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THE GRAPEVINE

Asia Capital Real Estate last month hired capital-raising pro **George Loeblich** to be head of capital formation. Based in the Atlanta shop's New York office, he reports to founding partner **Les Menkes**. Loeblich oversees business development and works with consultants and institutional investors on fundraising campaigns for property and debt funds. He was previously at **Clarion Partners** and its predecessor, **ING Investment**, for 14 years, leaving as a senior vice president of capital-raising and consultant relations.

David Copeland joined Denver-based **Northwood Investors** as a managing

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Harbor Group In Talks to Buy NY's 'Black Rock'

Harbor Group International is in discussions to purchase **CBS's** headquarters building in Midtown Manhattan for north of \$750 million.

Market pros say Harbor Group approached CBS parent **Viacom** with an offer between \$750 million and \$800 million. In the middle of that range, the roughly 900,000-sf skyscraper would be valued at \$860/sf and Harbor Group's initial annual yield would be around 5%. ViacomCBS declined to comment.

CBRE is advising CBS, which merged with Viacom in late 2019 and quickly sought to sell its longtime headquarters, dubbed the Black Rock. But it put the sales campaign on hold in March 2020 as the pandemic led to citywide shutdowns. In a securities filing, Viacom said the property had significant interest from investors, but office closures made it impossible to conduct property tours.

At the time, **The Real Deal** reported that CBS was seeking a value of more than \$1 billion for the 38-story tower at 51 West 52nd Street. But values in New York,

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Office Sales Rise in H1; Eastdil Tops Ranking

Sales of large office properties posted a healthy gain in the first six months, while **Eastdil Secured** retained its crown as the sector's most active broker.

A total of \$36.6 billion of office properties traded in the first half, up 26.5% over the year-ago period, according to **Real Estate Alert's** Deal Database of sales worth at least \$25 million. That represents a partial recovery from 2020, when the pandemic contributed to a 44.4% decline in annual office sales.

Since the onset of the pandemic, investors concerned about prospects for leasing growth in urban markets largely have favored properties with core profiles and longer average remaining lease terms. But pros believe that the return of more workers to offices after Labor Day also will yield more leasing activity, and investors will be more comfortable moving out on the risk spectrum.

Eastdil worked on \$9.5 billion of office trades in the first half, good for a 28.5% share of the \$33.3 billion of brokered deals. The firm's activity increased 79.3% year

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Value-Added LA Tower Tests Risk Appetite

KBS Realty is shopping Union Bank Plaza in Downtown Los Angeles, one of the biggest value-added office listings to hit the block since the onset of the pandemic.

The 702,000-sf property, built in 1967, was among the city's earliest skyscrapers at 40 stories and the first to rise taller than City Hall. It's expected to command bids of \$260 million, or \$370/sf. **Newmark** is marketing the building for KBS, of Newport Beach, Calif.

Union Bank Plaza is just 63% leased, but the weighted average remaining lease term is 7.7 years. The pitch is it offers stability and potential upside. The existing rent roll would give a buyer breathing room while it leases up vacant space at higher rents following a recent renovation.

The property's namesake tenant, **Union Bank**, leases 25% of the space and extended its lease last year to 2035. The bank has called the building home for 54 years and its name is emblazoned across its top. The bank is owned by **Mitsubishi**

See **TOWER** on Page 14

Investors Getting Crack at NY Rentals

An Upper West Side apartment building is on the block — a rarity in Manhattan, which has seen few large multi-family listings in the past two years.

The Lyric, a 285-unit building that's 98% occupied, has an estimated value of \$270 million, or just under \$950,000/unit. The sellers, local firm **Related Cos.** and **Ohio State Teachers**, are being advised by **Cushman & Wakefield**.

Non-distressed sales of New York City apartment buildings dwindled after a 2019 state law made it more difficult for buyers to raise rents after renovating. The impending expiration of a local program that provided a partial tax exemption for some new multi-family dwellings also has tamped down sales volume. Finally, the coronavirus crisis has all but shut down the pipeline of large trades.

Just six single-asset sales crossed the \$100 million threshold in Manhattan last year — and only two have in the first half of 2021 — according to **Real Estate Alert's** Deal Database. Last year, multi-family trades in Manhattan totaled \$2.32 billion, down 40% from \$3.84 billion in 2019.

The largest non-distressed multi-family sale in New York City year to date was the \$140 million purchase by **Atlas Capital** of a 330-unit building at 15 Park Row. **J&R Group** sold the property, valued at \$422,000/unit, via **Meridian Capital**.

The Lyric, at 255 West 94th Street, was developed jointly by the owners in 2000.

Investors are being told the property has a 50% tax abatement through 2037. In exchange for the tax savings, 25% of the building's units, or 71 apartments, are set aside as affordable housing and are subject to rent regulation based on tenant income.

The 20-story building also has 23,000 sf of retail space that's fully leased to **Starbucks** and **TD Bank**.

The studio to three-bedroom units have high-end finishes, including marble bathrooms. Nearly all 25 unit layouts in the U-shaped building have views of the Hudson River. Amenities include a fitness center, a playroom, bike storage and a rooftop terrace with dining areas and a grill.

