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Real Estate ALERT

THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

NOVEMBER 7, 2012

THE GRAPEVINE

Acquisitions specialist **Chris Mundy** opened a Washington office this month for **Oxford Properties,** one of Canada's largest commercial real estate owners and developers. The investment arm of **Ontario Municipal Employees** has been making a push back into the U.S., and Mundy's hiring suggests it plans to step up acquisitions in the Washington area. Mundy, a senior vice president, previously was a principal at **Rubenstein Partners,** a Philadelphia fund operator. Before that he founded **ARC Real Estate Ventures** of Washington and had stints at **Washington Real Estate Investment** and **Equity Office Properties.**

Nick Klein joined **HFF** last week as an associate director in Portland, Ore. He

See GRAPEVINE on Back Page

REIT Marketing Atlanta Apartment Portfolio

Equity Residential is teeing up six high-end Atlanta apartment complexes, one of that market's largest multi-family offerings since the downturn.

The 1,949-unit portfolio, suitable for core-plus and value-added investors, is spread throughout the Midtown, Buckhead and Perimeter Center submarkets, traditionally among the sprawling metropolitan area's strongest in terms of occupancy. The package has an estimated value of about $325 million, or $167,000/unit. At that price, the capitalization rate would be about 7%.

Bids will be taken on individual properties or the entire portfolio. Chicago-based Equity Residential has given the listing to **Jones Lang LaSalle.**

The mid-rise complexes were developed between 1999 and 2003. The apartments range in size from studios to three-bedroom units. The amenities include tennis courts, fitness centers and rooftop swimming pools.

The average occupancy rate is 95%, somewhat higher than Atlanta's 92.9%

See ATLANTA on Page 4

Invesco Snags Retail Space in Times Square

Invesco Real Estate has agreed to buy a majority stake in a retail condominium in Manhattan's Times Square in a transaction that values the space at about $200 million.

The 40,000-square-foot condo is at the base of the former Knickerbocker Hotel, at the southeast corner of Broadway and West 42nd Street. A Gap clothing store leases all of the space except roughly 5,000 sf that is vacant along 42nd Street.

The condo is now owned by a partnership between fund shop **Walton Street Capital** of Chicago, **Crown Acquisitions** of New York, **Highgate Hotels** of Irving, Texas, and **Ashkenazy Acquisition** of New York. Invesco, a Dallas investment manager, is acquiring a roughly 90% stake. The retaining interest will be retained by Crown, Highgate and Ashkenazy. Walton Street is exiting the group.

The partnership's broker, **Eastdil Secured,** initially shopped the condo selectively and was preparing to launch a broad marketing campaign when Invesco made a

See INVESCO on Page 10

Hurricane Aftermath Disrupts NY-NJ Markets

Hurricane Sandy's record storm surge and whipping winds left commercial real estate owners throughout the New York metropolitan area assessing damages and altering plans for marketing and buying properties.

While the worst devastation hit homes and small businesses along the New York and New Jersey coastlines, there was unprecedented flooding in Lower Manhattan, where some office and apartment buildings may be unavailable for weeks or even months as owners clean up and make repairs.

Meanwhile, transportation and communication problems disrupted marketing and deal flow. For example, while Midtown and Upper Manhattan properties were spared significant damage, property tours on nearly every building for sale were scuttled for several days. "Everything shut down," one broker said.

In New Jersey, hard-hit by coastal and inland flooding, multiple deals have been shelved or delayed as owners grapple with the effects on their holdings before

See HURRICANE on Page 9

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Principal Lists Big Retail Portfolio

Principal Real Estate Investors is marketing a retail portfolio that could attract bids of $200 million.

The offering consists of three shopping centers and two malls in Michigan, Kansas and Tennessee. The properties encompass 2.8 million square feet, of which 1.5 million sf is being offered. The rest is separately owned anchor space. At the estimated value, a buyer's initial annual yield would be 7.5%. **CBRE** has the listing.

Principal, an investment manager in Des Moines, Iowa, is pitching the properties as a portfolio, but bids on individual properties will be accepted.

The bulk of the offering consists of three adjacent centers in Troy, Mich., about 20 miles north of Detroit: Oakland Mall; the Oakland Square power center; and the Oakland Plaza community center.

Oakland Mall encompasses 1.5 million sf. Anchors JC Penney, Sears and Macy's own their own stores. The 509,000 sf being offered is 93.6% occupied and produces net operating income of $6.7 million. The in-line sales are $356/sf. The mall, at 85-750 West 14 Mile Road, was built in the mid-1960s and renovated in 1991.

The 221,000 sf offered at Oakland Square is fully leased. The tenants include Kohl's, Bed Bath & Beyond, DSW, HomeGoods, Ulta, Five Below and Chuck E. Cheese. The net operating income is $1.7 million. The power center, at 500-740 John R Road, was built in 1986 and renovated in 1999.

Some 162,000 sf is available at Oakland Plaza. Anchors Barnes & Noble and Dick's Sporting Goods own their own stores. The offered space is 89.6% leased. The tenants include TJ Maxx, Pier 1 Imports and Planet Fitness. The net operating income is $2 million. The center, at 124 and 288-396 John R Road, was built in 1978 and renovated in 2009.

The other mall being offered by Principal, Manhattan Town Center, is in Manhattan, Kan. All of its 398,000 sf is up for grabs. The occupancy rate is 96.9%. The anchors are Dillard's, Sears and JC Penney. In-line sales are $312/sf, and the net operating income is $3 million. The property, at 100 Manhattan Town Center, was built in 1987 and expanded in 1990.

The remaining property in the offering, Harvest Park Centre, is in Knoxville, Tenn. The shopping center encompasses 293,000 sf, of which 166,000 sf is being offered. One anchor, Target, owns its own store. The other anchors are Ross, Marshalls and Bed Bath & Beyond. The offered space is 96.2% occupied and produces $1.7 million of net operating income. The shopping center, which was completed in 2008, is at 5413-5483 Washington Pike and 4627-4651 Greenway Drive. ❖

CalSTRS Team to Shop LA Parcel

A **California State Teachers** joint venture is preparing to market a 6.5-acre site in downtown Los Angeles that is slated for a large mixed-use development.

The parcel, bounded by Eighth, Ninth and Francisco Streets as well as Harbor Freeway (Route 110), is valued at up to $130 million. That's a premium to the $70 million paid in 2005 by CalSTRS and its partner, **IDS Real Estate** of Los Angeles.

