

AUGUST 9, 2017

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THE GRAPEVINE

Dune Real Estate is opening its first West Coast outpost and looking for an investment pro to lead it. The New York fund shop wants to hire a real estate veteran to be its point person for the Western U.S., based in Los Angeles. Dune, led by chief executive **Daniel Neidich**, pursues property and debt investments across property types nationwide.

Multi-family acquisitions pro **Brett Johnson** joined **Passco Cos.** this week as a vice president of acquisitions, focused on the Western region. He's based in Greenwood Village, Colo., tasked with lining up, negotiating and closing on apartment deals in primary and secondary markets for the Irvine, Calif., shop. Johnson was formerly a senior director of acquisitions at **UDR**, a Highlands Ranch, Colo., REIT that specializes in luxury apartments. He

See GRAPEVINE on Back Page

Rental Sales Down 20%; CBRE Holds Lead

Sales of large apartment properties fell by 19.6% in the first half, indicating the high-flying sector is returning to earth.

About \$35.4 billion of multi-family deals worth \$25 million or more closed in the first six months of 2017, down from a revised \$44.1 billion a year earlier, according to **Real Estate Alert's** Deal Database. The drop follows a seven-year run of steady, sometimes dramatic sales growth that culminated in last year's record-shattering annual total of \$96.8 billion.

CBRE continued its long reign as the top multi-family broker, although its market share dipped slightly. **ARA Newmark** pushed ahead of **HFF** to grab second place at the midyear point, as Newmark's multi-family platform bucked the overall trend and racked up a 12% gain in sales.

Brokers, investors and analysts chalk up the sales decline to a slowdown in rent growth. The nationwide occupancy rate remains strong — **CBRE** pegs it at 95.4% — and

See RENTAL on Page 10

Duke Purchasing Bundle of New Warehouses

Duke Realty has agreed to pay just under \$700 million for a portfolio of recent-vintage warehouses in the nation's top coastal markets, as it continues its transformation into a pure-play industrial REIT.

The Indianapolis firm is buying 18 high-quality distribution centers totaling 6.9 million square feet from **Bridge Development** of Chicago. Nearly half of the space is in New Jersey, with the remainder in South Florida and Southern California. The buildings are less than three years old. Most were completed last year, and a few are still under construction. **CBRE** is brokering the off-market transaction.

Several of the newest properties haven't been leased yet, while many of the others are fully leased. The overall occupancy rate is about 50%. Duke is apparently betting there is little leasing risk because vacant space is scant in the surrounding markets and rents have been climbing as tenants scramble to find space. Market pros estimate that the REIT's stabilized capitalization rate would be in the neighborhood

See DUKE on Page 6

Insurer's HQ Pitched as 'Zero Cashflow' Play

A new corporate headquarters in suburban Chicago is being marketed as a "zero cashflow" deal valued north of \$300 million — an unusually large offering of that type.

The 735,000-square-foot building, in Schaumburg, Ill., is fully occupied by **Zurich American Insurance** on a long-term lease. Debt service on a \$333 million loan that a buyer would assume equals the property's net operating income, creating tax advantages for investors. **Stan Johnson Co.**, a brokerage that specializes in such trades and other net-lease deals, is representing the owner, **Stonemont Financial** of Atlanta.

The expected all-in pricing is unclear, but in a deal of this type, the seller typically seeks a premium based on the value of the tax advantages a buyer would receive. Zero-cashflow structures appeal to long-term investors such as endowments, wealthy individuals, family offices and trusts — but a deal of this size could also attract the attention of institutions.

The offering is aimed at buyers looking to execute a tax-deferred property

See ZERO on Page 5

New Luxury Rentals on Block in NJ

A partnership is marketing a nearly completed luxury apartment building in Northern New Jersey.

The 314-unit property, in Cliffside Park, could attract bids of about \$150 million, or \$478,000/unit. **CBRE** is advising the locally based development group, which includes the **Demetrakis** family.

The 16-story property, called Cliffside Park Towne Center, is at 7091 Anderson Avenue, five miles south of the George Washington Bridge. The town's government worked with the developers to assemble the three-acre site through eminent domain, according to local reports.

The L-shaped building has an attached two-story retail plaza with 50,000 square feet. There is also a three-story, 190-space underground garage, one floor of which is owned by the town. Construction is scheduled to be completed in October. Leasing has already started.

The apartments, most with 1-2 bedrooms, average just over 1,000 sf. All have high-end finishes. The amenities include a pool and grilling areas on the roof of the retail component. There is also a half-acre public plaza. The property offers views of Manhattan.

Cliffside Park is in Bergen County, one of the state's wealthiest counties. Rents in Northern New Jersey are expected to climb 5.2% this year, according to **Marcus & Millichap**. That's despite the addition of 8,500 units last year and a projected 7,600 this year. ❖

Inland Empire Warehouses on Block

Bentall Kennedy is shopping two adjacent Southern California warehouses worth about \$105 million combined.

The offering encompasses 1 million square feet of fully leased space in San Bernardino, in the booming Inland Empire East submarket. The single-tenant buildings are being pitched as a package via **Cushman & Wakefield**.

At the estimated value of \$102/sf, the initial annual yield would be about 4.25%. Prospective buyers are being told they could boost below-market rents upon rollover in a few years.

Gibson Overseas, a housewares manufacturer whose brands include Oster, Crock-Pot and Sunbeam, occupies the 609,000-sf warehouse at 7776 East Tippecanoe Avenue. **Royal Appliance**, the global distributor of Hoover and Dirt Devil vacuum cleaners, occupies the 416,000-sf building at 927 East Ninth Street.

The leases roll over in 2020 and 2021, and the marketing campaign is touting that as a quick opportunity to raise rents. The in-place rents average \$4.32/sf on a triple-net basis, nearly 15% below the \$5.04/sf rates similar nearby buildings command. Average asking rents in the submarket have climbed 29% over the past two years. The occupancy rate was 95.9% at midyear, up 160 bp from 24 months earlier.