The building fills the west side of Broadway between West 94th and 95th Streets. It's two blocks east of Riverside Park and the Hudson River and three blocks west of Central Park. ❖

Detroit-Area Industrial Park Shopped

An industrial park in suburban Detroit that once served as **Chrysler's** headquarters is up for grabs and expected to fetch \$300 million, a record for that market.

Oakland Park encompasses 10 fully leased warehouses totaling 2.1 million sf in Highland Park. At the estimated value of around \$146/sf, a buyer's initial annual yield would be about 5%. **CBRE** is shopping the property for **Stuart Frankel Development**, of Troy, Mich., touting the stability provided by the weighted-average remaining lease term of 6.8 years.

The automaker had used the property as its headquarters

since it was founded in 1925 until it moved to nearby Auburn Hills in 1996 and sold off the 150-acre brownfield site to Frankel. After demolition and environmental remediation, the local developer constructed warehouses to transform the property into a distribution center.

The buildings range from 20,000 sf to 451,000 sf. They're 15 years old on average, though the newest, totaling 300,000 sf, was completed in the first quarter this year.

The park has 11 tenants, most of which are major automotive suppliers. While there's limited near-term rollover, the marketing campaign notes those expirations as an opportunity to raise below-market rents amid a strong local leasing market, giving the offering a core-plus profile.

Detroit has 525 million sf of industrial space that's 97.7% leased. Rents have climbed 30% over the past five years, according to marketing materials.

Oakland Park is at the corner of Interstate 75 and Davison Freeway. The seller is noting its proximity to several automotive assembly and production facilities. The property also is within a federal opportunity zone and includes 4 acres suitable for more industrial space.

If the park trades at the estimated value, it would be more than double the size of the largest industrial trade in the Detroit area's history, according to **Real Estate Alert's** Deal Database. The record of \$126.6 million was set in 2018, when **Global Net Lease** of New York paid **InSite Group** of Fort Lauderdale, Fla., \$209/sf for a 606,000-sf cold-storage warehouse at 15520 Wayne Road in Romulus. ❖

SoCal Shopping Center Available

PNC Realty Investors is marketing a grocery- and pharmacy-anchored shopping center in Southern California valued at about \$92 million.

The 182,000-sf Brea Gateway Center is in Brea in Orange County. A purchase at the estimated value would give a buyer an initial annual yield of 4.8%. **JLL** is shopping the property for Washington-based PNC.

The center is 98% leased with a weighted average remaining lease term of 4.8 years. Leases on two-thirds of the space don't mature until after 2025. Retail rents in Brea have increased 31% in the past five years, according to marketing materials, which could provide an opportunity to raise rents as leases roll over.

Ralphs, the grocery anchor, recently signed a 12-year lease extension. **Rite Aid** is the other anchor. The rent roll also includes **Cost Plus World Market**, **HomeGoods**, **Mattress Firm**, **Panda Express**, **Starbucks**, **Union Bank** and **Wells Fargo**.

Brea Gateway Center is on 12.5 acres at 101-407 West Imperial Highway, where 65,000 vehicles pass each day. It's also less than 8 miles from Disneyland. The property was developed in 1994 and has 805 parking spaces.

There are 17,000 people with an average household income of \$87,000 living within 1 mile. The population is expected to grow 10.3% by 2025, while household incomes are forecast to climb 9.1%, according to marketing materials. ❖

EASTDIL SECURED

\$27 Billion of Global
Office Transactions
Closed during 1H 2021



Property Sale
66 SHOE LANE
London, UK



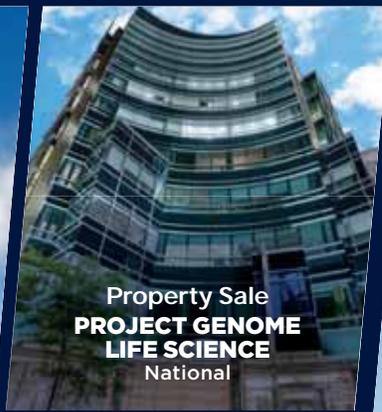
Property Sale
300 PINE
Seattle, WA



Property Sale
THE EXCHANGE ON 16TH
San Francisco, CA



Property Sale
INDEED TOWER
Austin, TX



Property Sale
**PROJECT GENOME
LIFE SCIENCE**
National



Financing
375 PEARL
New York, NY



Property Sale
**SAN DIEGO
OFFICE PORTFOLIO**
San Diego, CA



Property Sale
1K FULTON
Chicago, IL



Property Sale
1015 HALF STREET, SE
Washington, DC



Financing
CAPITOL VIEW PLAZA
Nashville, TN

We are grateful for the opportunity
to continue serving as a trusted
advisor to our clients and partners
throughout 2021



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Securities products offered in the US through Eastdil Secured Advisors, a FINRA/SEC broker-dealer

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Oakland Office Tower Back in Play

CIM Group is taking another shot at pitching a 27-story Oakland office building worth about \$270 million as the city's investment-sales market bounces back from the pandemic-induced doldrums.

