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Real Estate ALERT

THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

JULY 22, 2020

Office Sales Drop 41%; Eastdil Retains Lead

The U.S. office-sales market saw its slowest quarter in a decade as the coronavirus pandemic brought the sector's long-running bull market to an abrupt end.

A total of $28.8 billion of office properties traded in the first half, a 41% plunge from $48.9 billion during the same period last year, according to the **Real Estate Alert** Deal Database, which tracks trades of $25 million and up. Just $7.1 billion of those sales took place from April through June, the lowest quarterly total since 2010.

Eastdil Secured held on to its perch atop the broker rankings despite a 55% drop in its first-half sales. **Newmark** moved up to second by keeping its volume relatively flat, while **CBRE** slipped to third. **JLL,** bolstered by its acquisition of **HFF** a year ago, took fourth and **Cushman & Wakefield** was fifth as of June 30 (See Rankings on Page 10).

The year started strong, with $21.7 billion of sales in the first three months, making it the most-active opening quarter since 2015. But in March, as social-distancing

See OFFICE on Page 10

SF Office Listing Tests Value-Added Market

Union Bank is pitching a San Francisco office building as a short-term sale-leaseback play combined with a repositioning opportunity.

The 298,000-square-foot property, at 350 California Street in the Financial District, is expected to fetch $250 million, or $839/sf. That makes it one of the biggest value-added office listings nationwide since the pandemic disrupted the investment-sales market four months ago. It is coming to market as two other big value-added office deals in San Francisco are back on track, potentially clarifying pricing that has been clouded by the crisis.

CBRE is marketing the Class-A building for Union Bank, a New York-based subsidiary of **MUFG.** MUFG is rated A1/A-/A- by **Moody's, S&P** and **Fitch.**

Union initially would lease back 76% of the space in the 22-story building, then reduce its footprint in stages until December 2021, when it would occupy 73,000 sf — or about one-quarter of the total. That would give a buyer the opportunity to

See TESTS on Page 14

Another Student-Housing Bundle Hits Block

An **Investcorp** partnership is shopping three student-housing properties in Florida and Georgia that are valued up to $279 million, the latest in a string of portfolio listings to emerge in the sector in recent weeks.

The Bahrain investment manager and its partner, **Preiss Co.** of Raleigh, have tapped **Newmark** to market the 1,963 bed, 570-unit portfolio. The anticipated price translates to $141,000/bed, or $485,000/unit. Investors may bid on individual properties or any combination, but the preference is to strike a deal with a single buyer.

Despite the economic uncertainty caused by the coronavirus pandemic, the head of Newmark's student-housing division, vice chairman **Ryan Lang,** said the sector has proven resilient, continuing to produce listings and generate investor demand.

So far, over 1,000 universities have announced plans to re-open in the fall, with fewer than 100 planning to operate mostly online, according to Newmark data. About 95% of those that intend to open are planning to mix in-person and online

See STUDENT on Page 15

THE GRAPEVINE

NorthMarq has hired a former **Walker & Dunlop** broker as a managing director in Fort Lauderdale to cover the Southeast Florida market. **Chris Conklin** started on July 16. He reports to investment-sales president **Trevor Koskovich,** who set up NorthMarq's first apartment-sales team in Phoenix in 2018 and has been leading an expansion effort. Conklin joined Walker & Dunlop in 2015, when the brokerage acquired his prior employer, Atlanta-based **Engler Financial.** Conklin earlier spent 15 years at **CBRE.**

Stephanie Fuhrman joined **Catalyst Housing** last week as a partner and head of innovation. She will oversee the Larkspur, Calif., firm's property-technology platform, dubbed Catalyst Innovation Lab. She reports to **Jordan Moss,** who

See GRAPEVINE on Back Page

Brooklyn Parcel Heads to Foreclosure

The embattled joint venture between **RedSky Capital** and **JZ Capital** is poised to lose a Brooklyn redevelopment site.

Seven Valleys Capital is moving to take over a 2.5-acre parcel in Brooklyn's Greenpoint neighborhood that was put up for sale this year with an asking price of $165 million. The New York shop holds a $57.5 million debt package backed by the joint venture's equity interest in the site, at 18 India Street. A foreclosure auction is schedule for Sept. 15 in New York.

The likely outcome is that Seven Valleys will take control of the property. **Eastdil Secured** has been hired to drum up interest ahead of the auction, which is open to other investors, but Seven Valleys would get credit for its debt position as the opening bid.

The firm is the U.S. family office of Chinese billionaire **Zhang Xin** and her husband, **Pan Shiyi.** It develops and buys properties nationwide. It originated the loan, whose current balance couldn't be learned, in 2018.

London investment manager JZ Capital and RedSky, a Brooklyn shop led by **Ben Bernstein** and **Ben Stokes,** formed a partnership in 2012 dubbed RedSky/JZ. The following year it bought the India Street site, now occupied by a vacant warehouse, with an unidentified partner, according to **The Wall Street Journal.** It's unclear if the partner is still involved.

RedSky/JZ drew up preliminary plans for a 40-story residential tower with 100,000 square feet of retail space, but didn't move forward. When the duo shopped the parcel earlier this year via **JLL,** the sales pitch was that a buyer could raze the warehouse and develop up to 645,000 sf of commercial space, including as many as 900 apartments or condominiums.

The site, with an alternative address of One Java Street, was marketed as one of the biggest development parcels in Greenpoint, an area that has benefited from spillover demand from the adjacent Williamsburg neighborhood. The property is along the East River, two blocks from a subway station and adjacent to a ferry terminal connecting to Manhattan. A proposed streetcar route would pass the site.

It's unclear when RedSky/JZ fell behind on its loan payments, but it has been struggling since last year. The joint venture owns about 60 properties in New York and South Florida. JZ, which is listed on the **London Stock Exchange,** told investors in October that its commercial-property portfolio appeared to be overvalued, based on preliminary appraisals.

Last month, it said that as of Feb. 29, it had invested $419 million in the portfolio, which was then valued at $159 million. The firm, which also buys U.S. and foreign stocks, has said it won't invest in new deals and is trying to pay off its debt and return capital to shareholders, in part by selling real estate. JZ Capital's portfolio is now being managed by New York investment advisor **Jordan/Zalaznick Advisers.**

"We are deeply disappointed with the significant losses in the value of the Company's real estate portfolio and poor performance reported during the period," JZ Capital board chairman **David Macfarlane** said in a filing last month.