The listed properties are on a 44-acre site, about five miles northeast of the intersection of Interstates 215 and 10. They are

less than three miles from a **BNSF Intermodal** rail facility. The warehouses were completed in 2009 and have high-quality features, such as 30-foot ceilings, cross-dock loading and modern lighting and sprinkler systems. ❖

Medical-Office Portfolio Available

Investors are getting a crack at a medical-office portfolio valued at about \$110 million.

The 361,000-square-foot package encompasses 38 dialysis clinics across 21 states, each fully leased to a single tenant. At the estimated value of \$305/sf, the buyer's initial annual yield would be 6.23%.

CBRE is representing the seller, an unidentified advisory group based in Seattle. The properties are likely to trade as a package, but bids will be considered on individual properties or groups of properties.

The marketing campaign is touting the offering as an opportunity to quickly achieve scale and geographic diversity. Another selling point is the portfolio's stability, as reflected by the 10.6-year weighted average remaining lease term.

The annual net operating income is \$6.9 million, 97% of which is generated by two tenants: **Davita**, which occupies 21 properties, and **Fresenius Medical Care**, which leases 16. The remaining property is occupied by **U.S. Renal Care**. Contractual rent bumps averaging 1.81% annually will provide steady income growth.

Some 40% of the space was constructed since 2012. The biggest concentrations are in Michigan (five centers), Mississippi (five), Indiana (three) and North Carolina (three). There are two properties apiece in Maine, Wisconsin, Illinois, Texas and Louisiana. The remaining properties are in Connecticut, Hawaii, Kansas, Missouri, New Mexico, New York, Ohio, Oklahoma, South Carolina, Tennessee, Washington and West Virginia. ❖

Microsoft Offices Listed Near Seattle

J.P. Morgan Asset Management is marketing a suburban Seattle office complex that's fully leased to **Microsoft**.

The 601,000-square-foot Advanta, in Bellevue, Wash., could attract bids of about \$240 million, or \$400/sf. **Eastdil Secured** has the listing.

Microsoft recently extended its lease for five years, until late 2023.

The property, encompassing three seven-story buildings at 3003-3009 160th Avenue SE, was developed in 2009 by **Schnitzer West** of Seattle. J.P. Morgan acquired it the following year for \$240 million. The complex includes almost 2,000 covered and open parking spaces.

Bellevue is in the Eastside submarket, where many technology heavyweights have offices. The 94% average Class-A occupancy rate exceeds the 91.8% average for the Seattle area, according to **Colliers International**. ❖

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JOINT VENTURE RECAP



THE COVE AT TIBURON
284 UNITS – TIBURON, CA

PROPERTY SALE



LOFT HOUSE
133 UNITS – SUNNYVALE, CA

PROPERTY SALE



MOSSER SAN FRANCISCO PORTFOLIO
351 UNITS – SAN FRANCISCO, CA

RECAPITALIZATION



ROSELAND
17,539 UNITS – NATIONAL

PROPERTY SALE



THE WESTCHESTER PAVILION
707 UNITS – WHITE PLAINS, NY

FINANCING



RESIDENCES AT MIAMICENTRAL
816 UNITS – MIAMI, FL

PROPERTY SALE AND FINANCING



3737 CHESTNUT
276 UNITS – PHILADELPHIA, PA

PROPERTY SALE



THE MARK AT BRICKYARD
433 UNITS – BELTSVILLE, MD

PROPERTY SALE



PLACENTIA PLACE
416 UNITS – PLACENTIA, CA

PROPERTY SALE



BELL DEL RAY
276 UNITS – ALEXANDRIA, VA

FINANCING



PIER 4
106 UNITS – BOSTON, MA

PROPERTY SALE



RESIDENCES AT MOOREFIELD VILLAGE
413 UNITS – ASHBURN, VA

JOINT VENTURE RECAP



537 GREENWICH STREET
173 UNITS – NEW YORK

FINANCING



THE BARTLETT
699 UNITS – ARLINGTON, VA

PROPERTY SALE



ELYSIAN WEST
466 UNITS – LAS VEGAS, NV

PROPERTY SALE AND FINANCING



SILVER TRAILS APARTMENTS
240 UNITS – SILVER SPRING, MD

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SECURITIES

Kushner to Buy Princeton-Area Rentals

Kushner Cos. has agreed to buy a sprawling New Jersey apartment complex for roughly \$190 million, in what would be one of the state's biggest multi-family sales this year.

The New York investment shop will pay about \$184,000 per apartment for the 1,032-unit Quail Ridge, in Plainsboro, just outside Princeton. That price would generate an initial annual yield of about 5.5%, with the potential to lift that by upgrading units and raising rents.

HFF is brokering the sale for a joint venture between **Angelo, Gordon & Co.** and **Vantage Properties**, both of New York. The com-

plex was part of a six-property, 2,185-unit portfolio that the duo bought from **AIG** in 2011 for \$241.3 million, or \$110,000/unit.

The 54-building complex, at 2005 Quail Ridge Drive, was built in 1981. The current ownership has upgraded a handful of apartments and raised rents, and Kushner is likely to continue that program. The units range in size from studios to two bedrooms and have washer/dryers, stainless-steel appliances and balconies or patios. There are two swimming pools, basketball courts, a dog park and a fitness center.

Plainsboro is an affluent suburb about 45 miles southwest of Manhattan. Adjacent Princeton and the surrounding area have an employee base concentrated in healthcare and education. Plainsboro hasn't approved a new multi-family property since 1984, and its existing stock has been attracting interest from institutional investors looking for properties that would benefit from renovations.

The increasing demand has prompted listings. Last month, Denver REIT **AIMCO** put the 896-unit Hunters Glen garden-style complex up for sale. Bids are expected to come in at about \$150 million, or \$167,000/unit. HFF also has that assignment.