IDS has been in talks with about five brokerages over the past couple of weeks, but has yet to award the listing. It's unclear if the land will be sold outright or if only a stake will change hands, possibly with IDS remaining a partner.

Planning for the project, dubbed Metropolis, began in the 1980s. Over the years it has undergone multiple transformations, ranging from large residential and office components to a scaled-down version, mostly with hotel rooms and a substantial amount of ground-level retail space in a pedestrian plaza.

Earlier this year, the CalSTRS joint venture started talking with hotel operators about the possibility of including two hotels in response to plans to build a professional football stadium next to the Los Angeles Convention Center, which is several blocks south of the site.

The site is a block north of LA Live, a 5.6 million-square-foot complex that includes entertainment venues, restaurants and condominiums, and about two blocks from the Staples Center sports arena.

The potential sale fits with an effort by CalSTRS to sell or recapitalize its development projects. ❖

Another Seattle Office Complex Listed

A two-building complex in Seattle's Union Station neighborhood is the latest listing in that city's surging office market.

The 320,000-square-foot property, at 605 and 625 Fifth Avenue South, is about 91% occupied. Bids are expected to reach $300/sf, or $96 million. **CBRE** is marketing the complex, called 605 and 625 Union Station, for a family trust.

The nine-story building at 605 Fifth Avenue South has 255,000 sf, and the adjacent building has just under 65,000 sf. They were constructed in 2000 as part of a four-building redevelopment of the area around the former Union Station train depot. The two other buildings, at 505 and 705 Fifth Avenue South, encompass 552,000 sf. **Amazon.com** leased much of the space at 605 and 705 Fifth Avenue South until 2011, when it moved to its new 1.8 million-sf headquarters in the South Lake Union district of the city.

But occupancy at the two buildings being offered has stayed strong. Data processing giant **ADP** leases 115,000 sf at that complex, or nearly 36% of the total. Other major tenants include **Getty Images, Sound Transit** and online gambling company **Double Down.** Leases on only about 35% of the space roll over before 2019.

Seattle has emerged, along with San Francisco, as a favorite among West Coast office buyers this year. The renewed growth of Seattle's technology industry has boosted demand for space, and the Class-A occupancy rate has soared four percentage points, to 85.5%, since 2010.

The improving fundamentals have fueled listings and sales. Three weeks ago, **Principal Real Estate Investors** put the 750,000-sf Bravern Office Commons complex in suburban Bellevue on the block. That three-year old property could trade for as much as $650/sf, or a whopping $488 million. CBRE also has that listing.

In early October, Amazon agreed to buy its headquarters complex from **Vulcan Real Estate** for $1.2 billion, or $644/sf. Seattle-based Vulcan is the real estate investment firm of software magnate **Paul Allen.** ❖

Value-Added Rental Play in Phoenix

Equity Residential is pitching four suburban Phoenix apartment complexes to value-added investors.

The 938-unit portfolio is 96% occupied, but the apartments need improvements, which would enable a buyer to increase rents.

The properties are valued at $140,000/unit, or $131 million. That would translate into a capitalization rate of slightly more than 6%. Investors can bid on individual complexes or the entire package. Equity Residential, a Chicago REIT, has given the listing to **CBRE.**

The garden-style properties, constructed between 1988 and 1995, are in Scottsdale, Ariz., about 10 miles northeast of Phoenix. The units have 1-3 bedrooms, and most have washer/dryers and patios or balconies. The amenities include swimming pools and fitness centers.

Greater Phoenix's rental market was one of the first in the nation to crash. The collapse of the condominium market sent a flood of units into the rental market in 2007 and 2008. The ensuing recession and credit crunch virtually halted development, putting a ceiling on supply and setting the stage for recovery. The occupancy rate has risen to 93.8% from about 89% in 2010, according to **Marcus & Millichap.** Fueling demand for rentals are a rise in employment and stricter rules for obtaining home loans.

The strengthening market is enabling owners to command higher rents by renovating properties. Rents at the Equity Residential properties average $891 to $965, as much as $200 less than at similar Class-A units. A buyer could close that gap by upgrading appliances, common areas and amenities.

The properties being offered are: the 304-unit Acacia Creek, at 7007 East Gold Dust Avenue; the 202-unit Bellagio, at 5635 East Bell Road; the 272-unit Highlands, at 15225 North Frank Lloyd Wright Boulevard; and the 160-unit Morningside, at 10455 East Via Linda.

The package is the second large portfolio that Equity Residential has put on the market this month. **Jones Lang LaSalle** is handling the listing for six Atlanta complexes (see article on Page 1). ❖

Index Compares Property Valuations

The value of hotels has consistently exceeded that of office and apartment properties in Manhattan on a per-foot basis, according to an index just developed by **Jones Lang LaSalle Hotels,** which expects the trend to continue.

While hotel valuations are typically expressed on a per-room basis, the index measured hotels by their physical size. It found that Manhattan hotels last year traded for an average of $752/sf, surpassing offices ($721/sf) and apartments ($472/sf).

The index, which will be computed annually, is aimed at providing a way to compare properties of different types, particularly at a time when investors are increasingly looking to add hotels to their portfolios.

"It's not as though any single type of real estate exists within a vacuum," said **Amelia Lim,** an executive vice president of the strategic advisory and asset management unit of Jones Lang's hotel brokerage.

Manhattan was selected for the index because of its liquidity and the ability to gather data on individual sales. Jones Lang counted the gross square footage of all guest rooms and common areas, but excluded separately owned pieces of a property, such as residential and retail space.

The ability to measure hotel values by square footage is particularly relevant in Manhattan, where developers pursue mixed-use projects that can include a hotel. "We thought that this index would be a very germane tool for mixed-use developers when it came to assessing the economic viability of a project," Lim said.

Jones Lang reviewed data from 2002 to 2011 and found that hotel values consistently outpaced those of office and apartments. That's likely to continue this year, said the brokerage, which is projecting that sales will jump to $890/sf because of high-end transactions such as the sale of Essex House. A joint venture that includes **Strategic Hotels & Resorts** of Chicago paid $362.3 million for the 510-room hotel in September. Jones Lang brokered the sale on behalf of **Dubai Investment.**

The higher valuation for hotels can be partly attributed to the fact that they typically cost more to develop than other asset classes, and many of the recent trades have involved properties of newer vintages. The index also captured a drop in hotel values in 2009 and 2010, when there were fewer transactions and when a number of limited-service hotels traded.