In addition to the 18 India loan, RedSky/JZ's debt on a Brooklyn retail portfolio is up for grabs. As previously reported, **BlackRock** is shopping a $90 million mezzanine note backed by a portfolio of half-occupied properties in Williamsburg. The marketing campaign was launched by **Newmark** in May. Its status is unknown. The floating-rate loan, performing as of two months ago, is backed by the borrower's equity interest in 11 properties totaling 123,000 sf. ❖

2 Orlando Rental Complexes Pitched

A joint venture is shopping two Orlando apartment properties with a combined value of about $130 million.

The pitch is that the complexes, totaling 708 units, have upside potential in upgrading units and amenities. The estimated value works out to $184,000/unit. They're being marketed as a package, but investors may bid on them separately. **Marcus & Millichap's** Institutional Property Advisors unit is marketing the properties for Bahrain-based **Investcorp** and its partner, **TruAmerica Multifamily** of Los Angeles.

The properties, known as Montevista at Windermere and Highpoint Club, are less than 10 miles from downtown. Each has one- and two-bedroom floor plans, a resort-style swimming pool, a clubhouse, a fitness center and a dog park.

The 360-unit Montevista is at 6421 Conroy Road, in the Windermere neighborhood. Built in 1989, it's 95.6% occupied. Units average 800 square feet and have average rent of $1,299, or $1.62/sf. They have screened-in patios/balconies, ceiling fans, walk-in closets, and some feature stainless-steel appliances, quartz countertops and fireplaces. There are washer/dryers in 276 units.

Nearly two-thirds of the units at Montevista could benefit from upgrades. Those that were recently renovated are generating rent premiums of up to $115, while newer properties in the area rent for $300 more. Suggested amenity upgrades include setting up lockers for package deliveries and converting tennis courts to cross-fitness or soccer fields. The property is within a mile of a grocer and close to white-collar employers including **Lockheed Martin** and **Orlando Health Regional Medical Center.**

The 348- unit Highpoint Club is at 11100 Point Sylvan Circle, in the Waterford Lakes neighborhood. Completed in 1994, it is 96% occupied. The apartments average 811 sf, with average rent of $1,256, or $1.55/sf.

Units have sunrooms, washer/dryers and walk-in closets, and some have 15-foot ceilings and wood-style flooring in the living and dining areas. Upgrades to 11 units produced rent premiums of $175, and the remaining 337 apartments could benefit from renovation. Nearby properties with newer finishes are achieving rents up to $185 higher, according to marketing materials.

The property is a mile from Lockheed Martin's Mission Systems and Training facility and 4 miles from the University of Central Florida.

The Investcorp partnership purchased both properties in 2017 for a combined $98 million, or $138,000/unit. ❖

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Phoenix Apartment Complex Offered

A Phoenix apartment complex worth about $100 million is being pitched to value-added investors.

The 432-unit property, at 2252 North 44th Street, is about 96% occupied. The estimated sale price would work out to about $231,000/unit. **CBRE** is representing the owner, a joint venture between **BH Equities** of Des Moines, Iowa, and Bahrain-based **Investcorp.**

The garden-style complex, known as Arcadia Cove, has a mix of one- to three-bedroom apartments. Units average 852 square feet and have open layouts with full-size washer/dryers. The average monthly rent is about $1,200.

Some 95% of the units have new cabinetry in kitchens and bathrooms, granite or quartz countertops, wood-style plank flooring and new plumbing and lighting fixtures. The kitchens in a little more than half of the units have been updated with subway-tile backsplashes and fresh paint. The pitch is that a buyer could boost income by completing the renovation program.

Amenities include a recently renovated residents' club with a billiards table, a fitness center and two pools with spa areas, cabanas and grills.

There are about 315,000 jobs within 5 miles of the property and 800,000 within 10 miles. The complex is across from Arcadia Crossing, a 700,000-sf shopping center anchored by a Costco, a Target, a Fry's Food and a CVS.

The Investcorp-BH team acquired Arcadia Cove in 2017 from **Bascom Group** of Irvine, Calif., for $71.5 million, or $165,000/unit. ❖

New Charlotte Offices Up for Grabs

A new "creative" office building in Charlotte is being pitched to core investors, with expectations that bids will reach about $58 million.

The 106,000-square-foot property, dubbed Refinery, is 83% occupied, and letters of intent have been signed for leases that would push the figure above 90% in a few months. Once those tenants are in place, a sale price of $550/sf would produce an initial annual yield topping 6%. The owner, a joint venture between local developer **Insite Properties** and **Northridge Capital** of Washington, has given the listing to **Cushman & Wakefield.**

Existing tenants include **Hub International, Pinnacle Bank, Venture X** and **WK Dickson.** The surrounding Midtown submarket is the tightest in the city, with an average occupancy rate of 95% and one of the largest concentrations of creative office space in the market. Some 1.7 million sf of office space is under construction in the submarket.

The listed property was completed last year. It has floor-to-ceiling windows and floorplates of 22,500 sf. There's a rooftop green deck, a bike room with lockers and showers, and a coffee shop on the ground floor. There's also an attached 350-space garage.

The five-story building is at 1213 W. Morehead Street, alongside Interstate 77. It's within a mile of the home stadium of the **Carolina Panthers** football team. ❖

NJ Campus Offered as Leasing Play

Bristol-Myers Squibb is marketing an 11-building campus in New Jersey that it no longer needs.

The 621,000-square-foot property, at 86-90 Morris Avenue in Summit, is fully occupied by Bristol-Myers subsidiary **Celgene.** The pitch is that Celgene will lease back its 191,000-sf headquarters building through the first quarter of 2022, with the resulting cashflow giving a buyer time to develop a repositioning strategy.

Bids are expected to come in around $40 million. **JLL** is representing Bristol-Myers.

