

# THE WATCH LIST

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## CRE Bulks Up Alternative Investment Managers' \$3 Trillion in Assets

### CBRE Outranks Carlyle, Macquarie, Brookfield, Goldman, UBS, RREEF, Morgan Stanley, Blackstone as Largest Manager

Global assets managed by the Top 100 alternative investment managers now exceed \$3 trillion and commercial real estate is making up more and more of that total, according to research from Towers Watson in conjunction with The Financial Times.

The Global Alternatives Survey, which for the first time includes individual private equity and hedge funds, found that of the Top 100 alternative investment managers, real estate managers have the largest share of assets (35%, at \$1.1 trillion) followed by private equity managers (22%, at \$696 billion) and hedge funds (21%, at \$643 billion).

"The ongoing global economic crisis has driven all types of institutional investors toward having more diversified investment portfolios, with investment managers offering significant alternative capabilities being the clear beneficiaries. Notably, allocations to alternative assets now account for 20% of all pension fund assets globally, up from 5% 15 years ago," said Craig Baker, global head of research at Towers Watson Investment.

The research for the first time includes a diversified range of institutional investors outside pension funds and found that pension fund assets represent a third of the Top 100 alternative managers' assets, followed by insurance companies, sovereign wealth funds and endowments and foundations.

"Pension funds have always been and will remain a very large client group for top alternatives managers, but the demand from non-pension fund investors, such as sovereign wealth funds, is only going to increase in the future," Baker said.

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<b>July 24-25</b>	Mobile Home Park Auction
<b>July 24-26</b>	Hospitality Auction
<b>Aug 13-15</b>	Nationwide Auction
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The research shows that for the Top 100 managers, North America continues to be the largest destination for alternative capital (48%), with infrastructure the only exception, with more capital invested in Europe.

According to the research, CBRE Global Investors now ranks as the largest real estate manager, with \$94 billion and tops the overall rankings, displacing last year's leader, Macquarie Group (\$89 billion), which is still the largest infrastructure manager. In the past year, CBRE acquired most of the global real estate investment management business of Netherlands-based ING Group NV for \$940 million in cash. ING had \$59.8 billion in assets under management at the time of the purchase.

Second on the list was The Carlyle Group, the largest private equity manager, at \$91 billion, with AlInvest Partners entering the game for the first time as the top private equity fund of funds, at \$41 billion. Blackstone Alternative Asset Management is the largest fund of hedge funds, with \$39 billion, while Bridgewater Associates is the largest hedge fund, with \$76 billion. BlackRock is the largest commodities manager, with \$77 billion.

### THE TOP 25 FIRMS & AMOUNT MANAGED

Asset Manager	AUM \$	Type of Fund	Domicile
<b>CBRE Global Investors</b>	\$94.1 bil.	Real Estate	United States
<b>The Carlyle Group</b>	\$90.7 bil.	Private Equity	United States
<b>Macquarie Group</b>	\$88.7 bil.	Infrastructure	Australia
<b>Brookfield Asset Management</b>	\$84.3 bil.	Real Estate	Canada
<b>Goldman, Sachs &amp; Co.</b>	\$78.0 bil.	Private Equity	United States
<b>BlackRock</b>	\$77.3 bil.	Commodities	United Kingdom
<b>Bridgewater Associates</b>	\$76.1 bil.	Hedge Funds	United States
<b>UBS Global Asset Management</b>	\$60.0 bil.	Real Estate	United Kingdom
<b>RREEF Alternatives</b>	\$57.4 bil.	Real Estate	Germany
<b>Morgan Stanley</b>	\$56.4 bil.	Real Estate	United States
<b>AXA Real Estate</b>	\$54.5 bil.	Real Estate	France
<b>Blackstone Capital Partners</b>	\$53.2 bil.	Private Equity	United States
<b>TPG Capital</b>	\$49.4 bil.	Private Equity	United States
<b>Invesco</b>	\$48.3 bil.	Real Estate	United States
<b>Blackstone Capital Partners**</b>	\$48.0 bil.	Real Estate	United States
<b>AEW Capital Management</b>	\$47.4 bil.	Real Estate	United States
<b>LaSalle Investment Management</b>	\$47.4 bil.	Real Estate	United States
<b>Ares Management</b>	\$47.0 bil.	Hedge Funds	United States
<b>J.P. Morgan Asset Management</b>	\$45.0 bil.	Hedge Funds	United States
<b>Oaktree Capital Management</b>	\$41.8 bil.	Private Equity	United States
<b>AlInvest Partners</b>	\$40.9 bil.	Private Equity Fund of Funds	The Netherlands
<b>Bain Capital</b>	\$39.4 bil.	Private Equity	United States
<b>Blackstone Alternative Asset Management</b>	\$39.0 bil.	Fund of Hedge Funds	United States
<b>Credit Suisse Asset Management</b>	\$38.8 bil.	Private Equity Fund of Funds	United States
<b>Principal Global Investors</b>	\$38.5 bil.	Real Estate	United States

## Bounty Hunting for Single-Family Rentals

It's not often that I get to write about bounty hunters in regards to commercial real estate. In fact, this is the first time in a quarter of a century.