Overall hotel sales volume in Manhattan is projected to decline to $2.4 billion this year, from $3.5 billion in 2011, according to Jones Lang. What 2013 will bring depends on what types of hotels come to market. "It will be interesting to see what is left to sell in Manhattan," said managing director **Jeffrey Davis.**

The index and an accompanying report are available for free at joneslanglasallehotels.com (requires registration). ❖

Atlanta ... From Page 1

average. Though the properties are Class-A in status, their rents lag behind those of newer high-end complexes in the city. The portfolio's average rent is $1,145, but high-end apartments downtown can command $2,000. A buyer could seek to close that pricing gap by upgrading units and raising rents as leases turn over.

The properties being offered are:

- Alexander on Ponce, at 144 Ponce de Leon Avenue Northeast.
- Savannah Midtown, at 215 North Avenue Northeast.
- 1660 Peachtree, at 1660 Peachtree Street Northeast.
- Tuscany at Lindbergh, at 600 Garson Drive Northeast.
- Savannah at Park Place, at 31 Perimeter Center East.
- City View, at 433 Highland Avenue Northeast.

Atlanta was hurt badly by the housing crisis and recession. Overbuilding in the run-up to the crash helped push the average occupancy rate below 90%, according to **Marcus & Millichap.** But the rental market has clawed back to life. The average occupancy rate has risen nearly three percentage points since the start of 2011. ❖

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Suburban Atlanta Rentals Hit Market

Atlanta's quickly improving apartment market has spurred **American Realty Advisors** to list two suburban complexes.

The garden-style properties, which encompass 412 apartments, could trade for about $120,000/unit, or $49 million. They are between Route 400 and Interstate 85 in the North Fulton submarket, just north of Atlanta. Investors can bid on either or both. **Jones Lang LaSalle** has the listing.

The listing is the second significant multi-family offering in the area in the past week. Jones Lang is also marketing six properties, valued at about $325 million, for **Equity Residential** of Chicago (see article on Page 1).

American Realty, of Glendale, Calif., is marketing the 224-unit ALARA State Bridge, at 10840 State Bridge Road in Johns Creek, Ga., and the 188-unit ALARA Highland Park, at 100 Highland Park Trail in Sandy Springs, Ga.

The properties are about 95% occupied. Rents have risen some 6% annually over the past two years. The units have 1-3 bedrooms, fireplaces and decks or patios. Amenities include swimming pools, fitness centers and barbecue areas. The Johns Creek complex was built in 1998 and the Sandy Springs property was completed in 1995.

Atlanta's rental market has bounced back from the recession in the past two years. Stricter mortgage rules have turned many would-be home buyers into renters, driving up demand for apartments. The average occupancy rate in the metropolitan area has risen to 92.9% from less than 90% in 2010.

However, capitalization rates in the North Fulton suburbs remain around 7%, according to **Marcus & Millichap.** That is enabling investors to capture higher returns than available in other major markets, even as fundamentals improve. ❖

Office/Flex Building for Sale Near LA

A well-leased office/flex property in Los Angeles County is being pitched to core and core-plus investors.

The 247,000-square-foot Telstar Building, in El Monte, Calif., is 99% leased. Bids are expected to be about $38 million. At that valuation, the buyer's initial annual yield would be slightly over 7%. The owner, **Dominguez Industrial Center** of Torrance, Calif., has given the listing to **CBRE.**

The property, about 12 miles east of Los Angeles, encompasses 176,000 sf of office space developed in 1975 and 71,000 sf of warehouse space that was attached in 1989. The building, at 9320 Telstar Avenue, was renovated most recently in 2006.

About 93% of the space is leased through 2020 to the **County of Los Angeles** for its Departments of Children and Family Services, Public Health and Public Social Services.

The current owner acquired the property for $38.6 million in late 2007, shortly before the real estate sector tanked.

The Los Angeles office market has recovered slowly from the downturn. The average occupancy rate is still only 81.4%, according to **Marcus & Millichap.** But El Monte's 96.6% office occupancy rate is among the highest in the county. ❖

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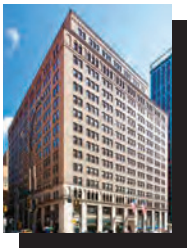
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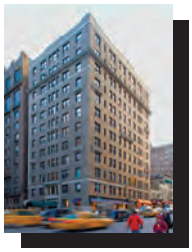
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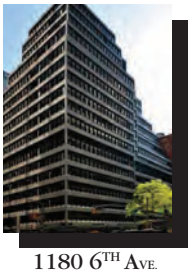
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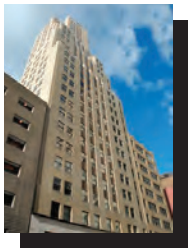
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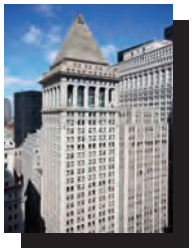
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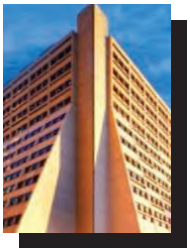
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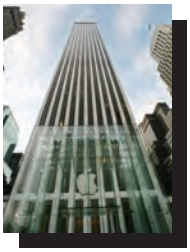
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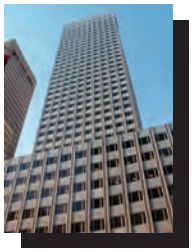
Trump SoHo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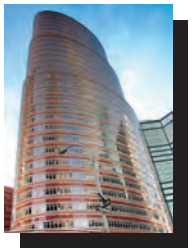
Manhattan House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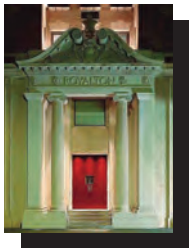
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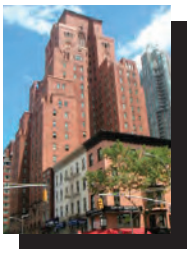
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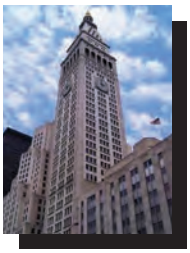
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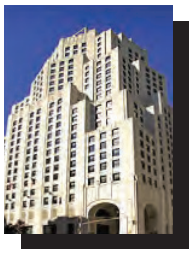
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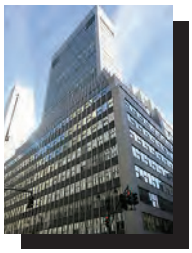
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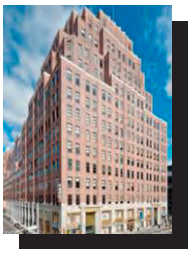
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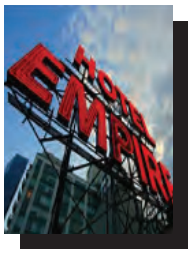
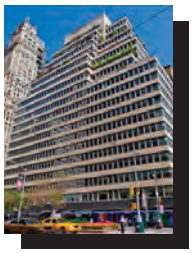