A buyer could offer the campus to a single user or convert it for multi-tenant use. Given that all but one of the buildings will be vacant at the outset, a new owner also could sell them individually to end users. Other options would include converting the buildings to medical offices or to medical care and active-adult facilities, either of which would require town approval. The property is a half-mile from Overlook Medical Center.

Marketing materials highlight the fact that Celgene spent hundreds of millions of dollars on improvements to the property. The biopharmaceutical company expanded the campus in 2015 by constructing the main building, at a cost of $123 million. That building includes a four-story underground garage, plus conference space and a cafeteria.

Another building received $53 million of renovations in 2017 to become an amenity and conference center. Celgene has spent $44 million the past four years on other improvements including upgraded heating and air-conditioning systems.

The 46-acre property, known as Summit East Corporate Campus, features a courtyard, facilities buildings including a boiler plant, a fitness center and some 1,700 parking spaces. All of the buildings have one to three stories.

The property is 20 miles west of Manhattan, near the intersection of State Route 24 and Interstate 78. It is in an affluent area, with a median household income of $147,000 within 3 miles.

New York-based Bristol-Myers bought Celgene last November for $74 billion. ❖

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Element
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Sold on behalf of:
CrossHarbor Capital and
Waterford Property Company

Broadway Tower
Portland, OR

Sold on behalf of:
BPM Real Estate Group

99 M Street
Washington, D.C.

Sold on behalf of:
Skanska

60 State Street
Boston, MA

Sold on behalf of:
J.P. Morgan and Oxford Properties

245 Summer Street
Boston, MA

Sold on behalf of:
Benderson Development

Jefferson Creative Campus
Los Angeles, CA

Sold on behalf of:
Rader Properties

Creekside @ 17
Campbell, CA

Sold on behalf of:
The Carlyle Group and
South Bay Development

111 Wall Street
New York, NY

Sold on behalf of:
Zurich Insurance Group

75-101 Federal Street
Boston, MA

Half-Interest Recapitalization on behalf of: Rockpoint Group

123 Townsend
San Francisco, CA

Sold on behalf of:
Manchester Capital

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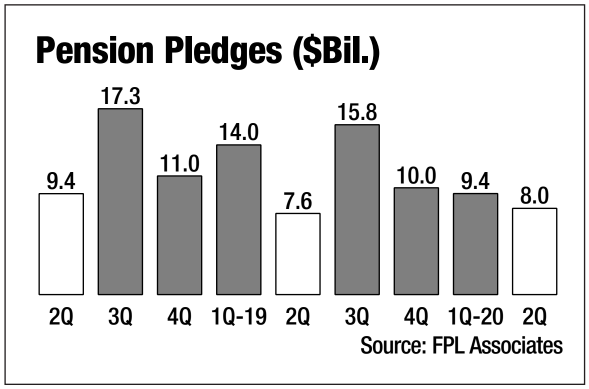
Pension Allocations Remain Muted

The coronavirus crisis continues to constrain pledges by U.S. public pensions to commercial real estate vehicles.

Commitments to funds and separate accounts totaled $17.5 billion in the first half — down 19% from $21.5 billion a year earlier, according to research firm **FPL Associates** of Chicago. Second-quarter pledges rose slightly to $8 billion, from an anemic $7.6 billion during the same period last year, but were down from $9.4 billion in 2018.



To be sure, real estate allocations by public pensions started slipping before the pandemic struck in mid-March. Such commitments totaled $47.3 billion in 2019, down from a peak of $49.6 billion in 2018. The fact that the second-quarter total was up slightly from the year-earlier period could be a sign that the market has begun to recover from the initial shock, said FPL managing director **Erin Green.**

"When Covid hit, when you look at March and April in particular, things came to a halt unless you were really far along in the [commitment] process," she said. "Investors were in a wait-and-see position. As things have reached this more normalized level, and people understand this is going to be a marathon and not a sprint, we've seen some level of commitment activity resume."

Economic downturns typically prompt pensions to increase their exposures to opportunistic strategies, with an eye toward capitalizing on distressed pricing. But pledges to opportunistic vehicles actually fell in the first half to 27% of overall commitments, down from 37% for full-year 2019.

Value-added funds, meanwhile, saw a sharp increase in commitments — to 36% of the first-half total, from 23% last year. Core and core-plus strategies held steady with 38% combined.

Still, Green expects commitments to opportunistic strategies will climb during the second half. "Those numbers will pick up," she said. "We'll start to see the capital flows be more in lockstep with what we're hearing from investors and managers."

Separate data from **Preqin** show a related trend in which real estate investors are consolidating their pledges among fewer fund managers. A report Preqin published this month shows that the number of funds holding a final close in the second quarter dropped to 53, from 78 a year earlier — even as the aggregate amount of equity raised increased. Two vehicles accounted for 37% of the total raised: **Blackstone's** $10.6 billion Blackstone Real Estate Partners Europe 6 and Boston-based **Rockpoint Group's** $3.8 billion Rockpoint Real Estate Fund 6.

Green noted that pandemic-related travel restrictions have made it more difficult for pensions to conduct due diligence on new managers. Those conditions favor large, well-established fund operators.

"We will see a flight to quality," Green said. "We have heard from investors that it will be much harder for newer managers to break into the process."

Closed-end funds remained the most popular investment structure for U.S. pensions, accounting for 51% of committed dollars — down slightly from 53% last year. Open-end funds took home 16%, up from 14% last year, while allocations to separate accounts held roughly steady at 32%.

Among funds targeting a single asset class, those focused on multi-family properties saw the biggest jump in demand — collecting 45% of pledges so far this year, up from 22% in 2019. Commitments to industrial funds (32% of pledges) and office vehicles (10%) were similar to last year. Meanwhile, FPL hasn't identified a single commitment to a retail-focused fund or separate account in 2020.

The 270 pension systems tracked by FPL have $365 billion of real estate assets and $4.5 trillion of total assets under management. Its report will be released next week. ❖

Seattle Apartment Trade Sets Record

A Canadian pension stands to realize a 4% stabilized capitalization rate on its record-breaking $320 million purchase of a Seattle residential high-rise.

Toronto-based **Oxford Properties,** the real estate arm of **Ontario Municipal Employees,** paid about $694,000/unit last week for the 460-unit Kiara, at 111 Terry Avenue North in the South Lake Union neighborhood. **Eastdil Secured** represented the seller, a partnership between **Holland Partner Group** of Vancouver, Wash., and the U.S. arm of **Sekisui House,** one of Japan's biggest homebuilders.