If it closes at the agreed price, Kushner's purchase of Quail Ridge will be the second-largest apartment-property deal in New Jersey this year, after **Roseland Residential's** \$267.8 million purchase of an 85% interest in the 523-unit Monaco luxury building in Jersey City. HFF brokered that sale for **PGIM Real Estate** in June. Roseland, a unit of **Mack-Cali Realty** of Edison, N.J., already owned the other 15%. ❖

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Apartment Fund Corrals Capital

An investment manager closed on \$58.8 million of initial equity last month for an apartment fund.

First Capital of Wheaton, Ill., has set an overall \$100 million goal for the vehicle, First Capital Advisors Multi-Family Real Estate Fund. The sponsor will shoot for value-added and opportunistic returns by acquiring apartments properties nationwide.

Investor **Christopher Pope** founded First Capital in 2013 in a partnership with **First Trust Portfolios**, also of Wheaton. The shop already controls 3,500 apartments, 50,000 square feet of retail properties and 364,000 sf of industrial space, according to its website. Most of the holdings are in Alabama, Colorado, Illinois, Florida, Texas and Washington. Properties are operated by an asset-management arm of the firm.

First Capital often invests via joint ventures. Partners on apartment plays have included **ApexOne Investment** of Houston and **Lowe Enterprise** of Los Angeles.

Pope previously was president of **John Pope & Associates**, a real estate firm founded by his father. **Danielle Toste** handles investor relations for First Capital. **Andrew Cone** and **Nicholas McGinn** work on acquisitions and asset management. ♦

Zero ... From Page 1

exchange under Section 1031 of the IRS Code, or investors seeking to limit current income with an eye toward capturing capital gains down the road.


The loan, originated last year with an initial balance of \$333 million, carries a 4.92% interest rate. It matures in 2037 and is fully amortizing. Zurich American's triple-net lease runs until 2042 and calls for 5% annual rent escalations until 2037, to coincide with the loan's amortization schedule. The remaining five years of Zurich's lease will be rent-free. After that, there are four five-year renewal options that would be based on fair-market rent.

The 11-story complex, completed last year, was the largest single-tenant project in Chicago's

suburbs in more than a decade. Its distinctive design consists of two glass-clad rectangular blocks topped by a third at an odd angle.

The property is on 40 acres at 1299 Zurich Way, alongside Interstate 90, about 30 miles west of downtown Chicago and 11 miles from O'Hare International Airport. It includes a fitness center, a cafeteria, outdoor terraces, walking trails and two public transportation stops.

Zurich American, the U.S. arm of Switzerland's largest insurer, moved to the property last year from a Schaumburg, Ill., complex that has been partially re-leased and is now on the market (see article on Page 8). ♦



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Value-Added Play in San Antonio

A joint venture is pitching a Class-A office building in San Antonio as a value-add play.

The 15-story property, called One International Center, encompasses 301,000 square feet of space that's only 71% leased. The offering is expected to attract bids of about \$55 million, or \$183/sf. **HFF** is representing the owners — **Gemini Rosemont Commercial Real Estate** of Santa Fe, N.M., and **Lone Rock Resources** of Roseburg, Ore.

The marketing campaign touts the fact that competing buildings in the North Central submarket are 91% occupied on average, reflecting solid leasing demand. There is no construction under way in the submarket, limiting the potential for additional competition, according to marketing materials.

The vacant space in One International Center includes one full floor, which might be attractive to a prospective tenant. A buyer could make cosmetic upgrades to the property with an eye toward raising rents and the occupancy rate.

The four-acre site is at 100 Northeast Loop 410, at the intersection of Route 281. There is 5 million sf of retail space within one mile, providing a strong base of amenities attractive to tenants. The building is directly across the highway from San Antonio International Airport and seven miles north of downtown San Antonio.

The diverse rent roll includes firms in the legal, energy, healthcare, real estate and financial-services sectors. The building, which opened in 1985, has nearly 1,100 parking spaces. ❖

KBS Marketing Complex Near Seattle

KBS REIT is shopping a well-occupied office/flex complex in suburban Seattle that has some near-term lease rollover.

The 205,000-square-foot North Creek Parkway Center, in Bothell, Wash., is worth about \$36 million, or \$175/sf. **HFF** is representing KBS, of Newport Beach, Calif.

The six-building property encompasses office (149,000 sf), warehouse (23,000 sf) and lab (34,000 sf) space that is 97% occupied. But leases on about 21% of the space expire within a year, giving a buyer the chance to boost returns by re-signing tenants at higher rents. The property's \$16.01/sf average rent is some \$3/sf less than at comparable properties in the area.

The largest tenant, **Alder Biopharmaceuticals**, leases 34% of the space. The rent roll also includes **Comfort Systems USA**, **Contract Hardware**, **Mirabilis Medica** and **Sonic Concepts**. About half of the occupants have been tenants for at least 10 years. The complex was built in 1986 and 1987.

Flex space has maintained a 93% average occupancy rate in Bothell since 2000. No flex space has been developed since then. ❖

Duke ... From Page 1

of 4.5-5%.

The deal is slated to close in phases, with some properties not trading until early next year. Those still under construction will be placed in a joint venture between Duke and Bridge, according to sources.

Duke, a publicly traded REIT, has emerged as one of the biggest players in the U.S. industrial sector in recent years. It currently owns some 135 million sf of properties. Meanwhile, it has been divesting other property types. In May, it announced it was selling its medical-office platform to **Healthcare Trust of America** for \$2.8 billion and would redeploy the proceeds into the industrial sector.

The REIT told analysts in late July that it is seeking to make a total of \$1.1 billion of acquisitions this year, including what it described as a \$500 million portfolio — apparently a reference to the parts of the Bridge deal slated to close this year.

Bridge, founded in 2000 and led by **Ronald Frain** and **Steven Poulos**, has its biggest footprint in the Chicago area, where it owns some 10.4 million sf of warehouses. Those properties aren't part of the Duke deal, which encompasses all of its New Jersey and South Florida holdings and most of its Southern California properties.