Empire Hotel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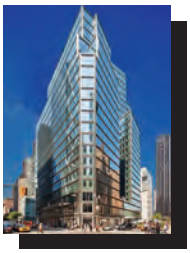
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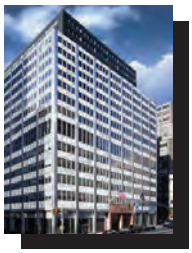
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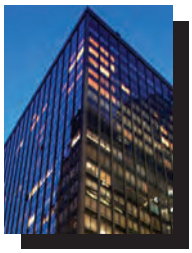
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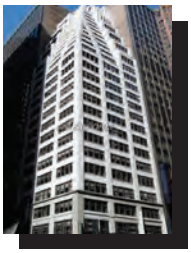
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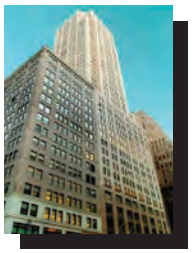
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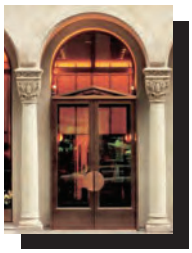
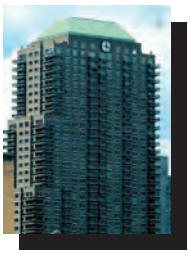

Morgan's Hotel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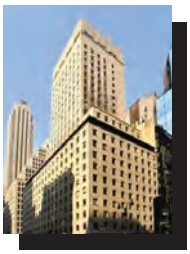
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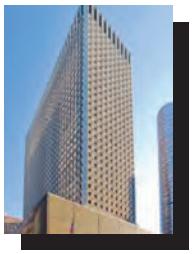
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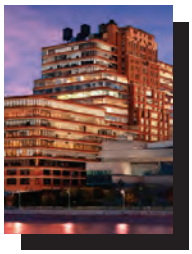
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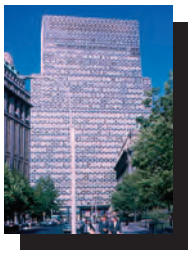
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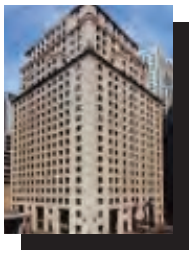
Swig Equities.

**Partial list of completed Manhattan transactions*

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TerraCap Fund Lines Up Capital

TerraCap Management held a second close in the past few weeks for its latest opportunity fund.

The Cape Coral, Fla., operator has raised a total of $30 million toward the $200 million equity target for the vehicle, TerraCap Partners 2, which targets a 20%-plus return via the acquisition of apartment, office, light-industrial, retail, hotel and mixed-use properties in Florida and the Sun Belt. The manager also considers development plays.

The marketing campaign is aimed at wealthy individuals, relatively small pensions, family offices and university endowments. The initial pledges came from the **University of Florida** and several family offices. The sponsor also has lined up a $75 million commitment from an unidentified investor that could be co-invested with the fund. That capital is nondiscretionary.

TerraCap has bought roughly a dozen properties with the initial equity. The firm targets off-market deals, typically investing $2 million to $10 million of equity at a time. It pursues foreclosed properties, as well as distressed commercial mortgages if it can assume control of the collateral.

The fund focuses on Florida, where TerraCap founder **Steve Hagenbuckle** has 15 years of experience. It will also look at investments across the South, as far west as Texas. Hagenbuckle is telling investors that he plans to capitalize on banking-industry relationships he developed as an early backer and former board member of **Landmark Bank** of Fort Lauderdale, Fla., and an online affiliate, **Giantbank.com.**

TerraCap was co-founded by Hagenbuckle and **Michael Davis** in 2008. Last year, the firm hired **Cantor Fitzgerald** and **Morgan Stanley** alumnus **Bob Gray** to help with fund raising and other duties.

The firm's first fund raised $25.7 million of equity in 2010. That vehicle, which bought land for residential development, is fully invested. The early returns are above 30%, investors have been told.

TerraCap charges a 2% management fee. After investors receive a 10% preferred return, the manager is entitled to half of the profits until it has amassed 20% of cumulative distributions. It then gets 20% of additional profits. ❖

Prime Philly Retail Condos on Block

A mortgage REIT is shopping two retail condominiums in Philadelphia's premier shopping corridor that it seized from a borrower.

The condos, which encompass 16,000 square feet, are valued at about $25 million. They are fully occupied under long-term leases by luxury retailer Barney's and Serafina, an upscale restaurant. The blocks of space, which are being offered as a package, are on the two bottom floors of a 33-story luxury residential condominium complex at 10 Rittenhouse Square.

The tower, which underwent a $300 million redevelopment that was completed in 2009, is within Rittenhouse Row, an exclusive shopping district with more than 200 upscale stores, restaurants and cultural venues.

At the estimated price of nearly $1,600/sf — one of the highest per-foot valuations ever for a Philadelphia property — the capitalization rate would be 6-6.5%.

Jones Lang LaSalle is advising the owner, New York-based **iStar Financial.** The REIT, which was the senior lender on the tower, moved to foreclose in 2010, claiming it was owed about $200 million. It took control of the property at the beginning of this year.

Barney's occupies 9,700 sf at 126-132 South 18th Street under a triple-net lease that expires in 2024. The store's historic facade was built in 1901 and restored in the 2009 renovation. The retailer's lease has annual rent increases of 2.5%. The space benefits from a 10-year tax abatement.

Serafina occupies 6,300 sf at 130 South 18th Street under a triple-net lease that expires in 2026. The restaurant is paying below-market rent, but has annual bumps of 3%.

The retail condominiums are along a five-block section of Walnut Street with virtually no vacant retail space. It's home to high-end retailers such as Apple, Burberry, Coach, Cole Haan and Juicy Couture.

The area is in Philadelphia's Center City, which has 40 million sf of office space and more than 10,000 hotel rooms. The population has grown 16.4% in the past decade and Center City now has 181,000 residents, more than two-thirds of whom hold at least a bachelor's degree. The pedestrian-friendly section is home to the University of Pennsylvania, Drexel University and Temple University. ❖

East Bay Apartments Offer Upside

An apartment complex in an Oakland suburb is being pitched as a rare value-added play in the strong East Bay rental market.

