing campaign comes on the heels of a deal to sell 12.5 million square feet of warehouses to **Blackstone.** The New York fund titan has agreed to pay $1.5 billion, or $120/sf, for the package. **Eastdil Secured** is brokering the deal for LBA, which will retain a small interest and continue to operate the portfolio. The properties, concentrated in California, have been held in LBA Realty Funds 2, 3 and 4.

All told, LBA raised $2.8 billion of equity for its five funds, according to **Real Estate Alert's** Fund Database. Investors in those vehicles include **Alfred P. Sloan Foundation, Berkeley Endowment, Carnegie Corporation, Cigna, Ford Foundation, Heinz Endowments, May Pension Plan, MetLife, Metropolitan Real Estate Equity, NPR Foundation** and **Pennsylvania State University Endowment,** according to **Preqin.**

The shop was formed in 1991 as **Layton-Belling & Associates** by **Phil Belling** and **Steve Layton.** Acquisitions are overseen by principal **David Thomas** and senior vice president **John Garrigan.** ❖

PGIM Marketing San Diego Campus

PGIM Real Estate has teed up a San Diego office campus valued at about $113 million.

The 198,000-square-foot Gateway at Torrey Hills is being pitched as a leasing play. The 79% occupancy rate is below the 88% average in the surrounding Del Mar Heights submarket. PGIM listed the two-building complex with **Cushman & Wakefield.**

The Class-A property is occupied by engineering firm **Atkins North America,** law firm **Mintz Levin** and **Mutual of Omaha Bank.** Lease expirations are staggered over the next 10 years.

The eight-year-old complex, offering views of the Pacific Ocean and Torrey Pines Reserve, has a cafe, a fitness center and outdoor gathering areas. It is designated LEED silver.

The property is on a nearly eight-acre site at 3570 and 3580 Carmel Mountain Road, adjacent to Interstate 5. Del Mar Heights is a wealthy neighborhood about 16 miles north of downtown San Diego. ❖

Retail Center Near Phoenix on Block

Vestar is marketing a suburban Phoenix shopping center valued at about $150 million.

The offering encompasses 554,000 square feet of the 778,000-sf Queen Creek Marketplace, in Queen Creek, Ariz. The remaining 190,000 sf, which is separately owned and isn't for sale, is occupied by shadow anchor Super Target. **Eastdil Secured** has the listing.

The occupancy rate is 98%. The Super Target has a full grocery component, which acts as a big draw for the property. Other tenants include Bed Bath & Beyond, Kohl's, Mountainside Fitness, PetSmart, Ross, Stein Mart, TJ Maxx and a 14-screen Harkins Theatre. On average, the weighted remaining lease term is about five years and the in-line sales are $465/sf, up 22% since 2012.

Phoenix-based Vestar completed the property in 2007 and made upgrades last year. A buyer could add another 40,000 sf.

The marketing campaign is emphasizing the area's projected growth. The population of 104,000 within five miles is expected to increase 14.3% by 2021. The average household income in the area is $93,000. ❖

Northern Virginia Offices Out for Bid

A joint venture is marketing a Class-A office building in the Washington suburb of Arlington, Va., that is about to experience a drop in occupancy.

The 177,000-square-foot Two Liberty Center, at 4075 Wilson Boulevard in the Ballston submarket, is expected to trade for about $72 million, or $407/sf. **HFF** is representing the owners, **Fred Schnider Investment** of Arlington, **Shooshan Co.** of Arlington and **Clark Enterprises** of Bethesda, Md.

The nine-story building is fully occupied by 10 tenants, but leases for 79% of the space are scheduled to expire by January 2018. The largest tenant, **BAE Systems,** is expected to vacate its 82,000-sf block of space at the end of that timeframe — leaving a buyer to fill nearly half of the property.

Strategic Analysis, the second-largest tenant, occupies 45,000 sf under a lease that expires in December 2017. Other occupants include **Raytheon.**

Two Liberty Center was built by the owners in 2007 as part of Liberty Place, a 2.25 million-sf mixed-use development that encompasses four office buildings, three residential buildings, a hotel and 50,000 sf of retail space.