The New Jersey component consists of 2.5 million sf of completed space and two soon-to-be-finished properties totaling 856,000 sf. The largest is the 1.3 million-sf BridgePort Logistics Center in Perth Amboy, which was completed in 2016. In South Florida, the portfolio includes seven completed properties totaling 1.8 million sf and a 222,000-sf warehouse under construction.

Duke's purchase also encompasses three properties totaling 1.5 million sf in Southern California. Bridge is nearing completion of another 512,000-sf warehouse in the Los Angeles area, but that isn't part of the transaction. ❖



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Broadstone Valley Ranch
Value-Add
524 Units | Irving, TX



Compass Point | Westview Village
Value-Add
350 Units | San Diego, CA



Conifer Creek
Value-Add
480 Units | Aurora, CO



The Current
Core
223 Units | Long Beach, CA



Grand Reserve at Eagle Valley
Core-Plus
394 Units | Woodbury, MN



Ivy Hill
Value-Add
116 Units | Walnut Creek, CA



M789
Value-Add
300 Units | Sandy Springs, GA



Malden Station
Core
200 Units | Fullerton, CA



Marsh Creek
Value-Add
276 Units | Dallas, TX



Met Lofts
Core
266 Units | Los Angeles, CA



Metropolitan at Lincoln Station
Value-Add
431 Units | Lone Tree, CO



Placentia Place
Value-Add
416 Units | Placentia, CA



The Reserve Glenview
Core
239 Units | Glenview, IL



Shadows of Cottonwood
Value-Add
504 Units | Irving, TX

Half-Leased Offices for Sale in Illinois

A Class-A office complex in suburban Chicago is being pitched as a leasing play.

The 882,000-square-foot property, in Schaumburg, Ill., is only 48% occupied. It is expected to sell for at least \$80/sf, or \$71 million. **CBRE** is representing the seller, **Retail Properties of America**.

The Oak Brook, Ill., REIT, formerly known as **Inland Western Retail**, acquired the complex, called Schaumburg Towers, for \$138 million in 2004. At the time, **Zurich American Insurance** occupied all of the space as its North American headquarters. The insurer moved out last year.

Retail Properties has since leased 413,000 sf to four companies: **Paylocity** (310,000 sf until 2032), **Great American Insurance** (44,000 sf until 2025), **Swiss Re** (34,000 sf until 2024) and **Charles Industries** (26,000 sf until 2028). The weighted average remaining lease term is almost 14 years. The weighted average rent is \$15/sf, just below the \$16/sf average asking rate for comparable properties in the surrounding Northwest submarket.

The complex, at 1400 and 1450 American Lane, is among high-caliber properties that typically outperform the submarket. The average occupancy rate of those properties is 91%.

Retail Properties has spent \$9 million on upgrades of the common areas and amenities, which include a fitness center, conference facilities and indoor parking. The complex, which was completed in 1986, encompasses twin 21-story glass towers connected by a three-story atrium. It is next to the Wood-

field Mall and a couple of miles south of Interstate 90.

Zurich American relocated last year to a new complex at 1299 Zurich Way. That 735,000-sf property also recently went on the block (see article on Page 1).

Improving fundamentals have made investors more willing to buy poorly leased properties in Chicago's suburbs, which were hit hard by the recession and an exodus of tenants to downtown Chicago. For example, in March, Chicago-based **GlenStar Properties** and **Cadre** of New York paid \$74 million for the 1 million-sf Schaumburg Corporate Center, which was only about 73% leased and in need of renovation. ❖

Corrections

An Aug. 2 article, "Apartment Fund Nears Equity Target," incorrectly said that a fund co-sponsored by **Eagle Rock Advisors** and **UOB Global Capital**, UOB Eagle Rock Multifamily Property Fund 2, had held an interim close the previous week, lifting its equity to \$176.3 million. The vehicle actually held a final close, with \$236.3 million of total equity. Also, with leverage, the fund has \$700 million of buying power, not \$600 million.

The "Top Brokers of Hotels in the First Half" ranking that was published on Aug. 2 failed to give credit to **HFF** for a \$139 million sale. The total volume of deals handled by the brokerage should have been \$382.5 million. The error didn't affect HFF's fifth-place ranking. ❖



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	<p>EastBoro Office Portfolio \$175MM Acquisition Financing 1st Mortgage and Mezzanine Loan Office Portfolio Tysons, VA</p>	 <p>Cityplace Tower \$120MM Refinance 1st Mortgage and Mezzanine Loan Office Dallas, Texas</p>
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The four building, 764k sf Class A office portfolio is 90% leased to an array of private-sector and government contractor tenants. The property is located next to the Greensboro Metro Station and the Boro, a mixed-use complex slated for completion in 2019 that will include a Whole Foods supermarket.

Refinancing of a 1.3mm sf multi-tenant office tower located between Dallas's Uptown and Central Expressway submarkets. The refinancing will allow the sponsor to implement a capital improvements plan and execute a leasing-driven value-add business plan.

	<p>Hyatt Regency Lake Washington \$73MM Construction Financing 1st Mortgage Loan Hospitality Renton, WA</p>	 <p>Garvies Point \$224MM Construction Financing 1st Mortgage & Mezzanine Loan Luxury Apartments & Condominiums Glen Cove, NY</p>
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Phase III of a larger IV Phase project, the under construction 347-key full-service Hyatt Regency Lake Washington hotel will be the only the four-star hotel near the SeaTac Airport and the first full-service hotel in the city of Renton, WA to offer large-scale meeting and convention space.

Phase I of a transformative waterfront development on the Long Island Sound in Glen Cove, New York. The development includes three 5-story buildings containing 552 residential units and substantial accompanying amenities.