So I'm pleased to report this week that bounty-hunting firm Bureau of Fugitive Recovery Inc., a thinly traded penny stock on the Over-the-Counter market, changed hands.

Chad M. Carpenter purchased 6 million shares of the outstanding common stock for \$128,605 from shareholders in a private transaction. Carpenter immediately became the majority shareholder of the company, owning 71.8% of the outstanding voting shares and became its president and CEO.

Carpenter is also CEO of Reven Capital LLC, a private real estate investment firm in La Jolla, CA, focused on opportunistic investing.

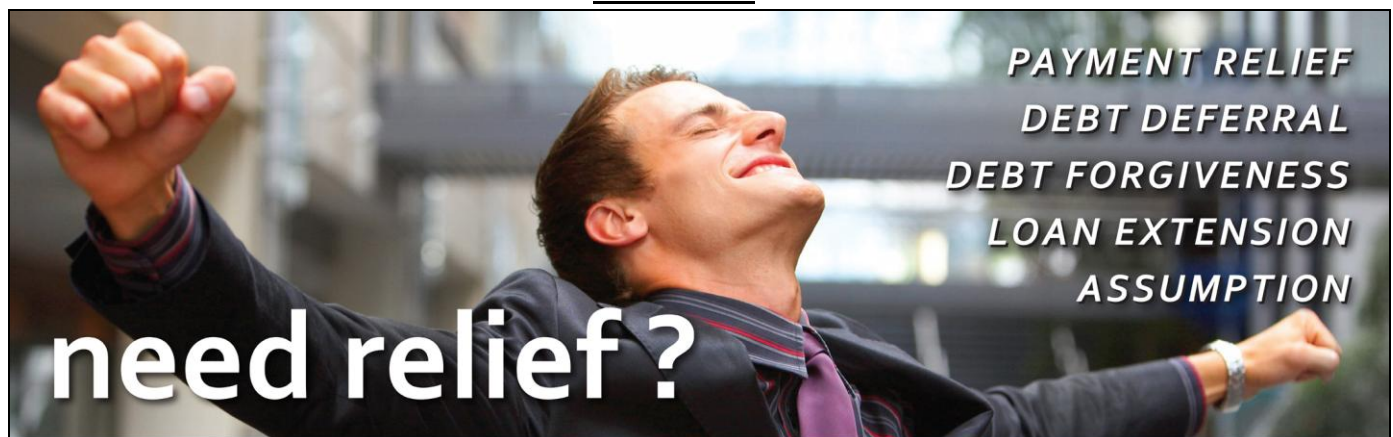
With Carpenter taking over Bureau of Fugitive Recovery, the company is undergoing a radical change and giving up on bounty hunting to embark in a new line of business. It intends to hunt down and acquire portfolios of occupied and rented single-family houses throughout the U.S.

Instead of tracking down fugitives from the law, its business plan involves acquiring portfolios of rented houses from investors who have bought them low, fixed and rented them.

As of this week, the company has not made any acquisitions and lists total assets of just \$12,000. To carry out its business plan, the company will need to seek additional funding, according to company filings at the Securities & Exchange Commission.

Carpenter could not be reached for comment for this story. According Reven Capital's website, the firm formed a new subsidiary on the same day as the bounty hunting transaction. The new entity is Reven Housing REIT, which intends to become the first publicly listed and traded company to focus solely on buying portfolios of rented houses.

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## Property Pricing Recovery Broadens Across Whole CRE Spectrum

By: [Randy Drummer](#)

Commercial real estate pricing continues to recover at a fairly surprising pace across the board given the disappointing level of U.S. job growth and other economic factors, with gains expanding from the best institutional-grade buildings to smaller and more general quality properties.

The two broadest measures of aggregate pricing for commercial properties within the CCRSI that comprise the equal-weighted U.S. Composite Index, which tracks investment grade and general commercial sale prices, each posted gains in May over year-ago levels, based on 853 repeat sales recorded during the month and more than 100,000 repeat sales since 1996, according to July's CoStar Commercial Repeat Sale Indices (CCRSI) report.

In another promising sign for the investment market and prospects for firmer pricing, the percentage of commercial properties selling at distressed prices in May was the lowest since mid-2009. Rising occupancy levels in most markets and increasing rents in the multifamily sector have dampened the overall level of distressed trading, helping lift commercial property pricing.

Both the U.S. Value-Weighted Composite Index and the U.S. Equal-Weighted Composite Index posted year-over-year growth in May, a sign that the pricing recovery is reaching across all size and quality categories within U.S. commercial property.