Class-A office properties in the Ballston submarket have an average occupancy level of 86%. But newer buildings such as those in Liberty Place have fared better as tenants have gravitated toward higher-quality space. Indeed, Class-A Ballston office properties have seen some 950,000 sf of vacant space filled since 2012.

Two Liberty Center includes a 311-space garage, a rooftop terrace and a restaurant. It's across the street from the Ballston Common Mall, in an area with numerous shops, restaurants and hotels. The site is five miles west of downtown Washington and a third of a mile from the Ballston-MU Metrorail Station. ❖

Tampa-Area Apartments Offered

A **Mill Creek Residential** joint venture is offering an apartment building in St. Petersburg, Fla., that's likely to appeal to core investors.

The 309-unit property, at 235 Third Avenue North, has an estimated value of $275,000/unit, or $85 million. At that price, the buyer's initial annual yield would be slightly less than 5%. **Walker & Dunlop** is representing Dallas-based Mill Creek and its unidentified partner.

The occupancy rate is 98%. Rents have risen roughly 10% since the property, called Modera Prime 235, opened in 2014.

The apartments have 1-2 bedrooms, granite countertops, stainless-steel appliances, European-style cabinets and terraces or balconies. The amenities include two rooftop decks, a clubroom, a two-story fitness center, a pool with a sundeck, electric-car charging stations and bicycle storage. There are 414 parking spaces.

The eight-story building is one of the few local apartment properties made of concrete, rather than a wood-frame construction. The sturdier structure could be a plus for longer-term buyers concerned about the risk of hurricane damage.

The property offers views of Tampa Bay, a few blocks east. It's across the street from Sundial, a retail center that includes a high-end grocer, restaurants, shops and a movie theater. ❖

Alliance Showing Atlanta Rentals

An **Alliance Residential** partnership is marketing a core-plus apartment building in an up-and-coming neighborhood in Atlanta.

The 282-unit property, at 935 Marietta Street NW in the West Midtown submarket, could attract bids of up to $65 million, or $230,000/unit. At that price, the buyer's initial annual yield would be 5%. **Walker & Dunlop** is representing Phoenix-based Alliance and its unidentified partner.

The occupancy rate is 97%. Rents on recent leases have averaged $1,495, or 7% higher than the in-place average. The pitch is that a buyer could continue to raise rents as leases mature. Minor upgrades could enable additional increases.

The Alliance partnership developed the seven-story property, known as 935M, in 2010. The apartments range in size from studios to two bedrooms and have stainless-steel appliances, granite countertops, floor-to-ceiling windows, soaking tubs and washer/dryer connections. Some have kitchen islands and stackable washer/dryers.

The amenities include a resort-style pool, a fitness center and a resident lounge. There are 461 parking spaces and 14,000 square feet of retail space, whose tenants include restaurants and a yoga studio. ❖

Rialto Shops Distressed Portfolio

Rialto Capital is offering a hodgepodge of distressed, small-balance assets as a package.

The portfolio contains 411 loans with a total original balance of $125.8 million and a current balance of $92 million. Some 63.7% of the total is secured, primarily by residential lots, land and single-family homes that are concentrated in the Southeast. The remaining 36.3% consists of unsecured commercial loans.

Virtually all of the real estate loans are in various stages of foreclosure, "providing investors with an abbreviated and clear path toward obtaining title to collateral," according to marketing materials distributed by **Mission Capital,** which is advising Miami-based Rialto on the offering.

Investors must bid on the entire portfolio. Initial offers are due Oct. 5. A sale is expected to be completed by mid-November. ❖

Angelo Gordon Lists Mass. Offices

An **Angelo, Gordon & Co.** partnership is looking to sell an office complex in the Boston suburb of Woburn, Mass.

The 220,000-square-foot property, at 120 and 150 Presidential Way, has an estimated value of $50 million, or $227/sf. **Cushman & Wakefield** is representing New York-based Angelo Gordon and its partner, **National Development** of Lower Newton Falls, Mass.

The two-building complex is 92% occupied. Tenants include staffing agency **Randstad,** property manager **Dolben Co.,** consulting firm **DiCicco Gulman** and semiconductor company **MediaTek.** In-place rents are 10-15% below the average asking rate of about $29/sf, leaving room for a buyer to charge more as leases expire.