Bids for the 401-unit Westridge at Hilltop, in Richmond, Calif., are expected to come in slightly above $100,000/unit, or around $42 million. Until this year, the city-owned complex was under rent regulation, but the restrictions have now expired and the apartments are transitioning to market-based rents. **Cushman & Wakefield** is shopping the property for the **Richmond Housing Authority.**

At the estimated price, a buyer's initial annual return would be around 5%, but that could rise significantly as rents are adjusted. Current rents at the garden-style complex are as much as 20% below those of comparable Class-B apartments in the Oakland/East Bay area. A buyer also could renovate units and common areas to bring them in line with competing properties.

Westridge at Hilltop is at 2495 Lancaster Drive, about 10 miles north of the Bay Bridge between Oakland and San Francisco. Built in 1973, it has a mix of studio and one-bedroom apartments. Amenities include a swimming pool, a fitness center and covered parking.

The average occupancy rate in the Oakland/East Bay area has reached 96.8%, according to **Marcus & Millichap,** in part because the lingering effects of the credit crisis have driven up demand for rentals. The market is experiencing a flurry of multi-family development, with 7,000 units in the planning stages, 1,000 of which are expected to come online by the end of 2014. ❖

Hurricane ... From Page 1

consummating new deals.

"The focus is, if you own a bunch of assets, you want to make sure they're up and running properly," one area broker said. "That takes precedence over a new deal for most people. Decisions to buy, decisions to sell take a little bit of a back seat while I make sure I get my own house in order."

The storm's impact also may give buyers pause. Take the listing for a seaside hotel in Asbury Park, N.J. The 254-room Berkeley Hotel, owned by **Amsterdam Hospitality** of New York, is at 1401 Ocean Avenue, across the street from the beach and boardwalk. The listing, valued at about $40 million, is being handled by **Carlton Group.** The hotel appears to have escaped largely unscathed, and the immediate area suffered moderate damage. But the large-scale property destruction in other Jersey Shore communities might temper investor appetite for hotels in the region.

At least one listed New Jersey apartment building located in the teeth of the storm also seems to have made it through with minimal damage. The 128-unit Juliana, at 600 Jackson Street in Hoboken, has an estimated value of about $70 million. Finalists submitted second-round bids on Monday, and a winner was expected to be chosen this week or next. **HFF** is shopping the property for a partnership between **Invesco Real Estate** of Dallas and **Milestone Group** of New York.

Investors will likely insist that any damage at properties be fixed before completing a purchase. And owners that were considering whether to list a property, even if it isn't directly affected by the storm, may want to wait. "Sellers who don't have to sell by yearend will be better served by waiting until the dust settles in order to get the necessary attention and pricing," a New York broker said.

Another challenge moving forward, one broker said, will be the availability of due-diligence firms, engineers, environmental consultants and other ancillary service providers that are key to a deal's closing. Many of those firms may be tied up in projects related to storm cleanup, which could slow some deal flow.

The damage and disruption in Lower Manhattan may prove to be a boon for office buildings farther north as tenants scramble to find temporary office space. One owner of Midtown properties had inquiries from tenants at multiple downtown buildings, including Four New York Plaza, 32 Old Slip and 180 Maiden Lane. ❖

Silicon Valley Offices Up for Grabs

A developer is marketing an office building in Silicon Valley, where capitalization rates remain relatively high.

The 123,000-square-foot property, in San Jose, could attract bids of about $185/sf, or $23 million. At that price, the buyer's initial annual yield would be just over 8%. The owner, **Orchard Properties** of San Francisco, has listed the property with **Cassidy Turley.**

The three-story building, at 2665 North First Street, is 95% occupied, up from about 75% when Orchard bought it in late 2006. But the average occupancy rate in San Jose/Silicon Valley remains relatively low, keeping capitalization rates there much higher than in nearby San Francisco and the East Bay.

Orchard acquired the property from a local owner for $18.9 million, or $154/sf, just as Silicon Valley's once-booming office market was beginning to soften. It overhauled the heating and air-conditioning system, resurfaced the skylights and renovated much of the common areas and tenant suites.

The biggest tenant is **Samsung,** whose consumer electronics arm leases 46,000 sf though 2017. Other occupants include the **State of California** (28,000 sf through 2015) and software firm **Parametric Technology** (17,000 sf through 2013). Leases on more than 70% of the space roll over within three years. That would give a buyer the chance to raise rents if recent increases in demand for space continue.

The property, which was developed in 1984, is between Route 101 and Interstate 880, about a mile north of San Jose's airport. It includes 402 parking spaces.

The average occupancy rate in Silicon Valley fell to a dismal 78.1% by the start of 2011, but has risen steadily in the past year. **Marcus & Millichap** predicts the rate will hit 80.1% by yearend, with strong demand for Class-A space leading the way.

The occupancy rate is climbing despite the fact that nearly 1 million sf of new space has come on line since the start of 2011. The demand for space is coming from companies like **Apple,** which leased 500,000 sf in Sunnyvale in the past year and is reportedly looking for another 650,000 sf in the market. ❖

Invesco ... From Page 1

pre-emptive offer. The purchase is expected to close by yearend.

The deal is viewed as a core-plus/opportunistic investment. The Gap's lease generates roughly $7 million a year of revenue. But the lease rolls over in about four years, and rents in Times Square are on the rise.

Last month, clothing retailer H&M leased almost exactly the same amount of space — 43,000 sf — across the street from the Gap store at an annual rate of about $15 million. That space, at Four Times Square, was previously leased by ESPN Zone. The owner is **Durst Organization** of New York.

In addition to bringing the Gap's space up to market rents, the Invesco partnership is expected to try to fill the vacant space with a top-flight tenant.

"This is a huge upside potential deal," said one local pro.

The investment has already been a home run for the original partnership, which bought the Knickerbocker hotel and adjacent land from **Danske Bank** in 2010 for roughly $170 million after the lender foreclosed on Dubai investment firm **Istithmar World.**

In addition to the deal with Invesco, that group has already sold or agreed to sell other portions of the investment. In February, a 95% stake in the top 14 floors of the 16-story building was sold to **FelCor Lodging** of Irving, Texas, for $109 million. FelCor is pumping some $115 million into the property to redevelop it as a 330-room luxury hotel, which is expected to open late next year. The property will be independently managed and will retain the Knickerbocker name.