The sale price was a bit shy of the $335 million "whisper" estimate when the 41-story tower hit the market in January, but still was the highest ever paid for a Seattle-area multi-family property, according to **Real Estate Alert's** Deal Database. The previous record was set in 2013 when Dallas-based **Invesco Real Estate** acquired the 455-unit Bravern Signature Residences in Bellevue, Wash., from **Schnitzer West** for $308 million, or $677,000/unit. **CBRE** was the broker.

The sale of Kiara also was the largest West Coast apartment trade, and the second-largest nationally, since the coronavirus pandemic froze the market. In late March, **Brookfield** closed on its purchase of the 333-unit Olivia in Midtown Manhattan from New York REIT **SL Green Realty** for $446.5 million, or $1.3 million/unit. CBRE also brokered that deal. ❖

New WeWork Offices Shopped in SF

A developer is marketing a San Francisco office building that's under construction and pre-leased to **WeWork.**

The Class-A property will consist of 59,000 square feet at 345 Fourth Street, in the South of Market neighborhood. Bids are expected to hit $65 million. At the estimated value of $1,095/sf, a buyer's initial annual yield would be about 6.5%.

T2 Hospitality of Newport Beach, Calif., has given the listing to **CBRE.** The firm primarily focuses on hotel properties, but after buying the site a few years ago, it moved forward with an office development to tap into that sector's then-intense demand in San Francisco.

A closing would be contingent on completion of the project, scheduled for later this year. WeWork has signed a 12-year lease to fully occupy the 56,000 sf of office space. There is 3,000 sf of ground-floor retail still available for lease.

While net-leased deals have benefited from strong investor demand amid the coronavirus crisis, some investors are shying away from shared-workspace properties, and WeWork has had high-profile troubles since before the pandemic. As a result, the building is expected to trade at a capitalization rate about 150 bp wide of what a similar San Francisco office property with an investment-grade tenant could command.

Once construction is complete, a buyer would likely need to pump in an additional $7 million for tenant improvements before WeWork moves in. Market pros say a seller would typically credit a buyer for those costs.

The marketing campaign is touting the building's roof terrace, balconies, and its proximity to the Moscone Central subway station, scheduled to open in the summer of 2021.

The South of Market submarket has 3.6 million sf of Class-A office space that was 97.4% leased at midyear. ❖

Apple Facility Marketed in California

A Silicon Valley office/R&D building that is fully occupied by **Apple** is on the block.

The 129,000-square-foot property, at 5301 Patrick Henry Drive in Santa Clara, Calif., is expected to command bids of $65 million, or $503/sf. At that price, the buyer's initial annual yield would be 5.75%. **Eastdil Secured** is representing the owner, **Crown Realty & Development** of Costa Mesa, Calif.

Apple, whose lease runs until March 2026, is rated Aa1/AA+ by **Moody's** and **S&P.** While the coronavirus pandemic has hampered investment sales overall, single-tenant properties with strong occupants have remained liquid — with Apple as one of the most sought-after names.

Apple has spent $22 million renovating the offered property and continues to invest in the space, according to marketing materials. The technology giant also occupies two adjacent office buildings totaling 325,000 sf. A new owner could expand the property, should Apple seek a larger footprint.

The building, with one story and a mezzanine, was constructed in 1982 and renovated in 2016. Crown bought it for $60.5 million, or $469/sf, that year from Chicago-based **Kinship Capital,** with Eastdil brokering the sale.

The property is a half-mile from a VTA light-rail station that is two stops from the 9.2 million-sf Related Santa Clara mixed-use development.

The offering follows the June listing of a six-building office/R&D package in Cupertino, Calif., that also is fully occupied by Apple. Those properties have a combined estimated value of $90 million, or $661/sf. **CBRE** is handling marketing for **Sobrato Family Foundation.** ❖

Builder Pitches New Texas Warehouses

Scannell Properties is marketing a new industrial complex in Fort Worth, Texas, that combines the security of lengthy lease terms with the opportunity to fill vacant space.

Speedway Logistics Crossing encompasses two warehouses totaling 798,000 square feet in the North Fort Worth submarket. Bids are expected to hit $68 million, or $85/sf.

JLL is representing the Indianapolis developer, which completed the complex this year. Scannell also developed a third, adjacent warehouse that isn't part of the offering, though it would consider bids on that building as well.

The offered property is 82% leased by two tenants with a weighted average remaining lease term of 12.3 years. The pitch is that a buyer could count on a solid income stream while leasing up the vacant space in a strong submarket.

Industrial properties have performed better than most other property types during the pandemic. The marketing campaign is touting the complex as well-positioned for e-commerce distribution.

The 408,000-sf building at 2660 Petty Place is 65% leased. Its sole tenant, **Wabtec,** will move into its 265,000-sf space in November under a 15.5-year lease with annual rent bumps of 2.35%.

AmerCareRoyal fully leases the 390,000-sf building at 2401 Petty Place. It has 10.3 years remaining on its lease, which includes 2.5% annual rent bumps.

The buildings have "state-of-the-art" features including modern sprinkler systems, 36-foot ceilings and truck courts with depths of 130-185 feet. ❖

RANKINGS

Office ... From Page 1

measures took hold and the economy went into a slump, marketing campaigns and deals under contract paused or stalled out completely.

Going forward, pros expect some improvement over the dismal second quarter. But no one anticipates a return to pre-Covid levels of activity anytime soon.

"We expect new offerings to the market to gradually improve through the summer," said **Chris Ludeman,** global president of capital markets at CBRE. "We see more product launches coming in the fall, post-Labor Day, but capital will be careful, disciplined and geared more toward stabilized core-plus and core offerings."

There's broad agreement that activity will center around prime properties and those with stabilized rent rolls that require little guesswork when it comes to revenue. That's largely because lenders are willing to finance such acquisitions.