The 538,000-sf building, called the Ordway, is at 1 Kaiser Plaza in the Uptown neighborhood. Bids are expected to come in just over \$500/sf. **JLL** has the listing.

Los Angeles-based CIM had tapped the brokerage to market the Class-A property early last year but pulled the offering as the coronavirus crisis worsened. Oakland and the East Bay have had one of the strongest recoveries this year, with first-half sales more than quadrupling year over year to \$1.4 billion, according to **Real Estate Alert's** Deal Database.

CIM already has parlayed a collapsed deal in Oakland into a record-setting trade. Last year, it struck a deal to sell the 399,000-sf Uptown Station to **Blackstone** for more than \$400 million, but turmoil in the lending market resulting from the coronavirus crisis killed the agreement.

After Blackstone walked, CIM pocketed the \$20 million deposit. In January, CIM put Uptown Station up for grabs again via **Newmark**. In March, **Mapletree Investments**, the real estate arm of Singapore sovereign wealth fund **Temasek**, paid \$419 million for the property. The \$1,050/sf valuation shattered the San Francisco East Bay pricing record by 40%.

The Ordway is 90% leased, with a weighted average remain-

ing lease term of 3.2 years. **Kaiser Permanente** is the largest tenant, leasing 71% of the space. The healthcare company has an investment-grade credit rating of AA- from **S&P** and **Fitch**. Two other tenants, the **State of California Public Utilities Commission** and **Accenture**, also have investment-grade credit ratings.

The marketing campaign is touting the opportunity to raise rents upon rollover. In-place rates average 31% below market rates. Meanwhile, leases on 15% of the space mature in the next 36 months.

The offered building is the tallest in downtown Oakland. It was developed in 1970 and is four blocks from a BART commuter-rail station. More than 5,000 housing units have been built in the area in the past 24 months, with 2,150 more under construction.

CIM bought the Ordway in 2008 along with four other Oakland office buildings, paying **Brandywine Realty** of Radnor, Pa., \$417 million for the 1.7 million-sf portfolio. In 2019, it sold the other four properties in two transactions totaling \$635 million. ❖

Queens Site Pitched for Industrial Use

Investors are getting a crack at a Queens development site that can accommodate a unique multi-story industrial property.

It's at 40-40 Northern Boulevard in Long Island City and is used for a car dealership but would be delivered vacant. The 140,000-sf lot could accommodate up to 700,000 sf of last-mile industrial space.

Bids are expected to value the location at around \$100 million, or \$143 per buildable square foot. **Newmark** is shopping the property for the unidentified owner.

While the site could be developed into studio or life-science space, or even traditional offices, the sales pitch is focused on industrial.

The campaign is touting that sector because of the parcel's topography, saying a builder could create entry points at multiple levels. Most multi-story industrial properties use ramps to access floors, increasing development costs. The site already has five curb cuts and sits at two signal-controlled intersections, also easing passage for trucks and delivery vehicles.

The property is near the intersection of 39th Street and Northern Boulevard, two major truck routes. It also is within 2 miles of the Ed Koch Queensboro Bridge, Interstate 495, the Queens Midtown Tunnel, Grand Central Parkway and Interstate 278, known locally as the Brooklyn-Queens Expressway. A warehouse would have nearby access to 4 million residents, according to marketing materials.

In addition, bidders are being told of the growth of e-commerce in New York City since the start of the pandemic. There are 2.4 million daily deliveries now, a 500,000-package increase from before the coronavirus crisis, according to marketing materials. Daily grocery and household-goods deliveries have risen 12% and 24%.

The marketing campaign also is noting the continued growth of Long Island City. The surrounding area has more than \$2 billion of proposed development, consisting of more than 3,000 residential units, 200,000 sf of retail space and 250,000 sf of offices for studios and technology incubators. ❖

NOTICE OF PUBLIC SALE OF COLLATERAL

PLEASE TAKE NOTICE, that in accordance with applicable provisions of the Uniform Commercial Code as enacted in New York, the agent under certain loan agreements ("Secured Party") will offer at public auction all member and other equity interests in and to 100% of the limited liability company interests in 601 W Companies Minnesota LLC and 601 Master Tenant Owner LLC (the "Pledged Securities"), which Pledged Securities own, lease and operate the real property located at 700 Nicollet Mall, 730 Nicollet Mall, 26th 8th Street and 17 7th Street South, Minneapolis, Minnesota. The public auction will be held on August 23, 2021 at 11:00 a.m. (EST), by remote auction via the Cisco WebEx Platform. Secured Party reserves the right to cancel the sale in its entirety, or to adjourn the sale to a future date. The Pledged Securities have not been and will not be registered under the Securities Act of 1933 (the "Act") and are being offered for sale in a transaction exempt from the requirements of the Act. All potential bidders will be required to comply with all federal and state securities laws in effect in respect of the submission of bids and actual purchases of the Pledged Securities. The Secured Party reserves the right to require bidders to represent that the Pledged Securities are being purchased with investment intent for the bidder's own account and not with a view toward resale or distribution and will not be resold except pursuant to a valid registration statement under the Act or pursuant to an applicable exemption. Additional representations may be required to comply with transfer requirements and state securities laws that may apply. The Pledged Securities will be sold "as-is, where-is", with no express or implied warranties or representations of any kind made by Secured Party and without any recourse whatsoever to Secured Party. Interested parties must execute a standard confidentiality and non-disclosure agreement (the "Confidentiality Agreement"). To review and execute the Confidentiality Agreement, please visit our website at <https://tinyurl.com/2ecbcmwa>. For questions and inquiries, please contact Jessica Merritt of Cushman & Wakefield at jessica.merritt@cushwake.com or (212) 841-5966. Interested parties who do not comply with the foregoing and any other requirements of the applicable terms of sale prior to the deadlines set forth therein will not be permitted to enter a bid.

