# REAL ESTATE ALERT

**The Weekly Update on Institutional Buying Opportunities**

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# Funds Turning to Outside Firms to Raise Equity

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**THE GRAPEVINE**

It looks like **Eastdil Realty** has landed the listing on **Newport Corporate Center,** a Seattle-area office complex that could fetch more than $200 million. The brokerage competed against **Secured Capital, CB Richard Ellis** and others for the assignment. The 960,000-square-foot campus, at 3655 131st Avenue Southeast in Bellevue, is being offered by **Bentall Corp.** Bentall is a unit of **SITQ,** a real estate investment arm of pension-fund advisor **Caisse de Depot et Placement du Quebec.**

A fund managed by **Kan Am Group** will likely pursue office buildings in California next year — making it the latest German player to target West Coast properties. The open-end vehicle, **Kan Am Grund,** will likely seek

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**Funds Turning to Outside Firms to Raise Equity**

High-yield real estate funds are increasingly using outside placement agents to raise equity.

At least 18 firms currently are helping fund managers line up capital, a number that has grown steadily over the past few years, according to a survey by **Real Estate Alert.** The newest players include **Lazard Freres, Ackman Ziff, Presidio Partners, Secured Capital** and **Greenwich Group International** (see list on Page 9). What's more, **Citigroup, Sonnenblick-Goldman** and **Holliday Fenoglio Fowler** may jump into the market.

Placement agents are most heavily used by operators seeking to break into the market. But even established players have stepped up their use. The reason: Competition for capital has grown more fierce, both because the number of high-yield funds is on the rise and because investors have become more selective

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**Trammell Taps Minter to Head Property Sales**

Bolstering its brokerage operation, **Trammell Crow** has hired veteran broker **Jack Minter** as national director of investment sales.

Minter, who spent the past year as director of investments for **Cousins Properties,** joins Dallas-based Trammell next week. He will replace **Michael Duffy,** director of investment sales since 2000, who is expected to shift to director of client services. Minter will be a "player-coach," mixing investment sales with management duties, according to one broker familiar with his plans.

Minter's hiring is the second major step recently taken by Trammell as part of an effort to jump into the upper echelon of investment sales from the middle of the pack. Last month, the firm hired **Robert Shibuya** as executive director of national brokerage services, with oversight responsibility for investment sales, tenant representation and leasing. He joined Trammell from **CB Richard Ellis.**

Trammell finished 10th in **Real Estate Alert's** survey of office brokers in 2002,

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**Reckson Lands 1185 Avenue of the Americas**

**Reckson Associates** has agreed to pay about $325 million for the leasehold interest in the office building at 1185 Avenue of the Americas in Midtown Manhattan.

Reckson, a REIT based in Melville, N.Y., is expected to formally sign an agreement this week for the 1.1 million-square-foot office tower. It won the property by outbidding a host of rivals, including **SL Green,** the big New York REIT. At the $308/sf sales price, Reckson's initial annual yield would be roughly 8%.

The seller is a partnership among local investors **Joseph Chetrit, Mark Karasick** and **Harry Skydell.** It is being represented by **Eastdil Realty's Doug Harmon,** who declined to comment.

The Chetrit team gained full control of the building a year ago when it bought out the 71% stake held by its partner, **Whitehall Street Real Estate Fund.** The deal,

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Placement agents are most heavily used by operators seeking to break into the market. But even established players have stepped up their use. The reason: Competition for capital has grown more fierce, both because the number of high-yield funds is on the rise and because investors have become more selective as performance among funds has started to diverge.

"I think [placement agents] bring order to a complicated and long, drawn-out process," said **Steve Orbuch,** managing member of a new opportunity-fund unit at **Och-Ziff Capital Management** of New York. "I can't think of a fund right now, with a few exceptions, that doesn't use one."

The field of players includes a mix of giant financial institutions, private-equity specialists and boutique firms. For the past several years, the dominant player has been **Credit Suisse First Boston's** real estate private funds group, which has raised $4 billion since 2000 for some of the biggest fund operators.

Other major players include **Morgan Stanley,** which has a group devoted solely to real estate, and **Merrill Lynch,** whose private-equity team has worked for several real estate fund operators, including **Colony Capital** of Los Angeles. BofA was also a major player, but its team broke away on its own this year to formed Presidio.

Meanwhile, smaller firms are springing up or expanding their private-equity focus to real estate. For example, **Quince Hill Partners,** a Washington firm established two years ago to raise capital for private-equity funds, now spends about 80% of its time lining up investors for real estate funds, according to principal **Thomas Foster. GRE Securities,** a new affiliate of Greenwich, is handling real estate funds exclusively. And Secured Capital hired **Joshua Brown** in September to run a Dallas-based private-equity group that will also raise capital for real estate funds.

First-time fund operators usually need to hire a placement agent because they lack a track record. "It has always been very difficult for anybody to raise capital for Fund I," said **Bill Chadwick,** managing director of **Chadwick Saylor,** a Los Angeles placement agent.

But even established players are turning to placement agents to supplement their in-house specialists, both because of the heightened competition for equity and because the strategy enables them to focus on managing their existing funds. For example, **Blackstone Group,** one of the most-successful fund operators, used First Boston for its latest vehicle, which has already raised $1.5 billion of equity.

The use of placement agents can also save time for operators. Capital raising generally takes nine to 18 months with placement agents, but up to 24 months without them, according to market players. The tradeoff, however, is the hefty placement fee — typically 1.5% to 3% of the amount of equity raised, depending on the size of the fund — which comes out of the fund operator's pocket. ❖