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RANKINGS

Top Brokers of Multi-Family Properties in the First Half

Brokers representing sellers in deals of at least \$25 million

	1H-17 Amount (\$Mil.)	No. of Properties	Market Share (%)	1H-16 Amount (\$Mil.)	No. of Properties	Market Share (%)	'16-'17 % Chg.
1 CBRE	\$7,560.1	146	25.3	\$9,453.6	190	27.8	-20.0
2 ARA Newmark	5,120.1	102	17.1	4,571.2	101	13.4	12.0
3 HFF	4,816.3	70	16.1	6,008.5	104	17.7	-19.8
4 JLL	2,263.7	38	7.6	2,245.4	41	6.6	0.8
5 Cushman & Wakefield	2,015.1	47	6.7	1,864.4	38	5.5	8.1
6 Berkadia	1,665.1	37	5.6	1,478.3	34	4.3	12.6
7 Moran & Co.	1,373.6	22	4.6	1,073.9	16	3.2	27.9
8 Marcus & Millichap	1,182.7	25	4.0	2,590.1	48	7.6	-54.3
9 Eastdil Secured	873.3	21	2.9	1,012.0	7	3.0	-13.7
10 Walker & Dunlop	613.0	12	2.0	695.0	11	2.0	-11.8
11 Colliers International	389.2	9	1.3	519.9	12	1.5	-25.1
12 Gebroe-Hammer Associates	355.0	4	1.2	92.0	2	0.3	285.9
13 Kidder Mathews	305.4	6	1.0	0.0	0	0.0	
14 SVN	210.5	8	0.7	0.0	0	0.0	
15 Transwestern	203.9	3	0.7	71.3	2	0.2	186.0
16 Rosewood Realty	198.7	5	0.7	372.9	6	1.1	-46.7
17 JBM	162.0	4	0.5	98.1	2	0.3	65.1
18 Eastern Consolidated	140.5	4	0.5	212.6	8	0.6	-33.9
19 Savills Studley	76.5	2	0.3	35.3	1	0.1	116.7
20 Meridian Capital	56.0	2	0.2	143.7	2	0.4	-61.0
20 TMS Real Estate	56.0	1	0.2	0.0	0	0.0	
22 Emerald Equities	52.0	1	0.2	0.0	0	0.0	
23 ABI Multifamily	43.5	1	0.1	40.0	1	0.1	8.7
24 Capstone Apartment Partners	41.3	1	0.1	0.0	0	0.0	
25 Westwood Realty	38.0	1	0.1	34.4	1	0.1	10.5
26 Tikijian Associates	36.0	1	0.1	0.0	0	0.0	
27 Pacific Partners Real Estate	34.3	1	0.1	0.0	0	0.0	
28 Greysteel	31.0	1	0.1	0.0	0	0.0	
29 Orion Investment Real Estate	25.0	1	0.1	0.0	0	0.0	
OTHERS	0.0	0	0.0	1,390.1	31	4.1	-100.0
Brokered Total	29,937.8	574	100.0	34,002.6	654	100.0	-12.0
No Broker	5,493.5	84		10,090.6	150		-45.6
TOTAL	35,431.3	658		44,093.2	804		-19.6

Rental ... From Page 1

employment and demographic trends point to continued demand from household formation. But a steady stream of construction of high-end downtown apartments over the last few years has led to oversupply in some markets — bringing an end to the days of double-digit annual rent increases. Investors are either reconciling themselves to lower returns, or being more patient in their acquisitions.

“Rent growth is still positive, but not as robust as it has been the last five, six years,” said **Brian McAuliffe**, head of CBRE’s multi-family operation. “We’re reverting to the mean.”

CBRE closed \$7.6 billion of apartment sales in the first half, down 20% year-over-year. Its share of brokered sales slipped to 25.3% from 27.8%. ARA Newmark’s sales jumped to \$5.1 billion, from \$4.6 billion, good for a 17.1% share. HFF slipped to third place with \$4.8 billion, or 16.1%, of sales. Fourth-place **JLL’s** volume ticked up slightly to \$2.3 billion, while **Cushman & Wakefield** registered an 8.1% bump to \$2 billion to rank fifth.

Part of the story of multi-family investing this cycle has been an influx of investors new to the sector, drawn in by rosy long-term prospects for expanding tenant demand and by the eye-popping annual rent growth. Meanwhile, some owners

See RENTAL on Page 11

RANKINGS

Multi-Family Property Sales by Market in the First Half

Sales of at least \$25 million

	1H-17 Amount (\$Mil.)	No. of Properties	1H-16 Amount (\$Mil.)	No. of Properties	Top Brokerage in 1H-17
1 Central/Northern Florida	\$3,130.5	63	\$2,745.6	67	CBRE
2 Denver Area	2,536.5	35	3,379.9	54	ARA Newmark
3 Atlanta Area	2,217.8	45	2,242.3	51	CBRE
4 South Florida	2,089.1	33	3,911.1	59	Cushman & Wakefield
5 Dallas Area	1,650.4	36	1,413.2	30	HFF
6 Los Angeles Area	1,584.5	24	2,689.2	36	Moran & Co.
7 Austin Area	1,581.6	19	1,421.6	28	CBRE
8 New York City	1,523.2	33	4,295.4	56	Rosewood Realty
9 Seattle Area	1,514.1	29	1,546.1	31	CBRE
10 Phoenix Area	1,392.5	31	2,292.8	51	CBRE
11 Houston Area	1,126.3	24	1,051.7	37	ARA Newmark
12 North Carolina	978.0	22	1,550.9	32	ARA Newmark
13 Northern New Jersey	935.0	15	632.4	8	Gebroe-Hammer Associates
14 Boston Area	780.5	10	702.2	12	CBRE
15 San Diego Area	756.6	11	549.9	6	Berkadia
16 Maryland's D.C. Suburbs	753.3	9	407.1	5	CBRE
17 Northern Virginia	745.7	10	726.2	7	Eastdil Secured
18 Minneapolis Area	723.5	10	639.8	14	CBRE
19 Las Vegas Area	619.7	14	998.4	22	CBRE
20 Philadelphia Area	606.0	9	285.5	7	CBRE
OTHERS	8,186.6	176	10,611.8	191	
Total	35,431.3	658	44,093.2	804	

Rental ... From Page 10

accelerated their investment periods and put properties up for sale sooner than expected, to cash in on the enthusiasm. The slowdown in sales suggests those trends may be cooling.