The partnership is developing a 282-room Hilton Garden Inn on the adjacent parcel, at 136 West 42nd Street. It already has a contract to sell the hotel to **DiamondRock Hospitality** of Bethesda, Md., for roughly $128 million upon completion, scheduled for early 2014. The group, minus Walton Street, will retain ownership of some 18,000 sf of retail space on the hotel's lower floors. Eastdil also brokered the DiamondRock transaction.

With the closing of that deal next year, Walton Street will fully exit its original Knickerbocker investment, made via its $2 billion Walton Street Real Estate Fund 6.

The Knickerbocker, also known as Six Times Square, was originally built in 1906 and has been used as both a hotel and offices.

Another big hotel redevelopment is in the works nearby. A partnership led by **Winthrop Realty,** New York developer **Steven Witkoff** and **Vector Group** of Miami bought the office building at 701 Seventh Avenue and air rights for $430 million, according to published reports. It plans a $200 million redevelopment to reposition the site as a hotel, with retail space on the lower levels. The property, at West 47th Street, would have roughly 85,000 sf of retail space and 24,000 sf of signage, according to an announcement by **Carlton Group,** Witkoff's broker on the deal. ❖

PLACEMENT AGENTS

Fund-Raisers Gear Up for Better Days Ahead

After another difficult year, placement agents are starting to see some signs of improvement in the capital-raising climate.

The effects of the market crash are still being felt, with many institutional investors still reticent to back commingled funds. That has cut into the bread-and-butter business line of most placement agents. But an annual review of the sector by **Real Estate Alert** found that shops are continuing to hire and chase mandates, in some cases lining up capital for separate accounts and joint ventures.

"There is optimism out there," said one placement agent.

Investors continue to view real estate as a viable investment, in part because rock-bottom interest rates are keeping returns low on other investments. Indeed, there are signs of revival in the commingled-fund arena. For example, **Illinois Municipal Retirement** last month approved commitments to eight funds, all of which chase high-yield returns. And **Blackstone,** the New York fund titan, last month did the final close for the largest real estate fund ever, the $13.3 billion Blackstone Real Estate Partners 7, with help from its placement-agent affiliate, **Park Hill Real Estate** of New York.

Several other operators have held initial or subsequent closes on billion-dollar-plus vehicles, including **Cerberus Capital** and **Westbrook Partners,** both of New York. Cerberus used **Greenhill & Co.** of New York as its placement agent, while Westbrook was assisted by **Probitas Partners** of San Francisco.

There is also movement around the industry. **Morgan Stanley** last month hired **Grant Murray** as an executive director to bolster its U.S. team that raises capital for third-party clients. Murray reports to managing director and vice chairman **Devin Murphy,** who heads the bank's private placement team.

Eastdil Secured's team is now headed by **Jeffrey Scott** in Washington, after former head **Joshua Brown** left the firm in April to take an executive position with **First Washington Realty** of Bethesda, Md.

Triton Pacific Capital of San Francisco last month hired **Scott Arden** as a managing director to launch its New York office. Arden left **MVision** over the summer, as did managing director **Mitchell Sikora.** Sikora's destination is unknown.

Several placement-agent firms are no longer active. **Flint Creek Partners** of Fox River Grove, Ill., shut down this spring when its founder, **John Nikolich,** took an in-house capital-raising job at **Banner Apartments** of Northbrook, Ill. **Guggenheim Private Fund Group** of New York also has stepped away from fund raising. It never rebuilt its platform after long-time fund-raiser **David Conrod** and his team jumped to **G2 Investment** in 2010. Conrod now heads G2's placement-agent affiliate, **Forbes Private Capital.** ❖

PLACEMENT AGENTS

Firms That Raise Capital for Real Estate Vehicles

Company	Contact	The Skinny
Allegro Advisors, New York	Thomas Boytinck 212-988-7633	Raises capital for discretionary funds, separate accounts and joint ventures. Will also place debt for clients. Affiliated with Incubation Capital of Chicago. Clients include Alex. Brown Realty of Baltimore, Catalyst Capital of London, Hayman Woods of Dallas, Hungerford Properties of Vancouver and Noble Investment of Atlanta.
Alpha Alternatives, Chicago	Anthony Longo 312-436-0569	Founded by Anthony Longo and Michael Riley. Raises capital for real estate funds. Also works with owner-operators to line up joint-venture equity. Clients include Ethika Investments of Los Angeles, Realsource of Salt Lake City and Redwood Real Estate of Rancho Santa Margarita, Calif.
Alternative Investment Source, King of Prussia, Pa.	Bonnie Plunkett 610-783-0702	Looks to advise operators of funds with real estate and private equity strategies. Focuses on managers seeking up to $300 million of equity.
Artis Advisors Washington	Brian Gill 202-580-7013	Targets assignments from real estate operating companies trying to line up partners for developments or value-added investments. Also raises capital for managers of funds or separate accounts. Operates via the broker-dealer license of Cohen Financial. Clients include Century West Partners of Los Angeles, Mariner Real Estate of Leawood, Kan., and RED Development of Phoenix.
Atlantic-Pacific Capital, Greenwich, Conn.	Alex Leykikh 203-862-9182	Globally-focused firm with clients often targeting niche or buyout strategies. Real estate clients include Activum SG Capital of Germany, Brockton Capital of London, Forum Partners of Old Greenwich, Conn., and Iron Point Partners of Washington.
Capstone Partners, Dallas	Tripp Brower 972-980-5800	Works on 8-10 mandates per year in private equity and real estate. Real estate clients include Selene Investment of Uniondale, N.Y. Has offices in Dallas, Geneva and Singapore.
CBRE Capital Advisors, New York	Glenn Carlin 212-656-0556	Raises capital for funds and joint ventures. Also markets secondary stakes in funds for limited partners.
Credit Suisse Real Estate Private Fund Group, New York	Anthony Carpenito 212-325-2000	Part of bank's 63-person placement agent group, which deals with real estate and other alternative products. Managing director Anthony Carpenito took over the real estate group in 2010. Senior team members include Sasha Silver in London and Maxwell Rothaus in New York.
CrossCon Real Assets Capital, Los Angeles	Michelle LeRoy 310-890-9786	Founded this year by former Spearhead Capital executive Michelle LeRoy. Looks to match managers with international investors. Works on funds, separate accounts and joint ventures. Clients include Conundrum Capital of Toronto, GreenOak Real Estate of New York, Murray Hill Properties of New York and Pamfleet International of Hong Kong.
Eastdil Secured, Washington	Jeffrey Scott 202-688-4060	The brokerage has a team led by senior managing director Jeffrey Scott that handles occasional fund and joint-venture assignments, as well as restructuring and advisory work. Clients include Clarion Partners of New York, RXR Realty of New York and Secured Capital of Tokyo.
Eaton Partners, Rowayton, Conn.	Michael Crawford 203-831-2970	Handles mandates for real estate, hedge and private equity funds. Has offices in Connecticut, Texas, California, Singapore and Hong Kong. Past and current clients include GreenOak Real Estate of New York and Landmark Partners of Simsbury, Conn.
Forbes Private Capital, New York	David Conrod 212-887-1150	Affiliate of G2 Investment of New York. Headed by longtime fund-raiser David Conrod. Kevin Murray is head of sales. Raises capital for real estate and private equity vehicles, as well as hedge funds. Clients include LCN Capital of New York and MB Global of New York.
Fortress Group, Atlanta	Peter Fish 404-869-4600	Raises capital for funds, separate accounts, club deals and long-term joint ventures. Also advises on restructuring existing vehicles. Past or present clients include Deutsche Bank, fund-of-funds operator Portfolio Advisors of Darien, Conn., and Security Properties of Seattle.
Forum Capital, New York	Jeffrey Stern 212-290-1787	Traditionally focused on private equity funds, but has pushed into real assets in recent years. Currently working on latest vehicle sponsored by Madison International Realty of New York.
Greenhill & Co., New York	William Thompson 415-216-4130	Nineteen-person team is among the most active in the real estate sector, focused on funds, joint ventures and trading of secondary stakes. Has offices in U.S., Europe, and Asia. Recently completed assignments include funds for Columbus Capital of London, DivcoWest of San Francisco, NIAM AB of Stockholm and Related Cos. of New York.
HFF Securities, Los Angeles	Tom Mizo 310-407-2100	Veteran team represents U.S. sponsors and raises equity globally for commingled funds, separate accounts and joint ventures. Current clients include Bentall Kennedy of Seattle, MetLife of New York and Pennybacker Capital of Austin, Texas.