The buildings were completed in 2000 and 2001. They are part of the 1.3 million-sf MetroNorth Corporate Center, which also houses the main office of **Raytheon's** missile-defense division, a gym and a hotel. The property is off Route 93, about 13 miles northwest of Boston. ❖

Williamsburg Site Up for Grabs

A development site in the Williamsburg section of Brooklyn is on the market with an asking price of $43 million.

The parcel, at 61 North 11th Street, currently houses a three-story office building, encompassing 42,000 square feet, that is fully leased to a single tenant until August 2020.

After the tenant's exit, a buyer could raze the structure and, under the current zoning rules, build as much as 100,000 sf of commercial space, most likely for retail, office or light-manufacturing space or a mix of those uses. The asking price works out to $418 per buildable foot.

Another option is seek rezoning to allow residential space. Based on how nearby buildings have been rezoned, a buyer could develop as much as 575,000 sf by including an affordable-housing component.

The property is between Kent and Wythe Avenues, adjacent to the newly developed Wythe Hotel and the Brooklyn Navy Yard. It is owned by the locally based **Gross** family, operating via **DM 144 Investors. Cushman & Wakefield** has the listing.

Williamsburg's transition from largely industrial space continues to spur land listings. **Consolidated Edison** just listed a 2.65-acre parcel at 500 Kent Avenue that could be redeveloped into at least 231,000 sf of commercial space. Also, as previously reported, a partnership led by investor **Norman Brodsky** is shopping a parcel bordered by the East River, Kent Avenue and North 10th and North 12th Streets that could accommodate up to 720,000 sf of office and retail space. That offering could attract bids exceeding $300 million, or $415 per buildable foot. Cushman is also advising Con Ed and Brodsky. ❖

Complex ... From Page 1

based on the following year's contractual rent.

The current rent is 50% below the average asking rate in Playa Vista because Google has to spend $250 million to create office space at the now-empty buildings. The property will be the centerpiece of Google's new regional headquarters complex in Southern California.

The Hercules Campus has another 194,000 sf of office space, of which 87,000 sf is already occupied by Google, **YouTube** and other Alphabet operations. The company also owns or leases 32 acres that would accommodate as much as 1.5 million sf of construction.

The offered property includes the famed Building 15, the 252,000-sf hangar where Hughes built a massive flying boat dubbed the Spruce Goose. The hangar is one of the largest laminated-wood structures in the U.S.

Google will preserve the shells of the historic buildings while converting the interiors into three stories of office space and a mezzanine level. Investors are being told it's unlikely that Google would move out upon lease expiration — but that if it did, the buyer would retain ownership of the newly built office space.

The Hughes Aircraft complex housed 30,000 employees in the aviation, aerospace, communications, defense and satellite sectors, before it was sold in the 1980s. In the 1990s it was converted into sound stages and used to film scenes of "Titanic" and other movies.

Playa Vista is a master-planned community encompassing 1,100 acres alongside the Pacific Ocean. It's expected to have some 12,000 residents and 3.3 million sf of commercial space when development wraps up by next year, with 70% of the land dedicated as open space. The surrounding area on the west side of Los Angeles has become known as Silicon Beach for its high concentration of technology and other creative companies. It's now the strongest office submarket in the Los Angeles area. ❖

Warehouses ... From Page 1

properties. But owners are pitching their potential to be repositioned as critical last links in the distribution chain.

"Amazon, [other] major retailers and third-party logistics providers are gobbling up space all over," said **Gary Gabriel,** a **Cushman & Wakefield** executive managing director. "It has breathed new life into another corner of industrial space. It is amazing."

Matt Powers, a **JLL** executive vice president with expertise in e-commerce, said the giants in that field concentrated first on lining up space in large distribution centers, and "the last mile is the second phase" of building their distribution networks.

Brokers are touting the last-mile narrative as they market two major portfolios that hit the block in recent weeks.

Cushman is marketing 36 warehouses, totaling 3.5 million square feet, in New York's Long Island suburbs. Market pros believe the package could fetch $325 million, or $92/sf from value-added investors. The pitch is that in addition to lifting the 84% occupancy rate, a buyer could make capital improvements to attract higher-quality tenants — including e-commerce businesses — and achieve higher rents.

The offering documents emphasize that the buildings are well positioned for online sales distribution, given the high population density and household incomes in the surrounding area. The owner is a partnership between **Rubin Schron's Cammeby's International** and **FBE,** both of New York.

