

## INVESTMENT VEHICLES

## Highcross Completes Third UK Vehicle

**Highcross Group** closed its third U.K. opportunity fund with £436 million (\$706 million) of equity. The Newbury, England, firm's latest vehicle seeks an 18% return, primarily by investing in the development and redevelopment of office and industrial properties in the U.K.'s secondary markets. Managing director **Peter Gubb** oversees the fund. Like its predecessors, Highcross Regional UK Partners 3 is mostly backed by U.S. endowments and foundations. It succeeds Highcross' £325 million fund in 2006 and its £150 million vehicle in 2004. **Presidio Partners** was the placement agent. ❖

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## Crisis Forces Pensions to Curb Investments . . .

The financial crisis has significantly reduced the asset sizes of public pension systems, forcing many to curb or scrap real estate commitments for the foreseeable future.

Plunging stock and bond values have caused some systems to shrink in size by 20% or more this year, with much of the decline coming in recent weeks. For example, **Calpers**, the nation's largest pension system, now has \$190 billion of assets, down 21% from the end of June. Calpers took an especially sharp blow because it is heavily invested in stocks globally. Many other systems have suffered asset declines of 10-20% this year.

Allocations for investments in specific sectors — including real estate — are tied to a pension system's asset size. As the asset base shrinks, so does the capacity for new commitments. The problem in some cases is being magnified for real estate, because stock and bond prices have fallen faster. That means the

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## . . . As Fund Sponsors Shift Marketing Goals

The economic downturn is taking a big toll on operators seeking to raise capital for high-yield funds.

More than 30 funds have been canceled, delayed or downsized this year, the vast majority in the past three months. One veteran placement agent predicted that the number could top 100 within a few months.

Earlier this year, the effects were being felt mostly by small sponsors that were soliciting equity without the assistance of a placement agent and that lacked a track record managing institutional money. But now the impact is being felt by larger players as well, partly because institutional players have slowed down their commitments in the wake of plunging investment portfolios (see article above).

The better-known fund operators struggling in the weak market include the

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## Jones Lang Adjusts Focus in Wake of Crisis

Reacting to the downturn in property sales and lending, **Jones Lang LaSalle** is shifting its emphasis to advisory services that help clients deal with distressed assets.

The Chicago-based brokerage has set up five teams that will help banks, insurance companies, government agencies and private investment groups sort through distressed properties, loans and securities. The teams will be able to draw on the services of hundreds of Jones Lang employees across different divisions. Jones Lang hopes that, in many cases, advisory contracts will ultimately lead to listings for investment sales.

Some of the new teams will manage troubled assets on behalf of clients or serve as court-approved receivers. Others will advise property owners about what to do with assets once they figure out how much they're worth.

The firm's initiative reflects the growing demand for advice on distressed assets amid the prolonged financial crisis and economic downturn. "A lot of these ideas

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## THE GRAPEVINE

**Andrew Masalik** has joined boutique investment bank **Palfadian Capital Advisors** of Palo Alto, Calif., as chief operating officer and head of a recently expanded placement-agent unit. Masalik, a principal, has opened an office in Denver. He had been a managing director at **Epiphany Club & Resorts**, a Denver resort developer. Palfadian, which is run by **Bob Woods**, has traditionally focused on raising equity for development projects and acquisitions. It's now targeting opportunities to raise capital for fund operators as well.

Brokerage and advisory firm **BlueGate Partners** has hired **Jeff Bastow** as a vice president in the Philadelphia office of **Transwestern**, handling multi-family sales in the Mid-Atlantic region. He will now move to New York and assist BlueGate founder **Mark DeJillo**. **Din Sachs** and **Eric Bylin** in marketing assignments and drumming up clients. The former **DTZ Rockwood** partners

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