

Dealmakers

MARKET PULSE

Sellers Could Be Losers in Waiting Game

The first quarter NCREIF numbers are in. NCREIF, of course, stands for National Council of Real Estate Investment Fiduciaries — an association of pension fund investment managers who contribute data in support of the production of the NCREIF property performance indices. These numbers are used by tax-exempt investors (pension plans, foundations and endowments) to benchmark their investment managers' performance and to help underwrite their asset allocation decisions.

For the past 10 years, the numbers have been pretty good indeed, averaging 12.7 percent on an unleveraged, all-cash basis (for the ODCE or Open-end Diversified Core Equity fund index). This compares quite favorably with the FTSE NAREIT Equity REIT Index (10.7 percent), the Lehman Bros. Bond Index (5.9 percent), the Russell 3000 Index (3.9 percent), the S&P 500 Index (3.5 percent) and three-month T-bills (3.6 percent). The very positive spread real estate has produced over alternatives is the

primary reason most tax-exempt investors continue to be bullish on real estate as an asset class.

But the numbers also tell us the direction in which values are heading. All of the NCREIF numbers are based on quarterly appraised values, and, as most of you are well aware, appraisals tend to lag the markets, both on the upswing and the downswing. The average appreciation rate for open-end fund assets during

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DONE DEALS

Regency Buys Cincinnati Shopping Centers From RP Partners for \$93.3 Million

Regency Centers Corp. (NYSE: REG), a Jacksonville, Fla.-based retail REIT, has acquired two adjacent retail centers in Cincinnati for \$93.3 million. The seller was RP Partners, a real estate investment firm based in Beverly Hills, Calif. No broker was used for the transaction.

Stuart Brackenridge, vice president of acquisitions for Regency, oversaw the deal for the REIT.

The transaction included Sycamore Plaza, a 349,095-square-foot shopping center at 7800 Montgomery Road, and Sycamore Crossing, a 35,144-square-foot retail center at 7866-7896 Montgomery Road. Sycamore Plaza's tenants include Barnes & Noble, Linens 'N Things, Old Navy and Staples.

Sycamore Crossing is occupied by The Fresh Market, FedEx/Kinko's, Starbucks, Sprint and Verizon Wireless.

James Campbell Co. Buys 9W Office Building in New Jersey for \$53 Million

The James Campbell Co. bought the 9W Office Center in Fort Lee, N.J., for \$53 million. **Jeff Dunne, Kevin Welsh, Jeff Oram** and **David Oppor** of CB Richard Ellis represented the seller, George Comfort and Sons.

CB Richard Ellis also procured the buyer.

James Campbell Co. was advised by Hart Realty Advisers. Hart's **Kevin Miller**, managing partner, investment transactions, oversaw the deal.

The 215,279-square-foot office center is a seven-story, class A office building

development opportunities throughout the New York City metropolitan area, the Northeast and mid-Atlantic regions, and California. The vehicle will focus on investments in mixed-income housing development, land acquisition in urban areas, partnerships with local community-based development groups, and investments in businesses with a

INVESTOR PROFILE

Ohio SERS

Representative: Nancy Turner, senior investment officer, global real estate

Total Assets: \$11.2 billion

Real Estate Assets: \$1.3 billion

Real Estate Allocation:

Target: 10 percent

Actual: 11.43 percent

Number of Real Estate Vehicles:

30 mandates

Number of Managers: 18

The School Employees Retirement System of Ohio has been diversifying its real estate investments during the past few years as part of a significant remodel of the system's \$1.3 billion real estate portfolio. Two years ago, the system's staff decided to shift the risk blend from 80 percent core to a more strategic 50 percent to 60 percent core. REIT investments now comprise 15 percent to 20 percent of the portfolio, and a mix of opportunistic and value-added plays make up the remaining 20 percent to 30 percent. The system sold off the last of its separate account assets last fall and is strictly committing to open- and closed-end commingled funds.

As stock prices have fallen over the past few months, the \$11.2 billion system's real estate portfolio has moved slightly into overweighted territory — a victim of the denominator effect — but for now the plan is to hold steady with their strategy, says Nancy Turner, Ohio SERS' real estate senior investment officer.

"An 11 or 12 percent allocation isn't going to scare us at this point," Turner says. "I don't foresee us selling off any assets right now."

In fact, Ohio SERS is planning quite the opposite. Turner plans to take advantage of falling REIT prices to extend their global real estate portfolio.

"Really the last hole in the portfolio is Asia," she says. Other than the little exposure gleaned from commitments made to global opportunistic funds, the system doesn't yet have exposure in the region. Turner also is assessing the investment potential of infrastructure, timber and other real assets.

mission of socially responsible development.

With investments ranging from \$2 million to \$20 million of equity, the venture will target projects that provide affordable and workforce housing and community-serving retail in New York City and other densely populated and ethnically diverse markets around the country.

ON THE MARKET

Marcus & Millichap Lists Federal Courthouse Building in Texas

Marcus & Millichap Real Estate Investment Services has retained the exclusive listing for the U.S. Federal Courthouse building in Plano, Texas. Due to Texas property tax laws, listing prices of Texas assets are normally not disclosed.

Mike Carter and Tim Feagans, both senior associates in the Dallas office of Marcus & Millichap, and Greg Gaynor, an investment specialist in the firm's Austin office, are representing the seller.

Feagans can be reached at (972) 755-5200. Carter's number is (972) 755-5200, and Gaynor can be reached at (512) 338-7800.

The class A office building is 100 percent occupied by the General Services Administration and houses the U.S. District Court of Eastern Texas and the U.S. Marshal Service.

Located at 7940 Preston Road, the 36,755-square-foot office building is on a 6.02-acre lot, across from Legacy Business Park, which consists of 2,665 acres of master-planned business, retail and residential communities.

The Harris Group of Marcus & Millichap Lists Three Multifamily Properties

The Harris Group of Marcus & Millichap has listed three multifamily properties — a total of 367 units — owned by Apartment Investment & Management Co. The Peppertree, Villa Del Sol and Pine Lake Terrace Apartments are all located in Southern California.

Greg Harris, executive vice president, investments, is the listing broker for all three properties. Peppertree Apartments is located in Cypress and comprises 136 units and 105,069 square feet of gross building space. The complex was built in 1972 and is located on 5.2 acres.

Villa Del Sol Apartments is a 120-unit asset in Norwalk. Built in 1974 and situated on 4.14 acres, the property building comprises 110,512 square feet.

Pine Lake Terrace Apartments totals 111 units in Garden Grove. The property was built in 1971 and includes 11 buildings, which total 103,463 square feet.

The three properties are being offered on an individual basis but are also available for purchase as a portfolio. Contact Harris at (310) 706-4400 (gharris@marcusmillichap.com), Kevin Green at (310) 706-4416 (kgreen1@marcusmillichap.com), or Joe Grabiec (310) 706-4417 (jgrabiec@marcusmillichap.com) for more information.