CBRE

Capital Markets

OFFICE

- + Property Sales
- + Debt & Structured Finance
- + Real Estate Investment Banking

\$17.5B+

PROPERTY SALES
FROM 550+ TRANSACTIONS

\$9.2B+

FINANCING
FROM 220+ TRANSACTIONS

Source: CBRE Capital Markets; 2020-Q2 2021



505 Brannan St/ 510 Townsend St

San Francisco, CA
445,333 SF
\$560,200,000
November 2020



125 West End Avenue

New York, NY
400,000 SF
\$597,000,000*
March 2021

*Pricing reflects 100% valuation. Interest sold was 74%.



635-641 Avenue of the Americas

New York, NY
274,000 SF
\$325,000,000
June 2021



321 Harrison Avenue

Boston, MA
234,000 SF
\$314,500,000
April 2021



Anthem at Tech Square

Atlanta, GA
361,284 SF
\$250,000,000
May 2021



RailYard

Charlotte, NC
303,673 SF
\$201,000,000
December 2020

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Clarion Shops Northern Va. Rentals

An apartment building across the street from **Amazon's** planned second headquarters in Arlington, Va., could fetch a record per-unit price for Virginia.

The 300-unit Millennium at Metropolitan Park, in Arlington's National Landing district, is expected to attract bids of around \$200 million, or \$667,000/unit. The property's 7,100-sf ground-floor retail component represents \$8.5 million of the total valuation. Owner **Clarion Partners** has given the listing to **CBRE**.

The state's per-unit price record was set in 2015 when **LaSalle Investment** of Chicago acquired the 175-unit Kingsley Apartments, at 500 Madison Street in Alexandria, Va., for \$646,000/unit, or \$113 million, according to the **Real Estate Alert Deal Database**.

The 18-story Millennium, at 1330 South Fair Street, is 98% leased. It was built in 2010 and is being pitched as a value-added play. Investors are being told they could boost revenue by renovating apartment interiors and common areas. There also is the potential to convert a portion of first-floor amenity space facing Metropolitan Park and the Amazon headquarters to 2,400 sf of retail space.

Units predominantly consist of studios and one and two bedrooms. Apartments have granite counters, stainless-steel appliances, kitchen islands and washer/dryers, and some have

floor-to-ceiling windows, walk-in closets and balconies. There are two- and three-bedroom "premium" units on the 16th through 18th penthouse floors, with 15-foot ceilings, hardwood floors and terraces.

The property has 11,000 sf of amenities, including a rooftop pool with a sundeck and a fitness center. Units average 930 sf, and rents average \$2,378, or \$2.56/sf. The retail component includes a post office, a wine store and a restaurant.

Apartments near Amazon's HQ2, scheduled to open in 2023, are expected to see above-average rent growth, according to marketing materials. Rents on leases signed at the offered property in July were 16% higher than average in-place rents, and renewals notched 5% increases.

The apartment building is close to Ronald Reagan Washington National Airport. Also nearby is the planned Virginia Tech Innovation Campus, a 1 million-sf site focused on data-science and software-engineering companies expected to bring thousands of high-paying jobs and spur investment in the region.

With an estimated annual average household income of \$150,000 within three-quarters of a mile of the property, and Amazon promising average salaries of \$150,000, the potential renter base could afford nearly \$1,750 more than average in-place rents, according to marketing materials.

The National Landing district spans parts of Arlington County's Crystal City and Pentagon City neighborhoods and the Potomac Yard section of Alexandria. ❖

YEAR OF THE REBOUND



At the mid-point of 2021, newly appointed Green Street Director of Research Cedrik Lachance offers his views on where the commercial real estate markets are headed, from a public and private market perspective, and in the United States and Europe. 2021 has rightfully earned the moniker "Year of the Rebound." But as any sports fan knows, the key to benefitting from a rebound is knowing which way the ball (or puck) is likely to go.