Meanwhile, **TPG** recently launched a 16 million-sf offering that it has dubbed the "Last Mile Logistics Portfolio." The 155 light-industrial properties, which are 89% occupied, are expected to fetch about $1 billion. They are in 18 markets, with concentrations in the Atlanta, Chicago and Dallas areas. **Eastdil Secured** and **CBRE** are jointly marketing the package for TPG, of Fort Worth, Texas.

Again, the pitch is that the properties are in densely populated areas, well suited for same-day deliveries. All of the buildings, which average 103,000 sf, are within four miles of major transportation arteries, and the average distance is 1.6 miles. They are 33 years old on average.

Gabriel, of Cushman, said private equity shops were the earliest to recognize the opportunity in such properties, while institutional investors have been more cautious because they often have a mandate to buy high-quality buildings. "Most institutional investors are looking for all of the bells and whistles," he said. But although older, urban buildings "were previously frowned upon because of their lack of functionality . . . now, everything is in demand with tenants."

Chicago fund shop **Venture One** is one firm that's shown the potential of investing in older industrial properties to reposition them for e-commerce. In December, the firm and its partner, New York-based **DRA Advisors,** sold a warehouse on the South Side of Chicago for nearly five times what they had paid a few years ago.

The duo acquired the 278,000-sf property, at 2801 South Western Avenue, for $6.2 million. It was vacant at the time. After making upgrades, the partnership leased about half of the space to a food-supply company. But the big coup came when Amazon signed a lease on 150,000 sf last year.

Venture One and DRA then listed the property with Cushman, and it drew a "who's who of traditional institutional capital," said **Ryan Stoller,** a principal at Venture One. Chicago-based **Heitman** won the bidding contest, paying $30.3 million.

"This last-mile use didn't exist five years ago, and it is certainly growing," Stoller said. "When Amazon does something and they are having a lot of success, the thesis is other users will try to emulate them. You are seeing more and more tenants come to the market looking for this last-mile use." He predicted that institutional investors will "broaden their quality prerequisites for true, infill, irreplaceable locations that cater to and service this new emerging subset."

To be sure, not every old urban warehouse can become an e-commerce gold mine. **Ward Fitzgerald,** chief executive of industrial fund shop **Exeter Property,** notes that as the last-mile label gains cache, it can get overused to hype properties that may not truly fit the use — such as multi-tenant buildings filled by local tenants.

"These buildings that have the local plumbing supply or kitchen cabinetmaker are not 'last mile' — they are 'only mile,' " Fitzgerald said. True last-mile properties, he said, are part of a complex supply chain and have long-term leases to tenants with strong credit, such as Amazon and **Wal-Mart.**

Fitzgerald said that many of the nation's largest and most sophisticated distributors need modern warehouses. Moving forward, a significant portion of last-mile space will be build-to suit for such distributors. But he said older properties can benefit from the trend if they have modern features. For instance, Exeter just landed Amazon as a tenant in a 125,000-sf warehouse in Smyrna, Ga., because the property, although 20 years old, has above-average 30-foot ceiling heights and cross-docking capability.

Powers, of JLL, acknowledged that older, "functionally obsolete" buildings will face challenges to adapt to today's distribution requirements. For instance, one source of increased demand will be online grocery sales. **Boston Consulting** expects that market to increase from $36 billion in 2013 to $100 billion by 2018. That will add to demand for infill warehouses — but will require buildings that can accommodate freezer and cooler systems. "Investors smell this is the next stage, but there will need to be significant investment," Powers said.

With e-commerce becoming an ever-larger part of the economy — and more retailers joining the Amazons and Wal-Marts in offering quick delivery — industrial pros see plenty of potential for growth in demand for warehouse space that's close to the customer.

"We are generally talking about a few players when we are talking about last mile, but that can really grow," said **Aaron Ahlburn,** a senior vice president at JLL and director of research for the industrial sector. "There are a lot more retailers getting into this environment. The demand levels are just at an inflection point right now." ❖

ON THE MARKET

Office

Property	Size	Estimated Value	Owner	Broker	Color
8181 East Tufts Avenue, Denver	185,000 sf 91% occupied	$45 million $243/sf	American Realty, Glendale, Calif., and Westcore Properties, San Diego	CBRE	Anchor tenant, accounting firm EKS&H, recently renewed lease for another 10 years. Class-A building, completed in 2001, is designated LEED gold. Property includes underground parking and a fitness center.