The U.S. Value-Weighted Composite Index weights each repeat sale by transaction size or value and is heavily influenced by larger transactions. The index reached its highest level in more than three years, since early 2009, reflecting the sharpening appetite of investors for high-end assets, especially within primary gateway metro areas and for institutional-grade multifamily assets.

Meanwhile, the 6.6% increase of the Equal-Weighted Composite Index in May over the same month last year was the largest gain since before the start of the Great Recession in 2007. Improvement in the equal-weighted index, which measures each sale pair equally and better reflects the market influence of the smaller transactions that make up the bulk of CRE transaction volume, has picked up speed over the last several months.

In fact, the uptick in pricing shows that demand growth for smaller and lower-quality commercial property assets has caught up with demand for institutional-quality properties in recent quarters. Over the past year, growth in demand has been consistently strong for investment grade, while generally trending up for the general commercial sector.

However, the equal-weighted index has only recovered 8.8% since it reached its trough in March 2011, compared with a 36.1% improvement for the value-weighted index, which bottomed earlier, in January 2010.

Strong leasing activity in technology driven office markets such as San Francisco and Austin, TX and in lower-cost national distribution warehouse hubs such as Chicago and Dallas, TX has driven relatively strong absorption over the past year of institutional quality properties.

A slackening of demand in the retail market eroded the top-line numbers for general-grade properties, despite moderate absorption in the office and warehouse markets in second-quarter 2012.

## **Redux: Wirta and Hofer Hope Small-Dollar REIT Turn Into Next Big Thing**

Real estate industry veteran Harold Hofer, with financial backing from former CB Richard Ellis CEO and vice chairman Ray Wirta, has launched Nexregen Real Estate Investment Trust I, a unique non-traded REIT designed for low-dollar investors. In some ways, it is a re-launch.

Nexregen provides a proprietary web-based system through which investors can purchase small-dollar interests in commercial real estate properties, in the real estate investment trust or "REIT" format.

Wirta and Hofer hope the re-launch has better timing than their first attempt. They originally launched the concept in Texas in the summer of 2007 shortly before the fast and furious collapse of the residential and commercial real estate markets.

Despite that, Nexregen's predecessor REIT purchased Firewheel Village, a 150,000-square-foot shopping center in the Dallas suburb of Garland, TX. Firewheel Village continues to be owned by Nexregen, is 100% leased, and has paid quarterly dividends of approximately 8% continuously since 2007.

"Our goal is to make investing in income-producing commercial real estate an easy and user-friendly experience," Hofer said. "Nexregen's founding principle is that all investors should have access to the same real

estate opportunities that are typically reserved for high net worth individuals and institutions. For as little as \$5,000, smaller investors can purchase shares in Nexregen REIT I, representing ownership in income-generating properties."

The company's name, Nexregen, springs from words that welcome investors to the "Next Real Estate Generation." Hofer continued: "We want to reach folks that are Internet savvy, and that routinely engage in commerce over the Internet."

Unlike other private REITs that also offer investors small interests in large commercial property holdings, Nexregen utilizes a web-based distribution channel that eliminates the need for commission-based intermediaries.

"Typically in other private REITs, 10% of the share price is paid out to broker-dealers in the form of commissions," Hofer said. "Our method of distribution is the internet and our web site. We have eliminated the standard 10% commission. Our shareholders will have a significantly greater percentage of their initial investment actually invested in real estate assets."

Nexregen's real estate strategy is to invest in single-tenant properties leased to creditworthy retailers under long-term net leases.

"The goals of this investment strategy are to generate a predictable and stable cash flow, paid to investors via quarterly dividends, and to preserve and enhance the underlying value of the leased properties," Hofer said.

Nexregen REIT I intends to purchase approximately 20 net-leased property investments, if it sells all of its 2.5 million authorized shares (priced at \$10 per share).

Nexregen REIT I has already made its first investment: A minority interest in an existing partnership owning a portfolio of Southern California Del Taco fast-food restaurant properties leased directly to Del Taco.

"Based upon the rents paid by Del Taco in 2011, we anticipate that the first full year dividend payable to Nexregen REIT I shareholders will be approximately 6%," said Hofer, while noting that past performance is not a guarantee of future results.

"Our rationale for providing the credit facility, and thereby purchasing investments in advance of share sales, is to allow prospective investors an opportunity to 'kick the tires' before their investment decision is finalized. We have committed to fund the credit facility for a two-year term. As shares are sold, the credit facility is proportionately paid down; and then utilized again to buy subsequent investments," Hofer said.

Another potential major benefit derived from the credit facility is the fact that rent-supported investor dividends accrue immediately, rather than after certain thresholds of share proceeds are achieved. "In other words, cash generated from share sales will not be placed into an escrow account until enough shares have been sold to purchase a property - in Nexregen REIT I, an investor's money is put to work immediately," said Hofer.

