

REAL ESTATE

ALERT

The Weekly Update on Institutional Buying Opportunities

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Highcross Strategic Partners has hit its initial equity target for an opportunity fund that will invest in U.K. office and industrial properties on behalf of endowments, foundations and public pension plans in the U.S. The Newbury, England, investment group gathered \$120 million in its initial round of fund raising for the vehicle, called **Highcross Regional U.K. Partners**. It will ultimately seek \$200 million of equity, giving it \$570 million of buying power, with leverage. **Banc of America** is Highcross' placement agent.

— October 8, 2003

Presidio Partners has lined up \$260 million of equity for **Highcross Group**, a Newbury, England, fund manager. The firm's Highcross Regional U.K. Partners will use equity from U.S. investors to invest in opportunistic office and industrial properties in the U.K. It had been aiming to raise \$200 million of equity. Presidio is working on the assignment in conjunction with **Banc of America**, where Presidio executives worked before setting off on their own last year.

— April 14, 2004

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11 THIRD-QUARTER TRANSACTIONS

- 2 Bay Area Lifestyle Center for Sale
- 2 CalSTRS Shopping Virginia Offices
- 3 Washington Offices on Block Again
- 3 Long Island Power Center Available
- 3 Starwood Wins Complex Auction
- 4 Inland Plans Retail Buying Spree
- 6 \$160 Million Retail Package for Sale
- 9 Vacant Va. Offices Up for Grabs

Office Sales Running Ahead of Last Year's Pace
Sales of large office properties climbed 7.5% in the first three quarters, putting the market on track to exceed \$30 billion of transactions for the third year in a row.
Some \$23.5 billion of deals closed through Sept. 30, up from \$21.9 billion in the year-earlier period, according to **Real Estate Alert's** Deal Database. The number of transactions grew by 15%, to 369 from 322. In the third quarter, some \$9.5 billion of deals closed—in line with the \$10 billion of transactions seen a year earlier and \$9.7 billion in the third quarter of 2001. The database has tracked transactions of \$20 million and more since 2001.
The activity puts the sales market within reach of the \$33.4 billion of transactions recorded last year. The fourth quarter is often the busiest period of the year, as sellers often want to book transactions in time for yearend financial
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Lubert-Adler Fund Heavily Oversubscribed
At a time when many opportunity-fund operators are having trouble raising equity, **Lubert-Adler Partners** is turning investors away.
The Philadelphia firm, which was seeking \$850 million of equity for its fourth fund, ended up receiving some \$1.3 billion of commitments, according to people familiar with the vehicle. Lubert-Adler decided to increase the size of the fund to \$1.1 billion and return \$250 million to investors.
These days, it's unusual for funds to be oversubscribed. With suitable high-yield investments harder to come by, opportunity funds are finding it difficult to meet the traditional return target of 20%+ plus. Moreover, investors are being pickier with their capital. But Lubert-Adler, which has a highly successful track record of pursuing creative high-yield investments, had no trouble luring capital.
The operator completed its fund raising with unusual speed for a vehicle of this size. Talk of the fund, Lubert-Adler Real Estate Fund IV, began in
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Two Big Apartment Portfolios Hit the Market
Two firms are separately offering giant apartment portfolios with a combined asking price of \$1.1 billion.
Members of the **Pritzker** family of Chicago are seeking \$812 million for 22 properties located in eight markets nationwide. Meanwhile, a private firm is seeking \$253.3 million for 14 properties in the Baltimore area. **CB Richard Ellis** has both listings.
The 7,202-unit Pritzker package, referred to as the Centergate Residential Portfolio is primarily made up of Class-A properties, with a few B-quality complexes thrown in. Almost all of the buildings were completed less than three years ago. The portfolio has an average occupancy rate of 90.8%.
Investors can bid on the entire portfolio, groups of properties or individual complexes. At the asking price, the buyer's initial annual yield would average 6.7%. The complexes are located in the Washington area, Atlanta, Orlando,
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THE GRAPEVINE

Metropolitan Life has elevated **Kevin Thorwarth** to managing director in charge of its \$10 billion real estate equity portfolio. The post had been occupied by **Robert Merck**, who was promoted to real estate investment chief in July. Thorwarth has worked at MetLife since 1985, most recently in its Tampa office. He's now based in Morristown, N.J., reporting to Merck. The shift is the latest in a series of personnel moves that were triggered by the June retirement of chief investment officer **Gerald Clark**.

The buzz is that **Lee Alexander** has jumped to **Coltwell Banker Commercial** from **Indigna/ESG's** Washington office. He had been handling sales of office and industrial properties at **Indigna**, which was purchased by **CB Richard Ellis** in July. Word is that CB's deep bench of Washington brokers didn't
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