[READ LATEST BLOG](#)

Cedrik Lachance
Director of Research





CAPITAL MARKETS

Delivering Exceptional Results

2021 Mid-Year Office Investment Sale Highlights



LANDMARK CENTER 401 PARK/201 BROOKLINE

Boston, MA
1,783,261 SF

Sold on behalf of:
JV Between Institutional
Investors Advised by
J.P. Morgan Global
Alternatives and
Samuels & Associates



PENINSULA LIFE SCIENCE CENTER

Burlingame, CA
294,964 SF

Sold on behalf of:
EverWest &
Partners Group



CANYON PARK BUSINESS CENTER

Bothell, WA
637,746 SF

Sold on behalf of:
SteelWave & PCCP



2001 N. BEAUREGARD

Alexandria, VA
240,000 SF

Sold on behalf of:
G8 Capital



SAN MATEO BAY CENTER

San Mateo, CA
248,354 SF

Sold on behalf of:
Rubicon Point Partners
& Canyon Capital



LEGACY R&D PORTFOLIO

Plano, TX
374,085 SF

Sold on behalf of:
Accesso Partners



UPTOWN STATION

Oakland, CA
398,536 SF

Sold on behalf of:
CIM Group



GIX BUILDING

Bellevue, WA
96,321 SF

Sold on behalf of:
Shorenstein &
Wright Runstad



ONE INVESTORS WAY

Norwood, MA
236,566 SF

Sold on behalf of:
US Realty Advisors
& Bain Capital
Real Estate



465 HALSTEAD

Pasadena, CA
238,628 SF

Sold on behalf of:
EverWest



WOODBRIIDGE CORPORATE PLAZA

Iselin, NJ
629,184 SF

Sold on behalf of:
KBS



ADVANTA OFFICE COMMONS

Bellevue, WA
601,801 SF

Sold on behalf of:
The Shidler Group

NEWMARK

nmrk.com

Northern NJ Rental Complex Pitched

Mesirow Financial is marketing a Northern New Jersey apartment complex valued at about \$128 million.

The 328-unit property is in Lyndhurst, 10 miles west of Midtown Manhattan. It was developed in 2006 and is 94% occupied. At the estimated value of \$390,000/unit, the capitalization rate would be 4.25%. The Chicago shop has given the listing to **JLL**.

The mid-rise complex, called Union at Lyndhurst, consists of eight interconnected, four-story elevator buildings surrounded by a parking deck on nearly 6 acres. The property, at 1301 Wall Street West, is in the Meadowlands region near the intersection of State Routes 17 and 3. It's less than 7 miles from the Lincoln Tunnel with direct access into New York. Union at Lyndhurst also is close to the New Jersey Turnpike, the Garden State Parkway and Interstates 80 and 280.

Units range from studios to two bedrooms and average 1,005 sf. They have 9-foot ceilings, stainless-steel appliances, wood-style plank flooring, washer/dryers and patios or balconies.

Amenities include four outdoor courtyards, a fitness center, a heated outdoor pool and shuttle buses to commuter rail stations. There are 551 parking spaces.

Mesirow has realized \$250 rent premiums on recent upgrades that have included new kitchen appliances and backsplashes, new lighting and updated flooring. The pitch is a buyer could boost income by continuing the renovation program.

Mesirow paid **AvalonBay Communities** — an Arlington, Va., REIT — \$99 million, or \$302,000/unit, for the Bergen County property in 2015.

Marketing materials describe Bergen County as one of the most affluent in New Jersey, with an estimated average household income of \$144,137 in 2020. Half of the housing units within Lyndhurst are occupied by renters.

Union at Lyndhurst is close to two NJ Transit stations, offering access to Manhattan and Newark Liberty International Airport. ❖

Phoenix-Area Apartments Available

A garden-style apartment complex in suburban Phoenix is being pitched as a value-added play.

The 376-unit Garden Grove, in Tempe, is valued at around \$110 million, or \$293,000/unit. **CBRE** is representing owner **MG Properties**, a private investor in San Diego.

Rents are rising in the Phoenix metropolitan area, with leases signed in the past two months 26% higher than average in-place rent, according to marketing materials.

The complex, at 900 West Grove Parkway, was built in 1988 and last renovated 12 years ago. Average rent is \$260 below that of comparable properties in the area and \$540 less than that of renovated properties.

The one- and two-bedroom units range from 600 sf to 1,025

sf and have vaulted ceilings, patios, granite counters and oversized walk-in closets. Some units have washer/dryers, fireplaces and ceiling fans. Amenities include three pools with sundecks, a movie theater, a media room and a fitness center.

Rent for a one-bedroom apartment starts at \$1,413, according to the property website.

Investors are being told they could boost income by adding stainless-steel appliances, wood-style flooring and modern fixtures in units, as well as upgrading amenities with a new clubhouse or expanded fitness center.

South Tempe is an “extremely supply-constrained market,” with only two rental properties built within 3 miles of Garden Grove since 2015 and none under construction or planned, according to marketing materials. This limited supply combined with consistently high demand has kept average occupancy above 95% in the submarket since 2017. Average rent in South Tempe has increased around 39% during that period.

Downtown Tempe is the fastest-growing office market in the Phoenix metropolitan area, with the largest concentration of technology and financial-services jobs in Arizona. ❖

Lexington Tees Up Houston Offices

A Houston office complex fully occupied by an investment-grade tenant under a long-term lease is up for grabs and expected to fetch \$100 million.