Hofer is an attorney by training with more than 30 years of experience in real estate, and has participated both as a principal and a broker in real estate transactions exceeding \$2 billion. Hofer has extensive underwriting and acquisition experience and has asset managed multi-hundred million-dollar portfolios of owned properties. He is Nexregen's Managing Principal.

When the two originally launched the concept in Texas in 2007, CoStar caught up with Wirta for a Q&A on the venture. This go around, Wirta is currently president of The Irvine Co.'s Investment Properties Group and declined to be interviewed in deference to his new position. CoStar did, however, catch up with Hofer for an update.

**Q: Talk about timing a little bit. In October 2007, we were at the top of the real estate markets in pricing and the small investor was pretty hampered in finding good deals. But the collapse was so great and so fast, it must have scared investors away even from \$2,500 deals; yes, no?**

A: Yes. When we launched our first Nexregen offering in the summer of 2007, publicly traded REIT stocks were at or near all-time highs. Six months later, public REIT stocks were down over 20% and then, in late 2008 through early 2009, these public REIT share prices fell another 50%. So we were dealing with significant market headwinds. In spite of these headwinds, we were able to sell a majority of the interests in our first Nexregen offering.

**Q: Now in the summer of 2012, what are the primary motivations for the launch / re-launch?**

A: We had always intended to continue our capital aggregation efforts using the Nexregen model. Given the very uncertain times we all experienced over the past several years, we elected to remain on the sidelines until we felt certain that we had reached, and passed, a market bottom. We believe that the commercial real estate markets have bottomed out and we are therefore continuing on with our Nexregen strategy.



**Q: What is the advantage of this type of investment for the small investor now vs. five years ago?**

A: The advantage remains the same: Real estate investment access for small investors, allowing them to include commercial real estate in their investment portfolios without a significant capital commitment. REITs are the common real estate investment choice for smaller investors.

REITs are either listed and traded on a stock exchange, or are non-traded. Dividend yields for traded REITs have averaged around 3.5% for the past several years. We expect that Nexregen's dividend yield will be significantly higher.

As to non-traded REITs, which include Nexregen, the traditional method of raising investment capital has been through commission-based broker-dealers. The commission is in the 10% range, which puts the investor at an immediate and significant disadvantage - 10% of their investment is not going into hard real estate assets.

Our distribution model is different: Rather than using commissioned intermediaries, we offer and sell shares in our REIT directly to investors over the Internet.

**Q: Looks like going forward, you intend to focus on net leased properties. That seems to be a change away from the small neighborhood center concept of Firewheel. If that is the case, what has prompted that switch?**

A: The current market is focused on yield and safety. Small properties net leased to credit-worthy retailers offer both. We also like the diversity in assets we will be able to provide to our shareholders, given the typically smaller dollar value of single tenant net leased properties.

**Q: So you're tackling California now. Are you still interested in taking the concept national or do you intend to pursue state by state? And why?**

A: We would like to take the concept nationally when we scale up. The costs associated with a national sales effort are significant, though. At this stage, there is plenty of potential Nexregen shareholders right here in California.

## **June Hiring Remains Weak, Casting Pall on Improving CRE Fundamentals**

Nonfarm payrolls added a mere 80,000 jobs in June - a gain that is well off the 12-month pace of 148,000 per month, taking some of the bloom off the improvement in market fundamentals across a majority of CRE markets this year.

The latest employment figures suggest that commercial real estate fundamentals likely will stay on a course of slow, up-and-down improvement, according to research from Cassidy Turley. Office-using employment added 44,000 jobs during June. The manufacturing sector, which correlates well with demand in the industrial

warehouse sector, added 11,000 jobs. Retail sector employment continues to correct from warm weather distortions earlier in the year. Retail shed 5,400 jobs in June.

Net job growth remains slow as employers continue to be cautious about expanding during times of increased economic turbulence, according to Cassidy Turley research.

In June, most of the meager employment gains came from the private service-providing sector, which increased 71,000 compared to a 13,000 increase in goods-producing payrolls. And, of that 13,000 increase in goods-producing employment, roughly half was due to an increase in motor vehicle and parts payrolls (+7,000).

Payrolls in the construction industry edged up just 2,000 after a relatively large 35,000 decline in May.

On the service side, temporary employment jumped up 25,000 accounting for 35% of the overall sector's increase in June.

Leisure and hospitality payrolls posted the next-largest gain in June, rising 13,000, and reversing losses of 7,000 in May and 4,000 in April.

Transportation and warehousing payrolls slipped down 2,000 in June, but that was after a relatively large 32,000 increase in May.

"Since April, net job gains in the BLS [Bureau of Labor Statistics] employer survey have averaged 75,000 a month, a pace that is too slow to keep the unemployment rate from rising. Job growth averaging between 90,000 and 100,000 a month is needed to hold the unemployment rate constant," said Gary Burtless, senior fellow economic studies, Center on Children and Families at Brookings Institution.