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PLACEMENT AGENTS

(Continued from Page 13)

Company	Contact	The Skinny
Hodes Weill & Associates, New York	Doug Weill, David Hodes 212-867-0888	Advisory shop launched in 2009 by placement-agent veterans David Hodes and Doug Weill. Has offices in New York, Hong Kong and London. Works on restructurings, joint-venture equity and commingled funds. Clients include Pritzker Realty of Chicago, Resolution Property of London and Rialto Capital of Miami.
Jones Lang LaSalle Securities, Chicago	William Cavagnaro 901-261-2610	Unit of Jones Lang's capital markets group was launched in early 2010. Focuses on raising capital for comingled funds and joint ventures. Has completed assignments for iStar Financial, Rockefeller Group and U.S. Realty Advisors, all of New York.
Lazard Private Fund Advisory, New York	William Riddle 212-632-1978	Represents real estate, buyout and venture capital funds. Clients include GI Partners of Menlo Park, Calif., Meadow Partners of New York and True North Management of New York.
M3 Capital, New York	George Ahl 212-582-7210	Raises equity for specialized real estate companies operating joint ventures, club funds and commingled vehicles. Has offices in U.S. London, Hong Kong and Sao Paolo. Clients include Archstone of Denver and Global Logistic Properties of Singapore.
Macquarie Capital, New York	Jack Berquist 415-321-1071	Was called Presidio Partners before acquisition by Macquarie Group of Sydney in 2010. Active with a mix of foreign and domestic vehicles. Recent mandates include Contrarian Capital of Greenwich, Conn., and Thayer Lodging of Annapolis, Md.
Mallory Capital, Darien, Conn.	Conrad Weymann 203-655-1571	Represents real estate, buyout and venture capital funds. Past and current clients include Forestar Group of Austin, Texas, M&G Investments of London and Orchard Realty of New York.
Mercury Capital, New York	Alan Pardee 646-786-8052	Formed in 2009 by former executives of Merrill Lynch's private equity funds group. Raises capital for private equity, real estate and other alternative-asset managers. Handles 6-8 real estate mandates a year. Current clients include Gaw Capital of Hong Kong, Madison International Realty of New York and Normandy Real Estate of Morristown, N.J.
Monument Group, Boston	Caitlin Healey 617-423-4700	Raises capital for private equity and real estate funds. Team led by 13 partners in London and Boston. Works with managers globally. Clients include Beacon Capital of Boston, Bluehouse Capital of Greece, Patron Capital of London and Phoenix Property Investors of Hong Kong.
Morgan Stanley, New York	Devin Murphy 212-761-4462	Assists public and private companies seeking capital from U.S. and foreign institutions. Staffers in the U.S., Europe and Asia also provide advisory services. Recently completed assignments for Altarea Cogedim of Paris, Mill Creek Residential of Dallas, Mitsubishi Estate of Japan and Tishman Speyer of New York.
MVision, New York	Hussein Khalifa Carrie Coulson 212-616 6850	Recently lost two top staffers: Mitchell Sikora and Scott Arden, who joined in 2010 to build up a real estate platform for the London advisory shop. The buzz is the firm, known more in private-equity circles, remains committed to real estate. Clients include BLG Capital of Istanbul, Turkey, and Southern Bridge Capital of Panama City, Panama.
Palladian Investment Partners, New York	Andy Massik 917-797-5454	Targets assignments from commingled funds, separate accounts and long-term joint ventures. Solicits capital from hedge funds and private equity vehicles, as well as family offices.
Park Hill Real Estate, New York	Charles Purse 212-583-5786	Arguably the most familiar name in the business. Affiliate of investment behemoth Blackstone. Handles real estate and infrastructure assignments from U.S. and foreign fund operators. Also markets secondary stakes. Helped raise Blackstone's new $13.3 billion vehicle, the largest real estate fund ever. Clients also include Jamestown of Atlanta.
Park Madison Partners, New York	Nancy Lashine Suzanne West 212-626-6526	Solicits equity for real estate vehicles, including funds, separate accounts and joint ventures. Also provides advisory services. Clients include TriGate Capital of Dallas, VBI Real Estate of Sao Paolo and Waterton Associates of Chicago.
Probitas Partners, San Francisco	Michael Hoffmann 415-402-0700	Raises equity for a wide variety of alternative-asset funds, including buyout, venture capital and real estate vehicles. Also markets fund stakes. Real estate clients include ARA Group of Singapore, Benson Elliot of London, KSL Capital of Denver and Westbrook Partners of New York.
Torrey Capital, San Diego	Rana Prasad 858-366-2856	One-man firm launched in 2009. Raises equity for commingled funds and one-off deals. Fund clients include Pathfinder Partners of San Diego, Southwest Value Partners of San Diego and Walton International of Scottsdale, Ariz.