Still, the overall sales tally was the third-highest ever for a first half. And for many apartment pros, the dip doesn't negate the sector's long-term strength.

"If we weren't eight years into the cycle, people would be more enthusiastic, more opportunistic," says **James Martha**, managing director for TIAA affiliate **TH Real Estate's** value-added apartment plays. "Reading the tea leaves: Are we at the end of the cycle? I don't believe so."

Market pros noted that rent growth is likewise declining for other property types at this point in the cycle. And with development expected to slow, problems of over-supply will likely wane in the next few years. Compared with other commercial real estate asset classes, they say, apartments should remain a favorite.

"What's the alternative?" said **Bill Miller**,

a senior managing director at HFF in Dallas, who co-heads the firm's multi-family activity. "When you look at the alternatives, people view apartments as a long-term investment with very good cashflow. It's a defensive investment strategy in many ways when you consider alternative investments."

Miller noted that many multi-family owners that might have been expected to be sellers this year are instead refinancing, rather than coming to market when prices may be softening. HFF's apartment-loan brokerage advisory business was up more than 30% for the first half, he said.

"We think a lot of these owners are opting to refinance and hold on to their assets versus selling," Miller said, noting that debt is readily available at attractive pricing.

Even so, he and others expect trading will pick up in the coming months. Requests for proposals are increasing, he said, "and in the second half we expect to see an increase in sales volume," although it's unlikely the annual total will reach last year's level.

Concerns about slowing rent growth and a heavy development pipeline appeared

See RENTAL on Page 13

Multi-Family Sales

	Amount (\$Bil.)	No. of Prop.
2008	\$420.1	508
2009	6.6	169
2010	19.5	387
2011	32.9	694
2012	42.8	915
2013	49.7	1,274
2014	66.7	1,496
2015	88.1	1,747
2016	96.8	1,825
1H-17	35.4	658

RANKINGS

Top Multifamily Brokers by Market in First Half

Central/Northern Florida	1H-17 Amount (\$Mil.)	No. of Properties	Market Share (%)
1 CBRE	\$810.3	18	29.0
2 ARA Newmark	546.6	10	19.6
3 JLL	480.3	7	17.2
4 Walker & Dunlop	219.5	5	7.9
5 Cushman & Wakefield	199.0	5	7.1
6 HFF	196.7	3	7.0
7 JBM	162.0	4	5.8
8 Colliers International	63.0	2	2.3
9 Marcus & Millichap	62.5	2	2.2
10 Berkadia	50.6	2	1.8
Brokered Total	2,790.5	58	100.0

Atlanta Area	1H-17 Amount (\$Mil.)	No. of Properties	Market Share (%)
1 CBRE	\$616.5	11	31.0
2 JLL	559.2	10	28.1
3 Cushman & Wakefield	387.9	10	19.5
4 Walker & Dunlop	190.4	4	9.6
5 ARA Newmark	131.4	4	6.6
6 Moran & Co.	63.5	1	3.2
7 Berkadia	38.0	1	1.9
Brokered Total	1,986.9	41	100.0

Denver Area	1H-17 Amount (\$Mil.)	No. of Properties	Market Share (%)
1 ARA Newmark	\$727.5	12	37.6
2 HFF	593.8	8	30.7
3 Moran & Co.	469.2	7	24.3
4 CBRE	116.3	3	6.0
5 Marcus & Millichap	27.8	1	1.4
Brokered Total	1,934.6	31	100.0

South Florida	1H-17 Amount (\$Mil.)	No. of Properties	Market Share (%)
1 Cushman & Wakefield	\$549.9	8	37.5
2 ARA Newmark	400.0	6	27.3
3 JLL	181.8	2	12.4
4 Walker & Dunlop	87.0	1	5.9
5 Marcus & Millichap	68.2	1	4.6
6 Colliers International	61.2	1	4.2
7 Berkadia	43.8	1	3.0
8 HFF	42.0	1	2.9
9 CBRE	33.3	1	2.3
Brokered Total	1,467.2	22	100.0

Dallas Area	1H-17 Amount (\$Mil.)	No. of Properties	Market Share (%)
1 HFF	\$541.9	12	37.8
2 ARA Newmark	365.7	8	25.5
3 CBRE	348.9	8	24.4
4 Moran & Co.	111.6	3	7.8
5 JLL	55.6	1	3.9
6 Cushman & Wakefield	8.8	1	0.6
Brokered Total	1,432.5	33	100.0

Los Angeles Area	1H-17 Amount (\$Mil.)	No. of Properties	Market Share (%)
1 Moran & Co.	\$327.4	3	22.9
2 Marcus & Millichap	308.0	5	21.6
3 ARA Newmark	200.3	2	14.0
4 HFF	187.0	2	13.1
5 Cushman & Wakefield	168.2	1	11.8
6 Berkadia	161.3	3	11.3
7 CBRE	42.0	1	2.9
8 Pacific Partners Real Estate	34.3	1	2.4
Brokered Total	1,428.5	18	100.0

Seattle Area	1H-17 Amount (\$Mil.)	No. of Properties	Market Share (%)
1 CBRE	\$609.6	13	46.5
2 Kidder Mathews	305.4	6	23.3
3 JLL	141.0	1	10.8
4 Berkadia	140.5	2	10.7
5 HFF	62.3	2	4.8
6 Moran & Co.	51.0	2	3.9
Brokered Total	1,309.8	26	100.0

Phoenix Area	1H-17 Amount (\$Mil.)	No. of Properties	Market Share (%)
1 CBRE	\$566.4	11	43.8
2 Marcus & Millichap	293.8	6	22.7
3 Colliers International	143.0	3	11.1
4 Berkadia	110.9	4	8.6
5 ABI Multifamily	43.5	1	3.4
6 JLL	41.8	1	3.2
7 Transwestern	37.3	1	2.9
8 ARA Newmark	31.1	1	2.4
9 Orion Investment Real Estate	25.0	1	1.9
Brokered Total	1,292.8	29	100.0

Rental ... From Page 11

most acute in New York City, where the volume of first-half sales plummeted 65%. Typically the busiest market by far, it fell to eighth place nationally. Some 30,000 units were added last year and a similar number of deliveries is expected this year, according to **Marcus & Millichap**. The expanding supply is causing owners to offer rent concessions to fill vacant apartments. The city's traditionally sky-high occupancy rate dipped 50 bp last year and will decline a similar amount to 96.7% by yearend, the firm estimates.