On the brighter side, planned layoffs fell to a 13-month low in June, as U.S.-based employers announced job cuts totaling 37,551 during the month. That is down 39% from the 61,887 announced job cuts in May, according to the latest report on downsizing activity released Thursday by global outplacement consultancy Challenger, Gray & Christmas Inc.

The June total is 9.4% lower than the 41,432 planned job cuts announced during the same month a year ago. It is the lowest monthly total since May 2011, when employers announced plans to eliminate 37,135 workers from their payrolls.

"Even with recent signs that the economy is headed for another summer slump or worse, including the first contraction in manufacturing activity in three years, employers appear reluctant to shed too many workers. While it does not take long to shrink payrolls, it can take a significant amount of time to rebuild them, particularly as reports of the growing skills gap becomes more widespread," said John A. Challenger, chief executive officer of Challenger, Gray & Christmas.

"Barring some major economic catastrophe, companies in the U.S. are likely to hold steady for the remainder of the year. We probably will not see a major ramp up in hiring or firing; certainly, not before the November elections. Even after the election and regardless of who wins, it could be several months until companies understand the full implications of the outcome and how to plan for the future," Challenger added.

## **Vornado Shuffles its Property Portfolio**

Vornado Realty Trust has lined up \$414 million in property sales while lining up \$839 million in purchases.

Vornado agreed to sell its Mart segment assets, the Washington Design Center, the Boston Design Center, the L.A. Mart and the Canadian Trade Shows.

The total sales price for these assets is \$228 million, of which \$193 million is cash and \$35 million is 9-month seller financing for the L.A. Mart. Net proceeds will be \$144 million after closing costs, \$67 million of indebtedness on the Boston Design Center and income taxes on the gain on the sale of the Canadian Trade Shows.



Vornado continues to own the 3.5 million square foot Chicago Merchandise Mart.

Vornado also agreed to sell 409 Third St., SW in Washington, DC, for \$200 million reaping net proceeds of \$186 million and a net gain of \$120 million. This office building, which is contiguous to the Washington Design Center, is being sold to the same purchaser.

On the buy side, Vornado agreed to acquire a retail condominium at 666 Fifth Avenue at 53rd Street for \$707 million. The property contains 114,000 square feet, 39,000 square feet in fee and 75,000 square feet by long-term lease from the 666 Fifth Avenue office condominium, 49.5% owned by Vornado. This retail space is leased to Uniqlo, Hollister and Swatch.

The purchase will be funded with property level debt and proceeds from asset sales and is expected to close in the fourth quarter of this year.

Vornado also acquired 1100 Lincoln Road, a 167,000-square-foot retail property in Miami Beach through its 25% owned real estate fund (Vornado Capital Partners LP). The property is 97% leased, with principal tenants Regal Cinemas, Anthropologie and Banana Republic and includes a 298-space parking garage.

The purchase price was \$132 million, financed in part by a \$66 million new mortgage loan on the property. The loan bears interest at LIBOR plus 2.75% and matures in July 2015 with two one-year extension options.

**Tranzon Fox: Auction of 146 Bank-Owned Properties in North Carolina**

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## Percentage of Loans Paying Off Hunkers Near 12-Month Low

The percentage of loans paying off on their balloon date remained anchored near its 12-month low, according to Trepp LLC.

In May, the rate plummeted to 29.4%, the lowest level since October 2010. In June, the rate ticked up. However, the gain was marginal, indicating that despite historically low interest rates, the ability for borrowers to refinance remains challenging.

In June, only 32.3% of loans reaching their balloon date paid off. This is the second lowest total in 21 months. Only May 2012 was lower.

The June total of 32.4% was well less than the 12-month average of 42.7%.

By loan count (as opposed to balance), 55.2% of the loans paid off. On the basis of loan count, the 12-month rolling average is now 51.8%.

The disparity between the volume-based total and the count-based total indicates that it was mostly small balance loans that managed to pay off in June.

Prior to 2008, the pay-off percentages were typically well north of 70%. Since the beginning of 2009, however, there have only been four months where more than half of the balance of the loans reaching their balloon date actually paid off.

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## CB Richard Ellis Realty Trust Moves Out on its Own

CB Richard Ellis Realty Trust, a \$2.4 billion REIT with 78 office, industrial and retail properties in 16 states totaling 14.4 million square feet, has moved out on its own by not fully renewing its management agreement with CBRE Advisors.

As part of the change, the trust has changed its name to Chambers Street Properties effective July 1, 2012.

Starting this month, in connection with the ongoing transition to self-management, the Princeton, NJ-based company entered a transitional services agreement with CBRE Advisors to provide consulting related services through April 30, 2013.

Jack A. Cuneo, who was president and CEO of CBRE Advisors, has now become president and CEO of Chambers Street.

Philip L. Kianka, who was managing director of CBRE Global Investors, is now executive vice president and COO of Chambers Street.

Martin A. Reid was appointed executive vice president and CFO of the newly named REIT. Reid was executive vice president, development and acquisitions at Interstate Hotels & Resorts.