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PLACEMENT AGENTS

(Continued from Page 14)

Company	Contact	The Skinny
Triton Pacific Capital, Los Angeles	Robert Davis 424-442-1380	Specializes in institutional-backed commingled funds and joint ventures for real estate and private equity firms. Recently opened New York office, led by managing director Scott Arden. Client roster includes Actis of London, Hampshire Cos. of Morristown, N.J., Hastings Funds Management of London and Paladin Realty Investors of Los Angeles.
UBS Real Estate Private Equity, New York	Jake Elmhirst 212-821-4680	Raises money for real estate clients. Has offices in New York and London. Team is led by co-heads Jake Elmhirst and Nigel Dawn in New York and James Moore in London.
XT Capital, New York	Julie Cochran 212-909-2682	Seeks to raise capital for real estate and buyout vehicles, particularly in emerging markets. Helped Century Bridge Capital of Beijing on a fund that closed in September.

MARKET SPOTLIGHT

Manhattan Office Properties

- The upper end of the sales market is as busy as it's been in years. Four listed buildings could trade for north of $900 million. Only three trades that large have closed in Manhattan since 2009.
- Investors are getting a rare crack at a large defaulted loan on a Manhattan building. Special servicer CWCapital is shopping a $219 million securitized loan on the 330,000-square-foot property at 315 Park Avenue South. BCN Development of Denver was unable to pay off the loan at maturity in June.
- Sales are on pace to exceed last year's volume of $10.2 billion. So far this year, some $7.1 billion of deals have closed. The traditional yearend flurry should easily add at least $3 billion to the total.

On the Market

Property	Seller	Hit Market	SF (000)	Estimated Value ($Mil.)	(Per SF)	Broker
One Worldwide Plaza	George Comfort & Sons, partners	September	1,900	$1,500	$790	Eastdil Secured
11 Madison Park	CIM Group, Sapir Organization	September	2,300	1,500	650	CBRE
Sony Building (550 Madison Avenue)	Sony Corp.	September	850	1,000	1,180	Eastdil Secured
237 Park Avenue	Lehman Brothers	October	1,200	944	790	Jones Lang LaSalle
120 West 45th Street	SL Green	September	475	270	570	CBRE
866 United Nations Plaza (condo)	Vornado Realty	October	400	180	450	CBRE
158 West 27th Street	Himmel & Meringoff Properties	October	117	60	510	Eastdil Secured

Recent Deals

Property	Buyer	Closed	SF (000)	Sales Price ($Mil.)	(Per SF)	Broker
1411 Broadway (49.9% stake)	Ivanhoe Cambridge	(Pending)	1,100	$735	$668	Eastdil Secured
450 Lexington Avenue	RXR Realty	September	920	720	783	(None)
575 Lexington Avenue	Normandy Real Estate, partners	October	740	360	486	Eastdil Secured
1440 Broadway (80% stake)	Rockpoint Group	(Pending)	740	350	473	Eastdil Secured
285 Madison Avenue	RFR, East End, GreenOak	(Pending)	550	190	345	CBRE
635-641 Sixth Avenue	SL Green	October	267	173	648	Jones Lang LaSalle
521 Fifth Avenue (49.5% stake)	Quantum Global, LaSalle Inv.	(Pending)	500	146	290	Eastdil Secured
Three Columbus Circle (condo)	Young & Rubicam	September	214	144	671	(None)
400 Madison Avenue	ASB Capital	August	185	139	754	Cushman & Wakefield
386 Park Avenue South	Billy Macklowe	October	260	112	431	Eastdil Secured
619 West 54th Street	Taconic Investment	October	327	112	343	Jones Lang LaSalle
610 Broadway (leasehold interest)	LaSalle Investment	August	122	108	887	Cushman & Wakefield
104 West 40th Street	Princeton International	(Pending)	220	105	477	Eastdil Secured

Note: For deals involving stakes, total size and value are shown.

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focuses on investment sales of multi-family properties along the West Coast, where HFF has been beefing up its sales team over the past year. Klein reports to senior managing director **Lloyd Minten,** who leads the Portland office. Klein has had stints at **Hagerman Frick O'Brien,** a boutique multi-family brokerage in Portland, as well as **Marcus & Millichap.**

Albanese Organization has hired **Zach Adler** as an acquisitions associate. He joined the New York firm last month to work on acquisitions and development projects. He reports to senior vice president **Robert Franco.** Adler joins from the local office of **Cofinance** of Luxembourg. He previously had stints in asset management at **GTIS Partners** of New York and in acquisitions at **Time Equities** of New York. **Rhodes Associates** of New York arranged Adler's hire for Albanese, a family-owned firm looking to buy more actively in the New York area.

Chris Cunningham joined **Townsend Group** last month as a consultant at its Cleveland headquarters. He reports to principal **Rob Kochis.** Cunningham arrived from **Hewitt EnnisKnupp,** where he spent the past five years. At Hewitt, he was on the real estate team that worked on real assets including commercial real estate, farmland and timberland. His focus will be similar at Townsend.

Apollo Global Management wants to add an associate to its U.S. real estate team. The New York-based recruit would work on due diligence, conduct market research and analyze investment opportunities. Candidates should have 2-5 years of experience in real estate investment banking or principal investing.

Core investors will cast a first round of bids this week for Dulles View, a 360,000-square-foot office complex in the Washington suburb of Herndon, Va. The Class-A complex is expected to trade for around $110 million. It is 94.5% occupied with a weighted average lease term of more than seven years. Developer **Fifield Cos.** of Chicago completed the two-building complex in 2008. **CBRE** has the listing.

General Investment and Development is looking to add an acquisitions analyst in Larkspur, Calif., to work on multi-family acquisitions. Boston-based General Investment owns 74 properties in 17 states encompassing about 20,000 residential units and 4.3 million square feet of office, industrial and flex properties.

Deloitte is seeking to hire a senior associate for its real estate consulting group. The New York accounting giant's Deloitte Financial Advisory Services arm works with owners, operators, lenders, corporate real estate groups and others on due diligence and market research. Candidates should have 3-5 years of experience. The position is in New York.

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