

INDUSTRIAL PLAYERS SEE DEALS BUT STILL CAUTIOUS

While pension advisers defer a good many industrial deals for now, they're optimistic that they can make up this deficit when real estate starts picking up in the second half of the year. Transactions have been slow for industrial in the first half of the year, leaving advisers to try other tactics that can push at least a bit of PF cash into the market, including tapping into foreign investment in the U.S. and the sale/leaseback phenomenon that accompanies any economic downturn.

BPG Properties makes its first industrial deal for its Fund VIII in the form of a build-to-suit that will be under a long-term lease to a Chinese paper manufacturer. **The Koll Co.** hopes to uncover a greater number of opportunities by simply expanding the markets in which it may make deals. The discretionary partner wants to invest half of the capital in its joint venture with the **Public Employee Retirement System of Idaho** in industrial properties. Its obvious that the deals are out there as **New Boston Fund Inc.**'s robust pipeline of industrial deals could tap the remainder of its PF-backed Urban Strategy America Fund (USA Fund) by the end of the year.

For the near term, expect industrial deals to increasingly fall on the conservative side with less speculative development and more value-added and build-to-suits. BPG rides the tailcoats of Chinese paper manufacturer Solaris to develop at 406,000 s.f. build-to-suit in Philadelphia that will expand Solaris' presence to the eastern U.S. The Solaris build-to-suit gives BPG Properties its first industrial deal for BPG Investment Partnership VIII. The PF adviser closed the fund about a year ago and was investing it in office, multifamily and retail up until now. The overall slowdown in real estate has hit BPG and the adviser needs to put another \$100M into real estate by the end of the year. It already has several more value-added industrial and office deals in its pipeline and a portfolio of apartments currently under contract.

Targeting Value-Added Plays

While BPG will target more industrial deals for Fund VIII, expect those deals to be value-added plays, with speculative development more attractive for office right now. BPG, where **Arthur Pasquarella** leads as COO for North America, looks for modern properties with value-added potential, including potential derived through its intense operating strategy. Approximately 40% invested and leveraged with about 67% debt, BPG should have about \$1.5B in total capital left to invest for Fund VIII. The PF adviser looks to invest 15% to 20% of the fund in industrial assets that require a minimum of \$15M in capital and that will stabilize with cap rates at 8% to 9%. Expect leveraged IRRs in the mid teens for the fund.

BPG's Solaris property is off the I-81 corridor in Philadelphia, an area still seeing a lot of growth because the land's cheaper than similar spots off nearby I-89, which runs parallel about 50 to 100 miles to the east. The development will take space on a 29-acre parcel, which has room for additional build-to-suit development, but likely only at the request of Solaris. BPG's currently overseeing 130,000 s.f. of additional development on its 358,000 s.f. I-81 Distribution Center, leased to Ply Gem Industries and part of its Fund VII portfolio, just 50 miles south of the Solaris project. The adviser is also working on a 300,000 s.f. of speculative development at the site.

The Koll Co. will push \$500M of capital from its partnership with PERSI over the next two years and some of that money might end up in Northern California, Seattle, and Portland, Ore., markets Koll recently added to its list of target markets. Koll will target smaller properties with the idea of using in-house management abilities to gain an edge by targeting assets viewed by larger advisers as too management- and leasing-intensive. Unlike other players, Koll will consider speculative developments in stronger markets. The West Coast investor primarily targets value-added and core-plus industrial and office properties. The adviser, which has total discretionary control over investments for its partnership, likes Portland and Seattle because of their high percentage of small-tenant properties.

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FUND HIGHLIGHTS

<u>Fund Type</u>	<u>Amount</u>	<u>Est. Return</u>	<u>Manager's Co-investment</u>	<u>Location</u>	<u>Property</u>
Mezzanine Debt	\$500M	15%	\$52.5M	National	Office Multifamily Retail Industrial Hotel Mixed-use

With the senior debt market on the rocks and not expected to turn around for some time, Transwestern Realty Finance Partners kicked off its third mezzanine debt fund targeted for \$500M with \$300M raised so far and \$100M to close shortly. Investors include public and private pension funds, insurance companies, endowments and high-net-worth individuals. It has already committed \$150M to investments and will commit close to \$100M more by the end of the year, with four to five mezzanine loans in the pipeline. Transwestern will raise the full \$500M in equity by the third quarter of 2008. Leveraging for the fund is conservative at 40% to 50%. The PF adviser will be very active because of the wider spreads and difficulty for investors to secure senior debt, as most lenders only finance up to 60% LTV, compared to 75% LTV just one year ago. Fund III's net IRR of 15% is expected to outdo Fund II. But it sinks below Fund I's net IRR of more than 20%. The fund will be fully invested by 2010.