As of March 31, 2012, the trust owned, on a consolidated basis, 78 office, industrial and retail properties and a joint venture office development property in 16 states (Arizona, California, Colorado, Florida, Georgia, Illinois, Kentucky, Massachusetts, Minnesota, New Jersey, North Carolina, Pennsylvania, South Carolina, Texas, Utah and Virginia) and in the United Kingdom.

## DiamondRock Acquires \$495 Mil. Hotel Portfolio from Blackstone

By: [Randy Drummer](#)

DiamondRock Hospitality Co. agreed to acquire a four-hotel portfolio from affiliates of Blackstone Real Estate Partners VI for \$495 million, or \$339,000 per key.

The hotels under contract in the off-market deal are the Hilton Boston, the Westin Washington DC, the Westin San Diego and the Hilton Burlington in Vermont. The price represents a 14.4 times multiple of 2012 forecasted EBITDA, according to DiamondRock.

Mark Brugger, DiamondRock CEO, noted that Blackstone is taking a \$75 million ownership stake in DiamondRock as part of the transaction.

"We believe that these four hotels with higher RevPAR and EBITDA margins than those of our existing assets will enhance the overall quality of our portfolio," he said.

Jonathan D. Gray, Global Head of Real Estate at Blackstone, added "we believe in the continued lodging recovery and are excited about receiving an ownership stake in the company."

DiamondRock intends to fund the acquisition with a combination of financing under its senior unsecured credit facility, cash on hand, net proceeds from a public equity offering and the issuance of shares of the company's common stock to Blackstone in a private placement.

The company, which made a \$50 million nonrefundable deposit, expects to complete the acquisition this month subject to customary closing conditions and is not subject to a financing or due diligence condition or the receipt of third-party consents.

## Watch List: Largest 'Underwater' Retail Properties

Information for these listings was provided by Trepp LLC, an industry leader in providing surveillance data on loan and commercial real estate performance underlying the CMBS market and CoStar Group.

Property Name	Address	Cur. Loan Bal.	Most Recent Val.	Cur. LTV	CMBS; Special Servicer	Payment Status	Maturity Date
<b>Riverchase Galleria - A note</b>	3000 Riverchase Galleria, Hoover, AL	\$215,000,000	\$198,000,000	154.04	BofA 2006-6; CWC Capital Asset Management	Less than 30 days del.	02/10/2017
<b>Lakeforest Mall</b>	701 Russell Ave., Gaithersburg, MD	\$117,652,137	\$120,000,000	100.88	BS 2005-TOP20; C-III Asset Management	Nonperforming matured balloon	07/12/2012

<b>Citadel Mall</b>	750 Citadel Drive, Colorado Springs, CO	\$136,000,000	\$56,000,000	242.86	Citi 2007-CD4; CWCapital Asset Management	90+ days del.	01/11/2017
<b>Northwest Arkansas Mall</b>	4201 N. Shiloh Drive, Fayetteville, AR	\$125,600,000	\$69,990,000	179.45	Citi 2007-CD4; CWCapital Asset Management	90+ days del.	01/11/2017
<b>Granite Run Mall</b>	1067 W. Baltimore Pike, Media, PA	\$114,325,243	\$50,800,000	240.16	COMM 2006-C7; CWCapital Asset Management	90+ days del.	06/10/2016
<b>The Source</b>	1504 Old Country Road, Westbury, NY	\$124,000,000	\$90,000,000	137.77	CMAT1999-C1; LNR Partners	Nonperforming matured balloon	07/17/2012
<b>Tri-County Mall</b>	11700 Princeton Pike, Cincinnati, OH	\$146,358,471	\$45,500,000	327.47	CSFB 2005-C2; CWCapital Asset Management	90+ days del.	02/15/2015
<b>Silver City Galleria</b>	2 Galleria Mall Drive, Taunton, MA	\$125,543,219	\$56,000,000	245.71	JPM 2005-LDP4; C-III Asset Management	Nonperforming matured balloon	07/15/2012
<b>Genesee Valley Center</b>	3341 S. Linden Road, Flint, MI	\$110,104,566	\$41,440,000	267.07	JPM 2007-LDP11; CWCapital Asset Management	30-59 days del.	12/15/2016
<b>The Promenade Shops at Dos Lagos</b>	2780-2795 Cabot Drive; 2710-2785 Lakeshore Drive, Corona, CA	\$125,200,000	\$32,400,000	386.43	JPM 2008-C2; CWCapital Asset Management	90+ days del.	08/12/2017
<b>The Legends at Village West</b>	SE Corner of Village West & Parallel pkwys, Kansas City, KS	\$137,000,000	\$69,000,000	198.45	LB-UBS 2007-C7; LNR Partners	90+ days del.	08/15/2017
<b>Glenbrook Square Mall</b>	4201 Coldwater Road, Fort Wayne, IN	\$166,441,782	\$177,600,000	105.79	ML 2005-CIP1; LNR Partners	Current	01/12/2017
<b>Louisiana Boardwalk 29</b>	390 Plaza Loop, Bossier City, LA	\$121,281,898	\$85,000,000	150.56	ML 2005-CK11; C-III Asset Management	30-59 days del.	09/12/2015
<b>Gwinnett Place</b>	2100 Pleasant Hill Road, Duluth, GA	\$115,000,000	\$45,920,000	250.42	ML 2007-C1; C-III Asset Management	Nonperforming matured balloon	07/12/2012
<b>Montclair Plaza</b>	5060 Montclair Plaza Lane, Montclair, CA	\$190,000,000	\$146,500,000	129.70	Wach 2006-C28; CWCapital Asset Management	Nonperforming matured balloon	07/15/2012