"Significantly, the financing markets have opened up dramatically," said **Roy March,** chief executive at Eastdil. "Fixed-rate financing for office that has long [weighted average lease terms] in core markets is substantially back to where it was pre-Covid. As a result, there's a confidence that's come back to the market." He said borrowers are finding "plenty of depth from life companies and CMBS" for financing core properties, but that value-added deals "are continuing to have more challenges."

Perhaps the largest obstacle hanging over the market, for both buyers and lenders, is a lack of clarity when it comes to estimating revenues and valuations. "Buyers are underwriting assets right now for the unknown, and it's the unknown about which way rents are going and what's the future of office demand," said **Mark Van Zandt,** a managing partner at New York-based **BentallGreenOak.** "There are a lot of profound questions being debated."

At the moment, tenants are delaying decisions about leasing — and for the long term, they are examining just how much space they will need and where. In the second quarter, office vacancy nationwide increased to 13.7% from 13.2% in the first three months of the year, the largest one-quarter rise since the depths of the Great Recession in 2009, according to a Cushman report. "We expect the national vacancy rate to rise over the coming quarters leading to downward pressure on effective rents," it said.

The flow of listings is likely to remain slow as owners wait

See OFFICE on Page 11

Office Sales

	Amount ($Bil.)	No. of Prop.
2011	$49.0	655
2012	60.6	853
2013	74.1	875
2014	93.3	1,049
2015	113.0	1,483
2016	104.4	1,245
2017	94.4	1,139
2018	96.8	1,103
2019	109.7	1,200
1H-20	28.8	320

Top Office Brokers in the First Half

Brokers representing sellers in deals of at least $25 million

		1H-20 Amount ($Mil.)	No. of Properties	Market Share (%)	1H-19 Amount ($Mil.)	No. of Properties	Market Share (%)	'19-'20 % Chg.
1	Eastdil Secured	$5,421.1	42	21.9	$11,929.1	64	27.9	-54.6
2	Newmark	5,093.5	68	20.5	5,230.9	58	12.2	-2.6
3	CBRE	5,001.6	53	20.2	6,947.2	97	16.2	-28.0
4	JLL	4,751.7	62	19.2	2,469.5	43	5.8	92.4
5	Cushman & Wakefield	3,503.9	45	14.1	7,675.5	70	17.9	-54.4
6	Colliers International	308.4	8	1.2	337.8	6	0.8	-8.7
7	Transwestern	153.8	2	0.6	163.0	5	0.4	-5.6
8	Savills	135.8	2	0.5	87.0	3	0.2	56.0
9	Hoffman Co.	106.0	1	0.4	0.0	0	0.0	
10	Hodges Ward Elliott	100.0	1	0.4	0.0	0	0.0	
11	Lee & Associates	84.4	1	0.3	0.0	0	0.0	
12	Marcus & Millichap	45.0	1	0.2	30.3	1	0.1	48.8
13	Meridian Capital	36.0	1	0.1	0.0	0	0.0	
14	Hayes Commercial	35.7	1	0.1	0.0	0	0.0	
15	Rosewood Realty	28.6	1	0.1	0.0	0	0.0	
	OTHERS	0.0	0	0.0	7,891.7	227	18.5	-100.0
	Brokered Total	**24,805.3**	**286**	**100.0**	**42,761.8**	**504**	**100.0**	**-42.0**
	No Broker	3,948.6	34		6,136.2	49		-35.7
	TOTAL	**28,753.9**	**320**		**48,898.0**	**553**		**-41.2**

RANKINGS

Office-Property Sales by Market in the First Half

Sales of at least $25 million

		1H-20 Amount ($Mil.)	No. of Properties	1H-19 Amount ($Mil.)	No. of Properties	'19-'20 % Chg.	Top Brokerage in 1H-20
1	New York City	$4,134.8	21	$8,908.2	31	-53.6	CBRE
2	Boston Area	4,068.1	25	3,844.3	31	5.8	Newmark
3	San Jose/Silicon Valley	3,046.8	34	4,792.9	47	-36.4	Eastdil Secured
4	Washington	1,720.6	9	1,100.5	12	56.4	Eastdil Secured
5	Dallas Area	1,360.4	18	762.5	13	78.4	JLL
6	Los Angeles Area	1,265.7	19	3,234.5	22	-60.9	JLL
7	Northern New Jersey	1,198.7	13	653.3	13	83.5	Cushman & Wakefield
8	San Francisco	1,104.4	6	2,961.6	14	-62.7	Eastdil Secured
9	Denver Area	998.7	8	1,220.9	19	-18.2	CBRE
10	Northern Virginia	945.1	14	970.6	18	-2.6	CBRE
11	North Carolina	752.3	13	740.7	14	1.6	JLL
12	Philadelphia Area	568.8	6	899.5	11	-36.8	CBRE
13	Orange County	508.1	8	432.2	10	17.6	Eastdil Secured
14	Seattle Area	493.4	3	4,149.9	22	-88.1	Eastdil Secured
15	Tennessee	476.7	7	600.5	8	-20.6	Eastdil Secured
16	Central/Northern Florida	471.8	10	850.4	18	-44.5	Cushman & Wakefield
17	Chicago	422.8	5	249.4	5	69.6	Cushman & Wakefield
18	Phoenix Area	380.2	8	476.8	11	-20.2	Eastdil Secured
19	Portland Area	361.5	6	661.4	8	-45.3	Newmark
20	Sacramento Area	334.3	4	357.6	4	-6.5	Newmark
	OTHERS	4,140.8	83	11,030.6	222	-62.5	
	TOTAL	**28,753.9**	**320**	**48,898.0**	**553**	**-41.2**	

Office ... From Page 10

for some clarity in the broader economy. "Sellers don't want to sell unless they need to at this point," said **Craig Deitelzweig,** president and chief executive officer at **Marx Realty** of New York. "Basically, 2020 will be a lost year for office sales."

But some believe that could change quickly and dramatically when leasing activity resumes. "Once investors and lenders start to see some green shoots or positive leasing momentum they will adjust their pricing . . . and more value-add properties will start trading," said **Jaime Fink,** senior managing director at JLL and co-head of its national office practice.