Fund III closed two loans in May — one \$17.85M mezzanine loan for a mixed-use development in Raleigh, N.C., and a \$5M mezzanine loan for a multifamily acquisition in Chicago. Deal sizes typically range from \$15M to \$25M. Loan terms are typically five years, with three year structures and an option of two one-year extensions. Fees are typically one to two points up front and one to two points on exiting.

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Like Portland and Seattle, Northern California adds diversification for the fund while offering larger properties with the small-tenant base it favors. Expect Koll to acquire properties in the \$10M to \$30M range using leveraging at 60%, with an emphasis on in-house management. Look for the investor to take substantial stakes in the Sacramento area, with PERSI particularly interested in that market.

New Boston expects its USA Fund's capital to be fully committed through the rest of the year, although investment for USA Fund was slow to start. With full investment expected soon for New Boston's USA Fund, the adviser could put a successor fund into motion early next year. New Boston closed on a sale/leaseback deal with BKM Enterprises for a seven-building industrial complex in East Hartford, Conn., which fit its urban revitalization strategy. The tenant will lease back six of the buildings, for a 92.3% occupancy rate, with a 10-year term.

The 389,876 s.f. portfolio was for the adviser's \$190M Urban Strategy America Fund, which looks to make economically targeted investments in urban markets, with an eye on the four food groups. The portfolio includes a mix of flex, manufacturing and warehouse/distribution space. The adviser targets projects at \$20M to \$100M in total cost, with its sweet spot in the \$50M-plus range. New Boston is targeting 20% of the fund for industrial properties. With \$100M of capital invested and leveraging used up to 75%, the USA Fund has a good amount of capital left to invest — likely at least \$150M in equity.

ADVISERS CONSERVATIVE ON OFFICE

The conservative pension fund approach seeps into fund raising as advisers avoid raising funds too large to invest in the market. This leads PFs to target office properties more conservatively and selectively as they want the right fit for their smaller funds. PF adviser **Mayfield Gentry Realty Advisors** has plans for a new fund, but will stay conservative on fundraising while looking extensively at market cycles to enter areas set for growth and with strong demand for office space. **Eola Capital** takes its time shopping around for deals, with a co-investment strategy for large PFs that allow it to partner up on a per-deal basis as properties come online. Meanwhile, **Shorenstein Properties** has the bulk of its \$2B fund to invest and uses current market conditions to its advantage.

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Mayfield Gentry Realty Advisors sees a long underwriting process as one reason for 2008 being a slower business year than 2007. Underwriting for new or existing debt takes three to four weeks longer than a year ago as lenders have gotten more conservative as sources of debt shifted from conduits to banks and life companies. The PF adviser avoids taking a bigger bite than it can swallow and will weigh in current market conditions to see how much capital it can manage for its next fund. Eola Capital has seen an especially slow year. Its recent \$19.25M acquisition was its first for 2008, while it saw more than \$1B in deals last year.

The PF adviser doesn't worry about having money it can't invest though because it keeps its discretionary funds small and works with larger PF investors through co-investments on a deal-by-deal basis. Shorenstein Properties looks long-term for its fund with a 20-year lifespan but targets office investments with an opportunistic outlook and finds an all-cash buying strategy and acquisitions of debt notes as ways to get through the slump while some competitors prefer to twiddle their thumbs and ride it out.

With two recent office deals closing for its initial \$150M Genesis Value Fund and several more projects in the pipeline, Mayfield Gentry expects to see its fund fully invested soon, with at least \$100M of capital committed by the end of the year. Currently, the PF adviser is beginning to outline a strategy for its second value-added fund. Expect the second fund to target several new markets, expanding Mayfield Gentry's presence and taking advantage of areas that have bottomed out. The fund's size will depend on market conditions during its raising since the PF adviser doesn't want to raise more capital than it can smartly invest within the targeted investment period.