While the flood of new luxury properties in downtown locations has taken the bloom off core plays in many markets, value-added investors have been busy snapping up complexes in secondary and tertiary markets. **Brian Eby**, a senior director at TH Real Estate, said he's seeing heavy competition for the Class-B offerings that his shop pursues. Its purchases this year included apartment complexes in Walnut Creek, Calif., Chesapeake, Va., and Bloomington, Minn.

On the other hand, Eby noted, sellers of downtown properties may have to adjust their pricing. "There's been a drop in the number of bidders for those assets," he said. "You'll have four or five bids — as opposed to 12-15 on value-added deals. There are no bargains out there yet, but it could present an opportunity."

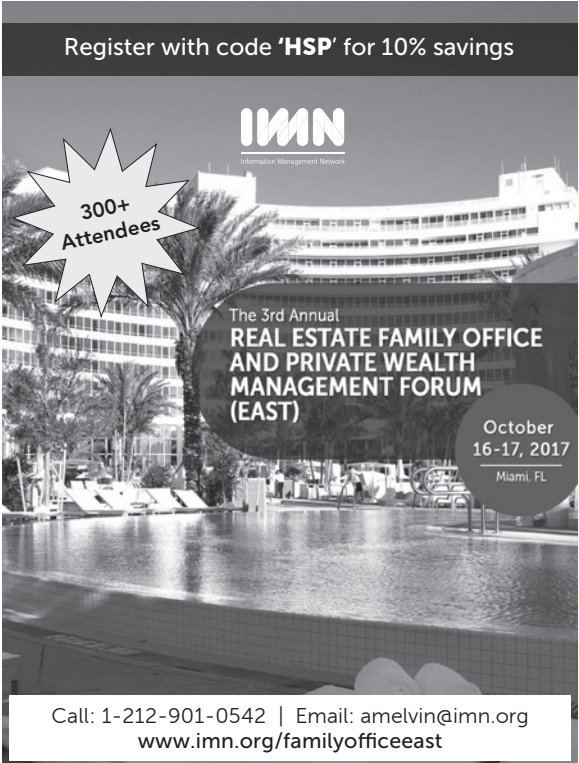
However, as CBRE's McAuliffe pointed out, the slowing of rent growth at the high end of the market also affects value-added players. Renovating and boosting rents at older properties becomes a harder play when rates at new, luxury properties flatten or fall.

"There's a domino effect," says McAuliffe. "If you have those slowing rents at the top end you can't push the value-added rents as much."

Bob Dougherty, a partner at investment and advisory shop **Buchanan Street Partners** of Newport Beach, Calif., recently authored a white paper dealing with secondary and suburban markets. His shop believes that the same population group that jump-started the multi-family sector earlier in the cycle — millennial renters seeking high-end apartments rather than for-sale starter homes — will soon begin to fuel sales in the suburbs. Those younger professionals will migrate like previous generations did — but not as homeowners, at first.

"We like suburban multi-family," Dougherty said. "It's where millennials who are tired of the city, and ultimately want to settle in the suburbs, will go" in search of good schools and a quieter lifestyle. Suburban apartments, he said, are "a way-point, a bridge to home ownership. There will be a larger renter-by-choice community, and it'll be moving to the suburbs."

The broker rankings are based on transactions that closed in the first half and involved full or partial stakes valued at \$25 million or more. When multiple brokers shared a listing, the dollar credit was divided evenly, but each broker was credited with one property. Only brokers for sellers were given credit. Portfolio transactions were included if the overall price was at least \$200 million or if at least one property had a value of \$25 million or more. ♦



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CALENDAR

Events in US

Dates	Event	Location	Organizer	Information
Aug. 23	Seniors Housing Southeast	Atlanta	InterFace	interfaceconferencegroup.com
Aug. 24	Real Share Orange County	Costa Mesa, Calif.	ALM	www.eiseverywhere.com
Aug. 24	Greater Atlanta & Southeast Data Center Summit	Atlanta	CapRate Events	cre-events.com
Aug. 24	National Industrial	Chicago	Bisnow	www.bisnow.com
Aug. 24	Connect Texas Multifamily	Dallas	Connect Media	connectconferences.com
Aug. 24	Real Share Orange County	Costa Mesa, Calif.	Real Share	www.eiseverywhere.com
Aug. 31	DICE South	Dallas	Bisnow	www.bisnow.com
Sept. 7-8	Midwest Bank Special Assets & Credit Officer's Forum	Chicago	IMN	www.imn.org
Sept. 13	Washington, D.C. & Mid-Atlantic Data Center Summit	Ashburn, Va.	CapRate Events	cre-events.com
Sept. 13	Multifamily Texas	Dallas	InterFace	interfaceconferencegroup.com
Sept. 13-15	Crittenden Real Estate Finance Conference	Miami	Crittenden	www.crittendenconferences.com
Sept. 14-15	Banking & Special Assets Forum (Midwest)	Chicago	IMN	www.imn.org
Sept. 18-19	Real Estate CFO & COO Forum	New York	IMN	www.imn.org
Sept. 19	North Pacific Institutional Real Estate Investor Forum	San Francisco	Markets Group	www.marketsgroup.org
Sept. 19	Big Retail South	Frisco, Texas	Bisnow	www.bisnow.com
Sept. 19	BOLD West	San Francisco	Bisnow	www.bisnow.com
Sept. 19	BLIS East	Washington	Bisnow	Wwwbisnow.com
Sept. 19	Connect NY	New York	Connect Media	connectconferences.com
Sept. 25-26	Real Estate Family Office & Private Wealth Mgmt. Forum	Chicago	IMN	www.imn.org