When activity resumes, many of the dynamics that were driving the market at the start of the year will still exist, such as low interest rates and an abundance of dry powder targeting U.S. real estate. "In relatively short order, historically low interest rates will again trump fundamentals," said **Doug Harmon,** chairman of capital markets at Cushman. Assuming that a vaccine will have alleviated the coronavirus crisis by next spring, he said investors "will be back on track to that frustrating, competitive and somewhat desperate search for yield, where real estate investments will provide the most attractive risk-adjusted returns."

However, other pros see a long road to recovery that will parallel the last market downturn. "The reality of the situation is that we were 10 years into a real estate cycle, and already values and fundamentals were going sideways," said Van Zandt of BentallGreenOak. "At best, Covid was the straw that broke the camel's back and has created the market correction that many in the market were expecting for years."

Along with the second-quarter slowdown came a reshuffling in the brokerage rankings. While Eastdil remained on top with $5.4 billion of sales, its share of brokered deals slipped to 21.9%, from 27.9% a year earlier. Newmark's $5.1 billion tally was off just 3% from last year's first half, giving it a 20.5% market share, up from 12.2% at the same point last year. That moved it into second place, up from fourth at both midyear and yearend 2019.

CBRE was a close third with $5 billion of activity, a 28% volume decline but good for a 20.2% share. JLL racked up $4.8 billion of sales — nearly double its figure for the same period last year but some 46% below the combined pre-merger volume of JLL and HFF. That gave it a 19.2% share of first-half brokered sales. Cushman closed $3.5 billion of sales, down 54%, for a 14.1% market share.

Cushman's sales decline matched that of its strongest market,

See OFFICE on Page 13

RANKINGS

Top Office-Property Brokers by Market in the First Half

New York City		1H-20 Amount ($Mil.)	No. of Properties	Market Share (%)
1	CBRE	$1,091.8	3	37.6
2	Cushman & Wakefield	862.1	5	29.7
3	Eastdil Secured	428.0	3	14.7
4	Newmark	278.5	2	9.6
5	Hodges Ward Elliott	100.0	1	3.4
6	JLL	76.8	2	2.6
7	Meridian Capital	36.0	1	1.2
8	Rosewood Realty	28.6	1	1.0
	Brokered Total	**2,901.7**	**18**	**100.0**

Boston Area		1H-20 Amount ($Mil.)	No. of Properties	Market Share (%)
1	Newmark	$2,366.9	11	61.0
2	JLL	841.5	6	21.7
3	Eastdil Secured	317.3	2	8.2
4	CBRE	196.5	2	5.1
5	Cushman & Wakefield	120.1	1	3.1
6	Colliers International	35.9	1	0.9
	Brokered Total	**3,878.1**	**23**	**100.0**

San Jose/Silicon Valley		1H-20 Amount ($Mil.)	No. of Properties	Market Share (%)
1	Eastdil Secured	$1,915.5	18	63.7
2	CBRE	421.6	6	14.0
3	Newmark	340.6	4	11.3
4	Hoffman Co.	106.0	1	3.5
5	JLL	99.0	1	3.3
6	Cushman & Wakefield	71.9	2	2.4
7	Colliers International	51.0	1	1.7
	Brokered Total	**3,005.6**	**33**	**100.0**

Washington		1H-20 Amount ($Mil.)	No. of Properties	Market Share (%)
1	Eastdil Secured	$302.5	1	42.8
2	Newmark	171.0	1	24.2
3	Cushman & Wakefield	157.8	3	22.3
4	JLL	34.2	1	4.8
5	Savills	20.8	1	2.9
5	CBRE	20.8	1	2.9
	Brokered Total	**706.9**	**8**	**100.0**

Dallas Area		1H-20 Amount ($Mil.)	No. of Properties	Market Share (%)
1	JLL	$1,107.2	14	85.4
2	CBRE	105.0	1	8.1
3	Cushman & Wakefield	84.4	1	6.5
	Brokered Total	**1,296.6**	**16**	**100.0**

Los Angeles Area		1H-20 Amount ($Mil.)	No. of Properties	Market Share (%)
1	JLL	$578.2	4	45.7
2	Newmark	271.2	9	21.4
3	CBRE	164.0	3	13.0
4	Lee & Associates	84.4	1	6.7
5	Eastdil Secured	78.0	1	6.2
6	Cushman & Wakefield	54.3	1	4.3
7	Hayes Commercial	35.7	1	2.8
	Brokered Total	**1,265.7**	**20**	**100.0**

Northern New Jersey		1H-20 Amount ($Mil.)	No. of Properties	Market Share (%)
1	Cushman & Wakefield	$488.3	3	44.2
2	CBRE	337.2	2	30.5
3	JLL	149.2	4	13.5
4	Newmark	84.6	2	7.7
5	Marcus & Millichap	45.0	1	4.1
	Brokered Total	**1,104.2**	**12**	**100.0**

San Francisco		1H-20 Amount ($Mil.)	No. of Properties	Market Share (%)
1	Eastdil Secured	$605.2	1	63.1
2	CBRE	220.3	2	23.0
3	JLL	98.0	1	10.2
4	Colliers International	36.0	1	3.8
	Brokered Total	**959.4**	**5**	**100.0**

Denver Area		1H-20 Amount ($Mil.)	No. of Properties	Market Share (%)
1	CBRE	$795.1	7	79.6
2	Eastdil Secured	203.6	1	20.4
	Brokered Total	**998.7**	**8**	**100.0**

Northern Virginia		1H-20 Amount ($Mil.)	No. of Properties	Market Share (%)
1	CBRE	$296.0	2	33.9
2	JLL	269.7	4	30.9
3	Newmark	145.6	3	16.7
4	Eastdil Secured	89.6	3	10.3
5	Transwestern	72.8	1	8.3
	Brokered Total	**873.7**	**13**	**100.0**

San Francisco Retail Space in Play

A retail property in the Fisherman's Wharf neighborhood of San Francisco is on the market as a potential repositioning play.

The 94,000-square-foot North Point Plaza encompasses adjacent, two-story buildings at 2552 Taylor Street and 2598 Taylor Street. Bids are expected to hit $45 million. **Newmark** is representing the owner, an unidentified family office in Los Angeles.

The property is just 31% occupied, with the lone tenant, Ross, occupying 29,000 sf under a long-term lease. Newmark has told investors they could aim to land "essential" retail tenants such as a grocery store, fitness club or restaurant to join Ross. Another play would be to create a mixed-use environment by converting the vacant space for office, hotel or residential use.