The property comprises three office buildings totaling 554,000 sf in the Westchase district. At the estimated value of \$180/sf, a buyer's initial annual yield would be in the vicinity of 6.2%. **CBRE** is marketing the property for **Lexington Realty** of New York.

The listing comes amid intense investor demand for properties leased to strong single tenants.

Schlumberger Holdings occupies the entire property as its North American headquarters under an absolute net lease that matures in September 2032. The oilfield-services company has an A2/A credit rating from **Moody's** and **S&P**.

The buildings, at 10001 Richmond Avenue, are two, three and five stories. The property also has a four-level garage with just over 1,500 spaces. The complex is 5 miles from the Houston Galleria and 12 miles from the Central Business District.

The Houston area's office investment-sales market, which had suffered from a crash in oil prices in recent years, was further battered by the pandemic. It was largely dormant in the first half, posting just \$143.8 million of sales worth at least \$25 million per property, according to **Real Estate Alert's** Deal Database. That was down from \$325.4 million in the first half of 2020.

With an estimated annual average household income of \$150,000 within three-quarters of a mile of the property, and Amazon promising average salaries of \$150,000, the potential renter base could afford nearly \$1,750 more than average in-place rents, according to marketing materials.

The Westchase submarket saw one of Houston's largest first-half trades: the \$28.1 million sale of the 469,000-sf property at 3010 Briar Park to **LNR Partners** of Miami Beach. ❖

Luxury Baltimore Rentals On the Block

A luxury mid-rise apartment building in Baltimore is on the block for roughly \$95 million.

The 349-unit Banner Hill, at 611 South Charles Street, was built in 2017 and is 98.3% leased. The estimated value would translate to around \$272,000/unit. Orlando multi-family developer **ZOM Living** is marketing the property via **Newmark**.

Banner Hill is a six-story building on about 2.5 acres in the popular Federal Hill neighborhood, a block from the Inner Harbor.

Its studio to two-bedroom apartments average 814 sf and have stainless-steel appliances, granite counters, wood-style plank flooring, washer/dryers and smart thermostats. Amenities include a fitness center, a resort-style pool with a bar, a virtual-golf simulator and garage parking. Average rents are \$2,286, or \$2.81/sf.

Marketing materials highlight the property's strong rent growth, which in June rose an average 21% on new leases and an average 11% on renewals. There's also an in-place tax abatement running through June 30, 2028, that will generate about \$6 million of cashflow over its remaining term.

Banner Hill is less than 2 miles north of the 235-acre, master-planned redevelopment of Port Covington, which is expected to bring thousands of jobs and businesses to the Baltimore area. The \$5.5 billion project is spearheaded by **Weller Development** and backed by **Under Armour** founder **Kevin Plank's Sagamore Ventures** and the **Goldman Sachs Urban Investment Group**.

Port Covington will include up to 18 million sf of mixed-use development, 2.5 miles of restored waterfront, and 40 acres of parks and green space once it's completed. Construction of the \$500 million first phase has begun and will include 1.1 million sf of offices, apartments, shops and parks.

There are more than 11,000 businesses that support roughly 220,000 workers within 3 miles of the property. Major employers include **T. Rowe Price**, **Pandora**, **Legg Mason**, **Transamerica**, **Under Armour** and the Johns Hopkins Hospital.

Banner Hill is near light-rail and Amtrak stations, as well as several of the city's bus routes.

The property is a few blocks east of Oriole Park at Camden Yards and M&T Bank Stadium, respective home stadiums of the **Baltimore Orioles** baseball team and the **Baltimore Ravens** football team. ❖

JV Touts California Life-Science Play

A life-science property in Northern California that just landed a big tenant but still is more than one-third vacant is up for grabs.

The 99,000-sf building, at 6550 Dumbarton Circle in Fremont, is expected to attract bids of \$75 million, or \$759/sf. **Newmark** is handling marketing for a partnership between **Angelo, Gordon & Co.** of New York and **Lincoln Property** of Dallas, which bought the property vacant at the end of May.

The duo quickly brought in **Alexza Pharmaceuticals** as the

building's sole tenant, signing the **Grupo Ferrer** subsidiary on a lease for 63% of the space with 13 years remaining.

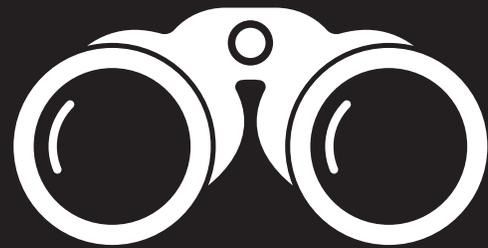
The pitch is that with the life-science industry expanding, a new owner could benefit from the stability of the existing long-term lease while capturing upside by filling the vacant space amid a market in which rents are surging and space is tight. Investors could swiftly achieve a stabilized capitalization rate of 6.5%, according to the marketing campaign.

The property is within Fremont's 1.1 million-sf Ardenwood life-science cluster, which had a 95% occupancy level at year-end 2020, according to a Newmark report. Major life-science tenants in the area include **Boehringer Ingelheim**, **Cepheid**, **Novo Nordisk** and **Stanford Health Care**. The building also is adjacent to a 1.6 million-sf **Facebook** office hub.