Renovations Planned

Mayfield Gentry recently acquired 1522 K St. in Washington, D.C., for \$30M, with its Genesis Value Fund. The Class B office property has 81,094 s.f. of space and will see \$15M in renovations and capital improvements to bring it up to a Class A quality. The PF adviser, which also manages \$1B in separate accounts, paid \$59M for Crossroads Corporate Park in Cary, N.C., with a separate account managed for the **Detroit Police & Fire Retirement System**.

The portfolio includes four Class A low- and mid-rise office properties totaling 390,542 s.f. and four development parcels totaling 16.63 acres. Typical holds for the PF adviser range between three and seven years. In the pipeline, Mayfield Gentry's looking at four more office properties and three multifamily deals. The adviser, where **Chauncey Mayfield** leads as president and CEO, has its sweet spot in the \$15M to \$20M range but sees most deals averaging around \$30M right now. For its separate account clients, the PF adviser targets larger deals in the \$100M-plus range.

Eola Capital prefers managing smaller discretionary funds in the \$50M to \$100M range and works with PFs as co-investment partners on large transactions. In addition to a recent acquisition, the PF adviser is also raising a new fund. While the office investor attracts mostly high-net-worth individuals for its funds because of their size, it wouldn't mind seeing fewer investors, such as PFs, with larger commitments making up its investor base for the discretionary fund. Eola's portfolio is capitalized at \$1.5B, with about half of those investments coming from PF investors, and about \$250M to \$300M of that comes from foreign PFs. While a smaller investor with a targeted focus on office, Eola has strong relationships in the PF community and uses its fully integrated operating and management abilities to gain an edge over competing advisers that rely on third-party or JV operating partners.

JV Buys in Florida

Eola made a \$19.25M office buy in Orlando, Fla., for its Fund III and co-investment partners **Lehman Brothers** and a South American PF. The acquisition of Buschwood I and II gives Eola 171,111 s.f. of office space and completes the partnership's ownership of the three-building Buschwood Office Park, of which the partnership bought the first building, Buschwood III, last year. Eola Capital, where **Troy Cox** is chief investment officer, expects to invest \$2M into the properties and bring them up to Class A quality. Because it works with less discretionary capital for investments, Eola has less pressure to close on deals in a tough market and can take a touch-and-go approach as it finds opportunities that meet its criteria. Eola targets office properties below replacement cost in strong growth markets, with an eye for IRRs in the mid teens.

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Shorenstein Properties only targets office investments with its \$2B Shorenstein Realty Investors IX Fund, which it seeks to invest in strategies running the full gamut from core to opportunistic, depending on market conditions. The fund formed last spring has a 20-year lifespan and, in addition to targeting direct real estate investments, has been buying up debt notes on properties that meet its criteria during the market slowdown and emerging opportunities from the credit crisis. So far, Shorenstein has acquired nine subordinated notes worth \$150M as well as originated some mezzanine, all on high quality properties.

Most recently, Shorenstein made a direct investment with the purchase of the Class A, 28-story 5 Post Oak Park in Houston for more than \$120M in an all-cash buy from Crescent Real Estate Equities and General Electric Pension Trust. The 567,396 s.f. tower is 93% leased by three tenants and the acquisition included a 1,672-stall adjacent parking structure. The property will see some slight repositioning, primarily through an active leasing strategy. The PF adviser will refinance 5 Post Oak Park to have it leveraged with 60% debt. Shorenstein, where **Glen Shannon** is president, finds the U.S. coastal markets most attractive for properties it targets. Expect the PF adviser to target a small handful of large transactions for Fund IX, which is only 10% invested so far.

BUYING APARTMENTS FOR RENOVATIONS, REPOSITIONING

Pension fund advisers will search nationwide for Class B and Class C apartment complexes for renovations and repositioning as advisers find Class A or other stabilized complexes too competitive and pricey to pursue. Advisers will adopt a value-added multifamily strategy of buying at below-replacement costs, improving properties and increasing occupancy and rents. They will target markets where middle-class to lower middle-class residents cannot afford to buy homes and have to settle for competitively priced apartments. PF advisers such as **Legg Mason Real Estate Investors**, **Calera Investment Group** and **Sterling American Property** take the value-added leap in Norwalk, Calif., Buena Park, Calif., and Phoenix, respectively.