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- Strategies for Finding Yield in Non-Core, Mixed-Use and Opportunistic Assets
- The Reshaping of Returns in the Real Estate Market: External Factors Influencing the Most Promising Sectors for 2018
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MARKET SPOTLIGHT

Northern New Jersey Apartment Properties

- ❑ Sales of large properties totaled \$935 million in the first half, up nearly 50% from a year earlier.
- ❑ Capitalization rates for suburban complexes are 5-5.5%, the second-highest level among the nation's top 15 suburban markets, according to CBRE.
- ❑ Properties are benefiting from spillover tenant demand from higher-priced Manhattan and Brooklyn, according to Green Street Advisors. But the research shop cautions that any slowdown in New York's economy could narrow the price gap and hamper sales.

On the Market

Property	Seller	Hit Market	No. of Apts.	Estimated Value (\$Mil.) (Per Apt.)		Broker
Cliffside Park Towne Center, Cliffside Park	James Demetrakis, partners	August	314	\$150	\$478,000	CBRE
Hunter's Glen, Plainsboro	AIMCO	June	896	150	167,000	HFF
Observer Park, Hoboken	Hawaii Employees, Invesco	July	115	75	652,000	Cushman & Wakefield
Three complexes in Hoboken/Jersey City	(Unidentified)	April	71	30	423,000	HFF
Three complexes in East Orange	(Unidentified)	June	191	26	136,000	HFF

Recent Deals

Property	Buyer	Closed	No. of Apts.	Sales Price (\$Mil.) (Per Apt.)		Broker
Monaco, Jersey City (85% stake)	Roseland Residential	April	523	\$315	\$602,000	HFF
Quail Ridge, Plainsboro	Kushner Cos.	(Pending)	1,032	190	184,000	HFF
Seven affordable-housing complexes	Wheelock Street, partners	February	1,008	180	179,000	SVN Affordable
Nob Hill, Roseland	Novel Property Ventures	January	360	130	361,000	Gebroe-Hammer
Cedar Wright Gardens, Lodi	Cammeby's International	January	642	100	156,000	Gebroe-Hammer
Avalon Watchung, Watchung	Pantzer Properties	(Pending)	334	92	275,000	HFF
Avalon Run East, Lawrenceville	Rockpoint Group	(Pending)	312	90	288,000	HFF
Metropolitan, Hoboken	Advance Realty	February	128	77	601,000	HFF
Addison at Princeton, Plainsboro	Goldman, Kushner Real Estate	July	439	73	166,000	HFF
Summit Hill, Springfield	Kushner Real Estate, Avenue Realty	March	228	70	307,000	Gebroe-Hammer
43 Gales Drive, New Providence	Madison Hill Properties	January	232	55	237,000	Gebroe-Hammer
River Edge at Garfield, Garfield	C6 Real Estate, Citymark	June	100	27	270,000	(None)
The Addison, Newark	RJ Block Properties	July	219	26	119,000	HFF

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

THE GRAPEVINE

... From Page 1

spent two years there, working on acquisitions across the U.S. Before that, Johnson held acquisitions posts at **JRK Property**, **Milestone Group** and **Archstone**.

Torchlight Investors has made another acquisitions hire. **Brett Hopkins** started last month as a senior vice president in the New York fund shop's headquarters. He was previously a director at **True North Management**, another New York fund operator. He had a prior stint at **CWC Capital**. As previously reported, Torchlight last month hired acquisitions veteran **Daniel Lockwood** as a senior vice president.

Stream Realty has spun off its multi-family investment business. The new firm, Austin-based **Sparrow Partners**, is headed by **Jeff Patterson**, formerly a senior vice president at Dallas-based Stream. Launched last month, Sparrow will concentrate on development and management of "active adult"

properties in Texas, and will also take over former Stream projects in North Carolina and Florida. Before joining Stream in 2014, Patterson spent 10 years at **Apartment Realty Advisors** in Austin and left as a partner.

Cody Kushner joined **Stonemar Properties** within the last week as a vice president of acquisitions and asset management at the firm's New York headquarters. He was previously a vice president of acquisitions at **Cielo Property**, an Austin development and investment firm where he worked for two years. Stonemar invests in mixed-use and retail properties in primary and secondary markets with institutional partners.

Derrick Gruner has left multi-family fund operator **Strategic Holdings**, where he was executive vice president and general counsel. He spent two years at the Westlake Village, Calif., firm, which invests nationally in workforce housing. The split is described as amicable, and Gruner has told colleagues he will announce his next move soon. Gruner was previously general counsel at

hard-money lender **Genesis Capital** of Woodland Hills, Calif.

Marc Kramer joined **Peebles Corp.** last month as a senior acquisitions and investment associate at its New York headquarters. He lines up deals nationally, working under acquisitions chief **Gregory Cola**. Kramer came from **Akridge**, where he spent over two years as an acquisitions associate. He had a previous stint at **CBRE**. Peebles is led by **R. Donahue Peebles**, who founded the firm in 1983. It targets retail, multi-family, hospitality and mixed-use properties and has a portfolio totaling some 6 million square feet, primarily in major cities.

Fund operator **H.I.G. Realty** is seeking to hire an associate in Los Angeles. The recruit would help evaluate, structure and negotiate acquisitions and dispositions, as well as work on asset management for the New York firm, which invests across property types. Candidates should have 2-3 years of investment banking or real estate investment experience. Applicants should email **Carter Tatum** at ctatum@higcapital.com.

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