Angelo Gordon and Lincoln paid \$27.5 million, or \$278/sf, for the property. The seller was **D.R. Stephens & Co.** of San Francisco. **CBRE** brokered the sale. ❖

Correction

A July 21 listing of real estate mergers and acquisitions incorrectly included **Public Storage's** \$1.8 billion purchase of an **ezStorage** self-storage portfolio. Please visit [greenstreet.com](https://www.greenstreet.com) for corrected M&A advisor league tables and market shares. ❖



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Real Estate Alert, the weekly newsletter that delivers the earliest possible word on looming dangers in the commercial-property market.

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RANKINGS

Office ... From Page 1

over year, the largest bump by far among the top five brokerages. **JLL** landed in second with \$5.7 billion, up 17.1% over the same period last year. That amounted to a 17.2% market share. **CBRE**, in third place, captured a 16.2% market share with \$5.4 billion of activity, roughly flat with last year. Rounding out the top five were **Newmark** with \$5.2 billion, up 2.1% (15.6% market share), and **Cushman & Wakefield** with \$4.5 billion, up 33.6% (13.4% market share).

“That is a very positive beginning of a recovery,” said **Sarah Lagosh**, a managing director in Eastdil’s Boston office, noting that the first few months of 2020 included a robust pipeline of deals held over from 2019 that propped up activity. “Directionally, that is a good indicator of where we expect market transaction volume to be.”

In the months ahead, brokers and buyers believe the pace of office trades will pick up thanks to wider vaccine distribution and more workers returning to offices — easing concerns about the impact of work from home on leasing performance. “Given

Office Sales

	Amount (\$Bil.)	No. of Prop.
2012	\$60.7	857
2013	74.3	880
2014	93.0	1,035
2015	112.5	1,473
2016	104.0	1,240
2017	94.4	1,137
2018	96.8	1,107
2019	109.6	1,229
2020	60.9	812
1H-21	36.6	542

our expanding and pending book of business, we believe capital is anticipating a better recovery for office performance than thought a year ago,” said **Chris Ludeman**, global president of capital markets at CBRE.

The recovery so far has been patchy, as investors continue to favor office properties with assured long-term income and those in niche sectors or markets that provide clarity in leasing and rent-growth projections. “There are deep pockets of liquidity in certain parts of the office market, and in other parts, it’s very, very shallow,” said **Justin Pattner**, a partner at **KKR** and head of the firm’s Americas real estate equity practice.

The deepest pockets were for high-quality properties occupied by single tenants with long-remaining lease terms. Meanwhile, labs and properties used by life-science companies continued to be an investor favorite, thanks to the red-hot leasing demand that persisted through last year’s downturn. Life-science properties represented some 30% of front-runner Eastdil’s activity in the period.

The Boston area, with the country’s largest concentration of

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Top Office Brokers in the First Half

Brokers representing sellers in deals of at least \$25 million

	1H-21 Amount (\$Mil.)	No. of Properties	Market Share (%)	1H-20 Amount (\$Mil.)	No. of Properties	Market Share (%)	'20-'21 % Chg.
1 Eastdil Secured	\$9,473.6	95	28.5	\$5,283.1	40	21.1	79.3
2 JLL	5,724.5	102	17.2	4,890.4	79	19.5	17.1
3 CBRE	5,393.0	109	16.2	5,346.3	93	21.3	0.9
4 Newmark	5,189.2	60	15.6	5,080.3	66.0	20.3	2.1
5 Cushman & Wakefield	4,464.8	83	13.4	3,342.2	48	13.3	33.6
6 Citigroup	1,715.0	14	5.2	0.0	0	0.0	
7 Savills	365.0	4	1.1	135.8	2	0.5	168.9
8 Colliers	184.0	6	0.6	369.8	10	1.5	-50.2
9 Marcus & Millichap IPA	162.6	4	0.5	45.0	1	0.2	261.3
10 Avison Young	123.4	4	0.4	25.8	1	0.1	379.4
11 Walker & Dunlop	100.5	1	0.3	0.0	0	0.0	
12 Kidder Mathews	93.8	3	0.3	0.0	0	0.0	
13 Hodges Ward Elliott	68.8	1	0.2	100.0	1	0.4	-31.3
14 Trinity Partners	60.8	6	0.2	0.0	0	0.0	
15 Brax Realty	52.5	1	0.2	0.0	0	0.0	
16 Transwestern	41.5	2	0.1	153.8	2	0.6	-73.0
17 Skyline Properties	35.0	1	0.1	0.0	0	0.0	
18 Voit Real Estate Services	26.3	3	0.1	0.0	0	0.0	
OTHERS	0.0	0.0	0.0	294.7	5	1.2	-100.0
Brokered Total	33,274.3	475	100.0	25,067.1	345	100.0	32.7
No Broker	3,364.8	67		3,894.6	34		-13.6
TOTAL	36,639.1	542		28,961.6	379		26.5