Legg Mason Real Estate Investors picked up a 123-unit complex in Norwalk for \$18M with plans for \$2.2M in upgrades. The hold period will be three to five years, with a net IRR higher than 20%. It used its Chesapeake Real Estate Value Investors fund with likely \$300M of equity commitments, which includes PF investors and high-net-worth individuals. The fund has deployed \$20M so far in 2008, and expects to deploy from \$250M to \$300M for the entire year with leveraging at 70%. It will also close on a \$25M-plus industrial portfolio very soon. The fund targets the West Coast; Austin and San Antonio, Texas; Chicago; Florida and the Sunbelt, with an interest in Phoenix, Las Vegas and Albuquerque if the price is right. Legg Mason also buys office, retail, industrial, self-storage and hotel properties.

The brand-new Calera Investment Group, formed in mid-2007, bought a 184-unit apartment complex in Buena Park for \$31.6M, with renovation plans of an additional \$2.2M. The hold period will be three years, with returns expected from 15% to 18%. Equity was provided through Calera's joint venture with two public PFs. It has closed four deals with the two PFs since 2007, and worked with the **California Public Employees' Retirement System** on an apartment deal last year.

Expect Calera to do at least one more deal this year. The firm's equity target for the year is \$100M to \$200M, with 65% leveraging. Calera's strategy is to buy and renovate Class B and C product, with 40 to 100 units. It seeks to increase rental occupancy by 25% to 35% post-rehab, with modest property improvements such as from Class B to B+. Calera will also enter tertiary markets where reduction in pricing is especially prevalent. The firm is in negotiations for three deals, two in Southern California and one in Northern California.

Sterling American Property purchased an 832-unit complex in Phoenix for \$85.2M with its \$610M value-added Sterling American Property V fund, which has more than \$2.5B in buying power. The hold period will be four to six years, with mid-teen returns. SAP V consists of 50% PF investors, with the other half made up of endowments, financial institutions, family trusts and universities. SAP V is 50% invested and is expected to be fully invested by April 2010. The adviser will begin raising funds for SAP VI once SAP V is 80% invested, expected in mid to late 2009. Sterling plans another \$2M of improvements to compete with surrounding apartments, which have 7% to 8% higher rents. Sterling also looks to add value by leasing up the complex, which currently sees a 20% vacancy.

ADVISERS RAISE FUNDS — READY TO BUY

Look for pension fund advisers to stockpile new real estate funds while they wait for prices to come down. Some will get their feet wet for the first time while a few others may adopt aggressive strategies, but expect all of these advisers to remain cautious. A few short years ago these PF advisers had more than enough cash to invest but not enough properties to spend it on. Now, they have plenty of cash and plenty of product, but prices are too high. The question is how long will advisers have to wait until prices drop enough to generate the returns their PF clients want, particularly since PFs won't change their projected returns to suit the market. In the meantime, money could pile up in the accounts of advisers unless they adjust their strategies to the market. **Browning Investments** will raise cash through an opportunistic fund targeted towards PFs and other investors. **Clemente Development Co. Inc.** makes big plans to take advantage of distressed properties when prices are right, while **CB Richard Ellis Investors** and **Rockpoint Group** close massive funds, with commitments from several PFs.

Browning Investments will seed its targeted \$50M to \$100M Browning Capital Fund in the next six months, with \$25M. With properties already under contract in central Florida, Louisville, Ky., and Cincinnati, the firm will invest about 50% in speculative developments, and the other half in value-added, industrial acquisitions. Browning's strategy will be attractive to PFs looking to diversify their portfolios with different investments. The PF adviser's value-added strategy will attract PF interest at a time when they are searching for strong returns.

Browning Investments will focus on bulk distribution. It hopes to raise the fund in the next six to 12 months, and will co-invest 5% to 10%. Typical leveraging will be 65%, with maximum leveraging at 75%. Assets will flip upon stabilization, with land developments 75 to 150 acres and four- to five-year holds, while acquisitions will be typically held two to three years, with a maximum five-year hold. Browning will deploy 25% to 35% of the fund in the next six to eight months, but has no new acquisitions in the pipeline. It expects to fully invest the fund in the next three years, with returns in the low 20s. Targeted regions include the Midwest, Southeast, Charlotte, N.C., central Florida, Nashville, Tenn., Louisville, Ky., Cincinnati and Columbus, Ohio.