## Wheelock Raises \$525 Mil. in Investment Capital

Wheelock Street Capital LLC closed on \$525 million in commitments for its first fund, Wheelock Street Real Estate Fund LP.

The Greenwich, CT-based firm plans to invest in a broad range of real estate assets throughout the United States and said it may invest directly or with high quality joint venture partners through a variety of capital structures and transaction types, including acquisitions, restructurings and recapitalizations.

Wheelock received commitments from many different investors including endowments, alternative asset managers, pension plans, foundations and family offices. Wheelock initially targeted \$500 million for the fund before increasing the fund size to \$525 million due to strong demand after the first closing in late 2011.

"We were fortunate to have gained momentum at the outset of the raise due to support from key lead investors," said Rick Kleeman, one of Wheelock's co-founders and managing partners.

## **Dynergy Bails on 181,000-SF Houston Office Lease**

Dynergy Inc. filed a voluntary petition to reorganize under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York.

The bankruptcy case of Dynergy's wholly-owned subsidiary, Dynergy Holdings LLC, is already pending in the same court.

Dynergy Inc.'s filing included a pre-approved plan to merge the two entities and emerge as Dynergy Inc. at the end of the process.

Dynergy's subsidiaries produce and sell electric energy.

As part of Dynergy Holdings' filings, the bankruptcy court approved an amendment to its 181,311-square-foot lease at Wells Fargo Plaza at 1000 Louisiana St. in downtown Houston. Under the amendment, Dynergy will be allowed to abandon floors 62 through 66 (130,000 square feet in total.) The lease amendment will enable the firm to save \$2 million in rent this year and another \$22.6 million over the next six years through the end of the lease. Also, Dynergy did not have to pay landlord MetLife a lease termination fee.

Dynergy Holdings also has asked the bankruptcy court to cancel the lease for the remainder of the space on floors 58, 60 and 61.

Last November, Dynergy Inc. entered into a new 124,522-square-foot lease that expires in 2022 for new principal executive office at 601 Travis in Houston. The firm moved in last week.

## **PBC Refinances 452 Fifth Ave.; CMBS Deal in the Works**

PBC USA Real Estate LLC secured a \$400 million loan to refinance its 865,000-square-foot, Class A trophy office property at 452 Fifth Ave. in New York.

The refinancing, provided by from JP Morgan Chase, consists of a \$300 million senior loan and \$100 million in mezzanine debt. The long-term loan is non-recourse, five years interest only with a blended interest rate of 5.04%.

JPMorgan plans to package the loan in a single-property CMBS offering expected to go to market later this month, according to a report from Christopher DeReza of Bloomberg news.

The financing follows the successful repositioning and leasing campaign at the property, which is currently 92% leased to a number of high-profile tenants including HSBC Bank, the international law firm Baker & McKenzie, RW Presspich, Wood Mackenzie, Man Group, VTB Capital and NCH Capital.

The retail portion of the building houses the New York City flagship branches of HSBC Bank, Panera Bread and Staples. The JP Morgan Chase loan is for a 10-year term and was arranged by Shawn Rosenthal of advisory firm Ackman-Ziff.

"Refinancing our trophy tower at 452 Fifth Ave allows us to maximize the value of the asset as we begin to market the remaining top three tower floors to potential major tenants," said Ehud Elizur, president of PBC USA Real Estate. "With the capital reserves now in place the building is one of the most stable assets in New York City catering to world class high-profile companies."

### Loans and Properties Under Surveillance

# NOTICE

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### **KBS Buys Note on Orlando Office Buildings**

KBS Strategic Opportunity REIT purchased a discounted, non-performing first mortgage loan for \$8 million plus closing costs. U.S. Bank sold the note acting as trustee for the beneficial owner of RFC CDO 2007-1 Grantor Trust, Series A.

The borrowers under the Primera Court First Mortgage were listed as Interchange-Primera I LLC, Interchange-Primera II LLC and Interchange-Rouse LLC. The borrowers had entered into a discounted payoff agreement with the seller for \$8.4 million. KBS assumed the agreement.