Under-Leased Offices Pitched in Colo.

A Class-A office building near Denver is being marketed to high-yield investors as a leasing play.

The 224,000-square-foot property, at 5613 DTC Parkway in Greenwood Village, Colo., is expected to attract bids of about $31 million, or $138/sf. **CBRE** is representing the owner, **SteelWave** of Foster City, Calif.

The 12-story building is 80% leased by 24 tenants. The pitch is that a buyer able to bring the occupancy level in line with the 90% average for comparable properties would realize a stabilized yield topping 9%. Beyond the current vacancy, leases for 28% of the space expire within three years.

The property was built in 1982 and renovated in 2006. It includes a conference room, a fitness center and a deli.

The building is part of Denver Technological Center, a 25 million-sf development straddling Southeast Denver and Greenwood Village. The area is known for a concentration of communications and technology companies, and includes a number of shops, restaurants and hotels.

The offered property is off Interstate 25, near the highway's intersection with Interstate 225 and about 11 miles from downtown Denver. It is less than half a mile from a light rail stop at Orchard Station, which is accessible via a pedestrian bridge. ❖

Core ... From Page 1

accounts oversaw about $4 billion.

In recent months, big investors have shown a willingness to purchase large portfolios of mixed property types. **Blackstone** last month agreed to buy 22 U.S. properties from Swedish pension fund **Alecta** for about $1.8 billion. **Goldman Sachs** originally agreed to buy the portfolio, which also was listed with JLL, but that deal fell through. Goldman is still buying some $450 million of U.K. properties from Alecta that were listed at the same time. ❖

MARKET SPOTLIGHT

San Diego-Area Office Properties

- ❑ Rents appear to be peaking. The average asking rent of $30.12/sf is projected to grow by just 1.6% this year, down from 2% last year and 8.6% in 2014, according to JLL.
- ❑ Green Street Advisors projects that real estate fundamentals will hold steady, thanks in part to leasing demand from defense contractors, which have a strong presence.
- ❑ Class-A capitalization rates were 5.8-6.3% in the first half of the year, flat with the previous six months, according to CBRE.

On the Market

		Hit	SF	Estimated Value		
Property	Seller	Market	(000)	($Mil.)	(Per SF)	Broker
550 West C Street	Alaska Permanent Fund	September	357	$150	$420	Newmark Grubb
Emerald Plaza	Deutsche Asset Management	September	364	145	398	HFF
Gateway at Torrey Hills	PGIM Real Estate	September	198	113	571	Cushman & Wakefield
StoneCrest	TIAA	August	330	110	333	Eastdil Secured
Elements at Wateridge	Equity Group, Parallel Capital	August	279	85	305	Eastdil Secured
17140 Bernardo Center Drive	Excel Trust	September	82	38	463	Cushman & Wakefield
3 value-added flex properties	Colony Realty	(Pending)	250	30	120	Newmark Grubb
Pacific Center, Sorrento Mesa	Colony Realty	(Pending)	104	30	288	Newmark Grubb
Torrey Hills Medical Plaza	Torrey Pines Enterprises	August	44	30	682	HFF

Recent Deals

			SF	Sales Price		
Property	Buyer	Closed	(000)	($Mil.)	(Per SF)	Broker
Torrey Pines Court	Regents of University of California	May	216	$134	$621	Eastdil Secured
101 Ash Street	(Unidentified)	(Pending)	350	80	229	Eastdil Secured
Executive Complex	Hammer Ventures	June	334	54	163	CBRE
Directors Place	HCP Inc.	July	138	49	355	HFF
Wateridge Pointe	Angelo, Gordon & Co.	August	125	28	224	JLL
9970 Carroll Canyon Road	(Unidentified)	(Pending)	82	27	329	Cushman & Wakefield

THE GRAPEVINE

... From Page 1

stints on the acquisitions and asset-management teams at **Voit Real Estate Services** of Irvine, Calif., and Bahrain-based **Investcorp.** At HFF, Otis reports to senior managing director **Nicholas Kucha** in Portland, Ore.