The building at 2552 Taylor Street has 78,000 sf — the Ross store and 49,000 sf of vacant space. The 16,000-sf building at 2598 Taylor Street is entirely vacant. A second-story skybridge connects the buildings. They share a garage with 108 spaces, a rare feature in San Francisco, plus a lot with 22 spaces. The property last was renovated in 2015.

The marketing campaign touts its location on a 1.5-acre site along Taylor Street, between North Point Street and Bay Street. It is across the street from a cable-car station, in an area that draws 16 million tourists per year. Some 21,000 vehicles pass the property each day on Bay Street. Some 69,000 residents, with a median household income of $112,000, live within a mile.

The family office has owned the property for 14 years. ❖

Vacant Cincinnati Offices Listed

A developer is pitching a vacant office complex in Cincinnati as a redevelopment play.

The 375,000-square-foot Fourth & Walnut Centre, at 101-105 East Fourth Street in the Central Business District, is expected to attract bids around $25 million. **JLL** is marketing the property for **NewcrestImage** of Lewisville, Texas.

The complex consists of a 19-story building constructed in 1903, a four-story building completed in 1937 and a six-story building from 1961. JLL is telling prospective investors that they could update and fill the office space or convert it to apartments or a hotel.

The marketing effort also highlights the property's location in an opportunity zone, which offers breaks on federal capital-gains taxes for shareholders in funds that invest in such areas. NewcrestImage additionally secured state and federal historic-preservation tax credits. And the complex is eligible for a 15-year property tax exemption.

NewcrestImage bought the property from special servicer **CWCapital** at auction for $9.3 million in 2016, according to a local report. The plan was to convert the tallest structure, previously known as the First National Bank Building, to a dual-branded hotel while updating the remaining office space.

The property is located within a few blocks of the Fountain Square dining and entertainment district, along with museums and Great American Ballpark, home to the **Cincinnati Reds** baseball team. ❖

Office ... From Page 11

New York, which remained the nation's busiest — but not by much. Its $4.13 billion of activity was barely ahead of Boston's $4.07 billion, which represented a 6% increase from a year earlier. The San Jose/Silicon Valley market, which was the second most-active in the first half of 2019, dropped to third as its volume fell 36% to $3 billion.

Greater Boston benefited from its high concentration of life-sciences properties, a bright spot in the office landscape. Once a specialized niche dominated by a handful of buyers, that segment has grown in recent years and drawn a wider pool of investors, largely due to the strength of its leasing fundamentals. The coronavirus crisis and a subsequent influx of federal and private dollars into the sector have added to leasing demand from life-science companies, including those involved in the push to develop a vaccine and treatment for Covid-19.

"Investors are certainly more optimistic about rent growth and expansion in that category," said **Rob Griffin,** co-head of capital markets at Newmark. "In 35 years . . . I have never seen the wind behind something like it is for this asset class right now."

The broker rankings are based on property transactions that closed during the first six months of 2020 and involved full or partial stakes valued at $25 million or more. When multiple brokers shared a listing, the dollar credit was divided evenly, but each broker was credited with one transaction. Only brokers for sellers were given credit. Portfolio transactions were included if the overall price was at least $200 million or if at least one property in the portfolio had a value of at least $25 million. ❖

NEW DEALS

Long Island Offices

Feil Organization paid $32 million for the leasehold interest in a 202,000-square-foot office building in Melville, N.Y. The New York shop closed last week on the purchase, which values the property at 395 North Service Road at $158/sf. **CBRE** represented the seller, **RXR Realty** of Uniondale, N.Y. The four-story building is 87% leased with a rent roll that includes **EmblemHealth** and **TSYS.** The rent-collection rate has been 100% since the coronavirus pandemic struck in March. The property is just off the intersection of the Long Island Expressway and Route 110, 35 miles west of Manhattan. The underlying ground is owned by an unidentified union pension fund. ❖

Tests ... From Page 1

fill 224,000 sf of contiguous space on 13 floors in one of the nation's strongest office markets.

The pitch is that the lease would provide steady income while a new owner maps out a long-term plan for the property. Investors have been told the vacant space could be converted to "creative" offices, which are preferred by technology companies and command higher rents.

Because big blocks of contiguous space have been rare in San Francisco, a buyer could market the vacant space as a potential corporate headquarters. Rents in San Francisco have topped $90/sf, but such large chunks of space have commanded up to $110/sf, according to marketing materials.

Since 2016, Union Bank has spent some $41 million on upgrades, including a new ventilation system and a lobby renovation that was completed this year. The marketing campaign is touting the property's location along San Francisco's historic cable-car line and near rail stations. It is about five blocks from the Embarcadero.

San Francisco was one of the strongest office markets in the country before the public-health crisis, and local pros are hoping its solid fundamentals will position the city for a swift recovery. The Financial District has 20.2 million sf of Class-A space that was 94.2% leased at midyear, according to CBRE. However, there has been an uptick in sub-leased space since the coronavirus outbreak, so the total availability rate is actually 12.2% — and market conditions are expected to favor tenants in the coming months.

San Francisco's office-sales market took one of the steepest dives in volume nationally during the first half, according to **Real Estate Alert's** Deal Database. Sales dropped 63% from a year earlier, second only to Seattle's 88% drop among major markets.

While some core office properties have continued to trade amid the crisis, sellers have had a tougher time closing value-added deals — in part because of financing challenges. However, the two value-added deals that are back on track in San Francisco give local pros reasons to hope.

In the first case, a preliminary agreement for the iconic Transamerica Pyramid Center now appears to be moving forward after getting bogged down by the pandemic. A team led by New York investor **Michael Shvo** initially agreed to pay $711 million, or $967/sf, for the 735,000-sf property, but plans for a first-half closing didn't pan out. However, the property's namesake owner, insurer **Transamerica,** and its parent, Dutch financial-services company **Aegon,** recently agreed to provide seller financing to Shvo and his team, sources said. And the sales price has been reduced by 10%. **JLL** is brokering the deal, which now is expected to close by yearend.