The borrowers have made non-refundable deposits totaling \$600,000 in connection with the discounted payoff agreement. The remaining discounted payoff of \$7.8 million is due in August 2012.

Under terms of the agreement, if the discounted payoff is not completed, KBS may restructure the terms of the loan or enforce its rights as lender under the loan and foreclose on the collateral securing the loan.

The Primera Court loan is secured by a pair of two-story office buildings at 725 and 735 Primera Blvd. in Orlando, FL, containing a combined 63,680 square feet.

## Montgomery Bank & Trust Fails; U.S. Ends Up with Most of the Assets

Ameris Bank acquired deposits and certain assets of the failed Montgomery Bank & Trust, a full-service bank that had two branches in Ailey and Vidalia, GA.

The Georgia Department of Banking & Finance closed Montgomery Bank and appointed the FDIC as receiver for the financial institution. The FDIC facilitated the sale to Ameris Bank.

As of March 31, 2012, Montgomery Bank & Trust had \$173.6 million in total assets and \$164.4 million in total deposits.

Ameris Bank will assume all the deposits but accepted only \$12.4 million in total assets, comprised mainly of cash and cash equivalents. The FDIC will absorb the remaining assets for later disposition.

Montgomery Bank & Trust had nearly \$30 million in delinquent and foreclosed commercial real estate on its books, more than half of it tied to construction and development real estate owned.

The FDIC estimates that the cost to its Deposit Insurance Fund (DIF) will be \$75.2 million.

## Walgreens to Acquire USA Drug Pharmacy Chain in Mid-South

By: [Tim Trainor](#)

Already the largest pharmacy chain in the U.S., Walgreen Co. today announced a deal to buy a 144-store pharmacy chain from privately held Stephen L. LaFrance Holdings and members of the LaFrance family, for \$438 million.

The stores are across seven states, the majority in the south and operate under the brands USA Drug, Super D Drug, May's Drug, Med-X and Drug Warehouse. The deal includes corporate offices, a distribution center in Pine Bluff, AR and a wholesale and private brand business. The chain recorded sales of \$825 million in 2011.

The acquisition agreement comes just two weeks after Walgreens announced plans to expand internationally by buying a 45 % share of the Alliance Boots drugstore chain in Great Britain for \$6.7 billion.

The pair of acquisitions is the largest move by the retailer to expand its store count since 2010 when it acquired the Duane Reade drugstore chain in New York for \$1.2 billion.

Last year, Walgreens picked up the drugstore.com operation for \$429 million leading to some speculation that the retailer planned to focus more on online sales.

Walgreens President and CEO Greg Wasson said the LaFrance acquisition will provide significant new pharmacy business in the region while enabling the retailer to expand into smaller communities.

Pharmacist Stephen LaFrance started his drug store business in 1968 with a single USA Drug store in Pine Bluff, AR. In 1997, with only 15 stores, he grew his business by buying the much larger Super D, a chain with about 100 stores.

"I have loved every minute of my career these past 44 years, beginning as a pharmacist, then management and currently as owner and chairman," LaFrance said in a statement announcing the agreement. "From the bottom of my heart, I would like to thank everyone who has been a part of my success: from my vendors, bankers, partners, employees, family and most importantly to my customers. Without them, none of what I have accomplished would have been possible."

The transaction is structured as a purchase of the stock of Arkansas-based Stephen L. LaFrance Holdings Inc., which owns most of the acquired business and also includes the purchase of assets or stock of certain affiliated companies or stores and other parts of the business that are not owned by that holding company.

The acquired drugstores will continue in the near term to operate under their current brand names after the transaction closes, with decisions to be made over time on integrating Walgreens and the acquired brands.

With 2011 sales of \$72 billion, Walgreens operates 7,890 drugstores in all 50 states, the District of Columbia and Puerto Rico.

## Everybody's Going to Rio; How Do I Get an Invite?

Seems like anybody who is anybody in U.S. commercial real estate is going to in Rio de Janeiro in October for the Real Estate Brazil Forum.

Latin Markets is organizing the forum, which will host to host 250-plus investors and fund managers.

This invitation-only forum will gather leading chief investment officers, senior portfolio managers, risk managers, fund managers, bankers, developers and commercial builders, broker/dealers from the largest businesses and institutions that are actively involved in real estate investment.

Sam Zell, chairman of Equity Group Investments, will be there to deliver the keynote presentation.

The speaker faculty is also comprised of executives from leading institutional investors and fund managers including other U.S. thought leaders:

- Bill Cisneros, senior managing director, GTIS Partners
- Alena Kuprevich, managing director of private investments, Vanderbilt University Endowment
- Rodney Lake, senior investment officer, George Washington University
- Steve LeBlanc, former senior director, Teacher Retirement System of Texas
- Christopher Moad, portfolio manager | real estate, Canada Pension Plan Investment Board
- Michael Humphrey, managing principal, Courtland Partners
- Chris Bruneau, executive director, 57 Stars

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