Clemente Development looks to raise \$800M from financial companies including PFs, to leverage the current \$200M fund to \$2B to \$4B for its CDC Real Estate Opportunity Fund I. The fund will wait until the first quarter of 2009 to pounce on distressed real estate, anticipating syndicates to default on short-term, interest-only loans purchased in the last three to four years, with 80% to 90% financing. This strategy will allow Clemente to cherry-pick attractive properties at lower prices with potential for the highest returns for its investors. With lenders underwriting to only 65% these days, Clemente Development will buy up primarily Class A office buildings in major metropolitan areas, with existing rent roll. It will also purchase Class B buildings with potential for Class A status, but will exclude trophies. Hold periods will be five to seven years, with a gross IRR of 40% to 50%. Fund I will be fully invested by 2010, with a 10-year life.

Focus on Apartments

CB Richard Ellis closed its largest Strategic Partners U.S. fund yet — the \$2.1B Strategic Partners U.S. 5 fund, with total purchasing power of \$6.4B. Typical leveraging will range from 55% to 75%. Fund 5 will focus primarily on for-rent multifamily, but will be cautious not to overpay for properties. It will also pursue office acquisitions, as well as some industrial and retail. Gross returns will be at least 20%, with typical hold periods of three to five years. Fund 5 has already invested \$1B this year, and the PF adviser expects to invest a total of \$3B for the fund by the end of 2008. CB Richard Ellis takes a new approach and splits the equity evenly between two sub-funds under the Fund 5 umbrella — Strategic Partners U.S. Value 5 and Strategic Partners U.S. Opportunity 5. Other changes include a broader investment strategy including developments and entity-level and company investments. Because of the new diversification, CB Richard Ellis attracted more capital and lured more PFs.

Value 5 will focus on high-quality, Class A real estate with an opportunity to create value. Some PF investors in Value 5 are the **Los Angeles City Employees Retirement System**, **Public School Retirement System of Missouri**, **New York State Teachers' Retirement System**, the **Orange County Employees Retirement System** and the **State of Hawaii Employees' Retirement System**. Opportunity 5 will focus mostly on distressed properties with high vacancy, early-stage development, repositioning portfolios and investing in companies that control high-quality real estate.

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Some PF investors in Opportunity 5 include the **California State Teachers' Retirement System**, Los Angeles City Employees Retirement System, **Ohio Police & Fire Pension Fund**, New York State Teachers' Retirement System and the **New Jersey State Investment Council**. Target markets for both sub-funds are the East and West coasts and Texas. It has also invested in Chicago this year. There are \$400M worth of deals in the pipeline, and CB Richard Ellis plans to close 100%.

High prices will keep Rockpoint Group's \$2.5B Real Estate Fund III on the sidelines until the adviser deems sellers and their prices have grown more reasonable. While hints have crept into the market that prices might be slipping, Rockpoint plots a patient course to prevent overpaying. Some PFs in Real Estate Fund III include the **California Public Employees' Retirement System**, California State Teachers' Retirement System, New York State Teachers' Retirement System, **Oregon Public Employees Retirement Fund**, **Pennsylvania State Employees' Retirement System**, **Teacher Retirement System of Texas**, **New York State Common Retirement Fund** and the **State of Wisconsin Investment Board**.

Fund III's targeted gross IRR is 20%, with properties expected to hold three to five years. Typical leveraging will be 60% to 70%. But even with substantial capital, the firm is slow to buy. It closed on just one domestic deal in the past nine months, and two in Japan and Germany. Overall, Rockpoint put less capital to work in 2007, finding unreasonable prices for a large number of properties. Currently, it sees prices as more reasonable and the firm is evaluating when it will re-enter the market more aggressively. Fund III will invest in office, multifamily, hotels and residential land, along with a small portion of development.

INVESTOR NOTES...

Lagovent Real Estate Group looks to partner with pension funds for multifamily deals. Historically partnering with high-net-worth individuals, it now expands its investment focus. It plans to acquire \$80M to \$100M of properties this year and has acquired \$37.5M so far. Typical hold periods are five years with returns in the high teens. Leveraging varies deal by deal, but Lagovent prefers more over less. The firm specializes in buying up Class B apartments and typically renovates to compete with surrounding properties. It recently closed two acquisitions in Texas with LTV at 80% for each but currently has nothing under contract. Lagovent targets Dallas and Southern California and will expand into Utah.