The second revived value-added deal is **Juul's** offering of 123 Mission Street. A **Pimco** partnership this month agreed to pay the e-cigarette maker roughly $310 million, or just over $900/sf, for the 346,000-sf property, which is largely vacant. **Newmark** is advising Juul, which paid $400 million for the property last year — intending that it would be its new headquarters. A partnership led by **PGIM Real Estate** was poised to pay $400 million for the property in March, but that deal collapsed amid the market turmoil. ❖

Need to see the largest property sales that were completed recently? Go to the Market section of REAlert.com and click on "Largest Deals." It's free.

Student ... From Page 1

instruction — and to reduce density in dormitories, increasing the need for off-campus housing, Lang said.

As previously reported, Newmark last week began marketing a portfolio encompassing 1,979 units (3,353 beds) at nine properties near Washington State University campuses, with an estimated value of $235 million ($70,000/bed). The seller is **Corporate Pointe Developers** of Pullman, Wash.

Last month, multi-family REIT **Preferred Apartment Communities** of Atlanta tapped **CBRE** to market its 6,095-bed, 2,011-unit portfolio, valued at roughly $480 million ($79,000/bed). In a June 25 report, CBRE said it expects the student-housing sales market to "come back strongly this fall," with strong fundamentals and low interest rates attracting investors "before many other product types recover in the wake of Covid-19."

Newmark has closed one student-housing sale in the past two weeks — a 312-bed property near Texas A&M University — and has put another seven deals under contract in the past six weeks at pre-Covid pricing, Lang said. Of 12 sales it had under contract before the pandemic struck in March, two unraveled but the rest are scheduled to close by yearend.

Lang said much of the buyer interest is coming from foreign groups. He said there is considerable capital flowing from the Middle East and the Asia-Pacific region, representing 30% of all student housing transactions year-to-date.

To account for lingering concerns about whether campuses will indeed open as planned, Lang said his team has deliberately protracted the "call for offers" timeframe for both the Washington State portfolio and the Florida-Georgia listing to late August or early September, when students would have already moved into the buildings.

The Investcorp partnership's offering, dubbed the Major Metro Student Portfolio, consists of properties within a half-mile of campuses of Georgia Tech in Atlanta, the University of Central Florida in Orlando and Florida Atlantic University in Boca Raton, Fla. All three universities have announced plans to reopen for the next school year. The portfolio is 90% pre-leased for the fall semester.

The properties are:

- Signature West Midtown at 800 Marietta Street NW in Atlanta. Built: 2019. Beds: 525. Units 183.
- University Park at 135 Northwest 20th Street in Boca Raton. Built: 2015. Beds: 598. Units: 159.
- Mercury 3100 at 3100 Alafaya Club Drive in Orlando. Built: 1999. Beds: 840. Units: 228.

The schools have seen enrollment grow by an average of 32% since 2010, according to marketing materials. ❖

ON THE MARKET

Multi-Family

Property	Size	Estimated Value	Owner	Broker	Color
Pioneer Endicott, 141 Fourth Street East, St. Paul, Minn.	231 units 93% occupied	$55 million $238,000/unit	Pak Properties, St. Paul, Minn., and partners.	JLL	The property encompasses a 16-story building and two connected six-story buildings constructed in the late 19th century. They are among the last remaining high-rises from that era in the Twin Cities, according to marketing materials. The property also houses the Minnesota Museum of American Art, which occupies over 16,000 square feet, as well as 8,000 sf of retail space. A partnership led by local developer Rich Pakonen's Pak Properties bought the historic buildings for $1.1 million in 2011 and converted them to apartments. The studio, one-, and two-bedroom units average 814 sf. The average rent is $1,604.

THE GRAPEVINE

... From Page 1

founded Catalyst in 2015. Fuhrman is relocating to the San Francisco Bay Area from Charleston, S.C., where she was managing director of global innovation for **Greystar**. She spent six years at Greystar, and before that was at **Riverstone Residential,** a Dallas property-management shop Greystar bought in 2014. Catalyst buys and operates workforce-housing properties throughout California and aims to use its nascent technology platform to produce operating efficiencies.

Multi-family investment startup **Lion Real Estate** is assembling its team. The Dallas firm, founded this year by managing principal **Nicholas DiLeone,** added **Marshall Friedman** and **Kedy Liu** as partners last month. Friedman previously was an investment-banking associate at Los Angeles-based **Houlihan Lokey.** He focuses on underwriting and capital raising at Lion, while Liu, who is also an information-security engineer at **Google** in San Francisco, has an operations role and works on underwriting. The firm targets value-added and core-plus apartment properties in the Dallas-Fort Worth market. DiLeone previously was vice president of asset management at **Berkeley Partners** of San Francisco and spent more than 15 years at **TIAA.**

Multi-family pro **William Rojas** has launched his own firm. Los Angeles-based **TRG Investments** will focus on ground-up and value-added rental and mixed-use projects in Southern California. Rojas left **Arc Capital** of Los Angeles last month after two years as vice president of acquisitions. He previously spent four years at **Rockwood Capital** of New York, where he worked on acquisitions and asset management in the firm's Los Angeles office.

Buy-side pro **Jonathan Butwin** has moved over to his family business. As previously reported, Butwin parted ways with **Monday Properties** of New York last month after a three-year stint as a director of acquisitions and capital transactions. He's now head of business development at **Butwin Insurance** of Great Neck, N.Y. Butwin has told market pros that he could return to commercial real estate when investment-sales volume picks up.

Brandon Bank has joined industrial shop **Dedeaux Properties.** He started this month in the firm's Commerce, Calif., headquarters with a focus on development deals. Bank previously was employed at **WeWork,** where he spent a year as an associate director. He was laid off in December amid widespread cutbacks by the struggling co-working company. Previously, Bank was an associate at **CBRE,** where he spent five years.

Juan Franco started this month at **Cudlob Capital,** a Miami family office, as vice president of acquisitions. Franco will focus on direct investments and joint ventures across multiple asset classes in the South Florida market. He previously worked at Miami-based **Mattoni Group,** where he handled value-added and development deals involving multi-family, retail and mixed-use properties. Before that, he spent five years at **Terranova Corp.,** of Miami Beach, Fla.

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