GMF Capital continues to add to its acquisitions staff. The New York investment shop this month hired **Bill Grant** as a vice president and **Jared Frydman** as an associate. They report to **Jeffrey Selinger,** who helped co-found the firm this year with Swiss billionaire **Gary Fegel** and **Jay Lobell.** GMF looks to invest nationally in office, retail, multi-family and senior-housing properties, as well as operating companies. Grant was previously at **Cerberus Capital** and Frydman worked at **Northwood Investors.**

Development and investment shop **Jonathan Rose Cos.** has hired **Michael Arman** as chief financial officer. He started two weeks ago at the firm's New York headquarters. In addition to his corporate financial duties, Arman will oversee the firm's investment funds and work on investor relations. He reports to chief operating officer **Michael Daly.** Arman was previously chief financial officer at **Procida Funding,** a commercial real estate debt firm in Englewood Cliffs, N.J. He had prior stints at debt-fund shop **Hudson Realty Capital, Credit Suisse, J.E. Robert Cos.** and **Deloitte.**

Simone Development has hired **Megan Guy** as a development director. She started last week, tasked with all phases of projects, including site acquisitions. Guy previously worked at **Related Cos.** of New York, and before that at **HFF** and **Duff & Phelps.** At Simone, she reports to **Guy Leibler,** president of its healthcare development unit. The Bronx, N.Y., firm also develops industrial, retail and residential properties in Greater New York.

Heather Paduck joined **Northwood Investors** as chief financial officer last month, based in Denver. She held the same title for the past few years at **Pembroke Real Estate,** a subsidiary of **Fidelity Investments** where she worked for nine years. Before that, she was a director at Fidelity. The post at Northwood was previously held by **Michael Sullivan,** 49, who died this year. He had been at the firm since 2007, a year after it was founded by president **John Kukral.**

Marc Barell joined **Draper & Kramer** this month to work on acquisitions and asset management. Barell was previously an associate at **CBRE Capital Advisors,** where he'd worked since 2011. Chicago-based Draper & Kramer manages properties, lines up debt and equity and advises on acquisitions and development.

Square Mile Capital has added an analyst to work on acquisitions and asset management. **Zachary Lowenwirt** joined the New York fund shop this month. He was previously an analyst at **Building and Land Technology** of Stamford, Conn.

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Telephone: 201-659-1700 **Fax:** 201-659-4141 **Email:** info@hspnews.com

Richard Quinn	Managing Editor	201-234-3997	rquinn@hspnews.com
Alison Waldman	Senior Writer	201-234-3986	awaldman@hspnews.com
John Doherty	Senior Writer	201-234-3989	jdoherty@hspnews.com
Jeff Whelan	Senior Writer	201-234-3973	jwhelan@hspnews.com
Andrew Albert	Publisher	201-234-3960	andy@hspnews.com
Daniel Cowles	General Manager	201-234-3963	dcowles@hspnews.com
Thomas J. Ferris	Editor	201-234-3972	tferris@hspnews.com
T.J. Foderaro	Deputy Editor	201-234-3979	tjfoderaro@hspnews.com
Ben Lebowitz	Deputy Editor	201-234-3961	blebowitz@hspnews.com
Dan Murphy	Deputy Editor	201-234-3975	dmurphy@hspnews.com
Michelle Lebowitz	Operations Director	201-234-3977	mlebowitz@hspnews.com
Evan Grauer	Database Director	201-234-3987	egrauer@hspnews.com
Robert E. Mihok	Database Manager	201-234-3974	rmihok@hspnews.com
Mary E. Romano	Advertising Director	201-234-3968	mromano@hspnews.com
Kait Hardiman	Advertising Manager	201-234-3999	kait@hspnews.com
Joy Renee Selnick	Layout Editor	201-234-3962	jselnick@hspnews.com
Barbara Eannace	Marketing Director	201-234-3981	barbara@hspnews.com
JoAnn Tassie	Customer Service	201-659-1700	jtassie@hspnews.com

Real Estate Alert (ISSN: 1520-3719), Copyright 2016, is published weekly by Harrison Scott Publications, Inc., 5 Marine View Plaza, Suite 400, Hoboken, NJ 07030-5795.