Opus South Corp. hires **John Flavin** as VP of the Florida region for its development firm. Opus South forms joint ventures with pension funds and other institutional investors, along with high-net-worth individuals. Flavin will identify land and execute development at his new position and sees institutional interest growing for development deals. He plans to develop a strategic plan for Florida by identifying trends and looks to expand the company.

Opus South will consider mixed-use opportunities but prefers separate entities as opposed to typical retail/office and residential mixed buildings because it sees single assets as easier to sell. It will also look at distressed land but not as a specific goal. The Florida region targets are Tampa and Orlando, and the firm will look at Jacksonville and West Palm Beach.

The Teachers' Retirement System of Texas has partnered with publicly traded REIT **Parkway Properties** with a new fund, Parkway Properties Office Fund II. The pension fund will have a 70% stake in the \$375M equity commitment, with Parkway taking a 30% and serving as the general partner. Total buying power for the fund is set at \$750M, with 50% leveraging of non-recourse, fixed-rate first mortgage debt. The partners plan to see full investment within four years, targeting primary metro markets in the Southeast, the Southwest and Chicago. Fund II follows a \$500M JV fund with **Ohio Public Employees Retirement System**.

DEALMAKER DATABANK™

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PF ADVISERS SELECTIVE ON HOTEL ACQUISITIONS

Expect a handful of more aggressive pension fund advisers to target value-added hotel properties that need renovations or reflagging as they seek returns as high as in the mid 20% range. Most advisers have scaled back hotel investments for the remainder of the year, bracing for a downturn in the hospitality market. Some low-leveraged, well-capitalized PF investors remain in the market, with the confidence to sustain returns in the current downturn. PF adviser **RockBridge Capital** picked up a Sheraton in Iowa City, Iowa, that needs renovations, while **Noble Investment Group** purchased a select-service AmeriSuites in Schaumburg, Ill., for reflagging to a Hyatt Place and a full-service Marriott in Kansas City, Mo., needing renovations.

RockBridge Capital and joint venture partner **Davidson Hotel Company** purchased the Sheraton for \$9.5M, tapping its \$160M Hospitality Fund IV, which includes public and private PFs, endowments, life companies and high-net-worth individuals. The Sheraton will undergo renovations, exceeding the \$9.5M acquisition price. Total costs for its deals usually range from \$10M to \$50M. Fund IV's target for its equity raise is \$200M, and Rockbridge hopes to raise the balance by year's end and fully commit all capital in the next two years. Generally, returns range from the high teens to the mid 20s, with hold periods from five to seven years. The fund will focus on hotel buys and also originate first mortgages and mezzanine debt. Expect RockBridge's lending to be conservative and equal a much smaller percentage of volume compared to its hotel acquisition budget. The fairly opportunistic fund focuses on good sponsorship and premium quality brands, with value-added potential. Rockbridge's sweet spot is value-added investments, and it has found success in renovation and reposition opportunities. It targets hotels nationwide and is not particularly focused on the top 25 markets, but rather takes deals as they come.

Noble Investment Group bought two hotels recently — one 126-room AmeriSuites that will be converted to a Hyatt Place, and a 295-room Marriott Country Club Plaza that will undergo an \$8.8M renovation and was purchased at a cap rate a little over 8%. Both were investments in Noble's third \$310M Hospitality Fund, which includes PF investors **Public School Retirement System of Missouri** and the **New York State Common Retirement Fund**. Typical returns for the fund are 20%, with five- to seven-year hold periods on hotels. Fund III is about 40% invested, and the adviser will spend another 20% this year. Full investment is set for the end of 2009. Noble will buy hotels in markets that have stable, healthy economic fundamentals and good locations.

Noble liked the AmeriSuite's Schaumburg location because it's a major office and retail market, with high barriers-to-entry that is seeing strong commercial and retail demand. When fully converted by fall 2008, RevPAR will be around \$80. The PF adviser liked the Kansas City Marriott property because of its location in a deep, stable market in addition to the asset being a well-positioned and well-branded hotel. It purchased the Marriott with all-cash, and beat out three to four other serious bidders. It likes to lock in acquisitions and then secure financing about 30 days later. The firm leverages transactions up to 70%. Noble wants to get into the New York City, Los Angeles, Boston and Washington, D.C., markets.

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