RANKINGS

Office-Property Sales by Market in the First Half

Sales of at least \$25 million

	1H-21 Amount (\$Mil.)	No. of Properties	1H-20 Amount (\$Mil.)	No. of Properties	'20-'21 % Chg.	Top Brokerage in 1H-21
1 Boston Area	\$6,046.0	38	\$4,065.1	26	48.7	Newmark
2 San Jose/Silicon Valley	3,822.8	51	3,049.3	39	25.4	Eastdil Secured
3 Seattle Area	2,123.1	19	448.5	3	373.4	Eastdil Secured
4 South Florida	2,014.3	29	302.0	8	567.0	CBRE
5 Dallas Area	1,940.9	22	1,361.7	28	42.5	JLL
6 New York City	1,926.0	18	3,817.8	18	-49.6	CBRE
7 San Diego Area	1,496.9	24	321.5	7	365.7	Eastdil Secured
8 Oakland/East Bay	1,401.6	31	305.0	6	359.5	Newmark
9 Austin Area	1,381.4	10	144.9	1	853.1	Cushman & Wakefield
10 Atlanta Area	1,279.3	22	357.7	10	257.6	CBRE
11 San Francisco	1,145.0	3	1,104.4	6	3.7	Eastdil Secured
12 Washington	1,085.5	5	1,720.6	9	-36.9	JLL
13 Northern New Jersey	1,046.1	21	1,206.2	13	-13.3	Cushman & Wakefield
14 Denver Area	984.6	26	1,068.5	12	-7.9	CBRE
15 Baltimore Area	817.3	6	39.1	1	1,990.2	Eastdil Secured
16 Los Angeles Area	814.8	22	1,281.3	18	-36.4	Newmark
17 North Carolina	690.3	20	785.3	14	-12.1	CBRE
18 Philadelphia Area	625.4	9	589.3	7	6.1	Eastdil Secured
19 Richmond Area	584.1	14	30.0	1	1,846.8	Cushman & Wakefield
20 Northern Virginia	541.4	15	961.2	14	-43.7	JLL
OTHERS	4,872.6	137	6,002.2	138	-18.8	
TOTAL	36,639.1	542	28,961.6	379	26.5	

Office ... From Page 10

life-science properties, once again ranked as the most active office investment market in the country. Its \$6 billion of sales in the first half were dominated by high-profile lab trades spanning the risk spectrum. It first claimed the top spot in 2020. San Jose/Silicon Valley, with its concentration of life-science and tech firms, ranked second with \$3.8 billion of sales.

Overall, offerings remained muted throughout the first half, restraining activity. "It's been shallow compared to most years," said **Angelo Bianco**, a managing partner of **CP Group**. The Boca Raton, Fla., company still managed to pull off several acquisitions, including the \$225 million purchase of the 692,000-sf One Biscayne Tower in Miami in a joint venture with **Rialto Capital** and **Sabal Capital**. But in many cases, he said, owners are unwilling to sell into a market where risk is priced more conservatively. "The consensus is that if you don't have to make a decision, kick that can down the road."

That was particularly true for multi-tenant properties with shorter remaining average lease terms. With the leasing market largely stalled, so, too, were offerings and sales of such properties. But in roughly the last eight weeks, owners have begun to see an uptick in precursors to leasing activity. "Tour activity

is up across all of our markets right now, and that's a leading indicator of space planning going forward," said **Chad Phillips**, global head of office at **Nuveen Real Estate**, with oversight of its \$24 billion portfolio. The upshot: Owners "are going to be more comfortable coming to the market with deals," he said.

In the second quarter, "leasing improved meaningfully" and provided "glimpses of the beginnings of a resurgence," according to a JLL national office report. Gross leasing totaled 34.7 million sf between April and June, making it the first quarter since the onset of the pandemic to cross the 30 million-sf threshold. Meanwhile, occupancy losses slowed, "demonstrating that an inflection point has arisen." But the report doesn't factor in the rise of the virus's delta variant, which is causing another spike in infection rates, and whether that could affect the return to offices.

But should leasing continue to improve, investors will follow suit and, in some markets where leasing is picking up, they already have. "Where you see strong certainty in fundamentals, the underwriting follows and you see strong investor demand," said **Jaime Fink**, a senior managing director and office group leader at JLL.

Some of the best-performing markets last year were in Sun

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RANKINGS

Top Office-Property Brokers by Market in the First Half

Boston Area		1H-21 Amount (\$Mil.)	No. of Properties	Market Share (%)
1	Newmark	\$2,141.5	11	35.8
2	Citigroup	1,543.7	11	25.8
3	Estdil Secured	1,543.7	11	25.8
4	CBRE	466.7	3	7.8
5	JLL	294.4	12	4.9
Brokered Total		5,990.0	48	100.0

San Jose/Silicon Valley		1H-21 Amount (\$Mil.)	No. of Properties	Market Share (%)
1	Estdil Secured	\$1,246.3	8	36.9
2	Newmark	686.5	8	20.3
3	CBRE	415.4	16	12.3
4	Savills	365.0	4	10.8
5	JLL	346.8	3	10.3
6	Cushman & Wakefield	284.7	7	8.4
7	Kidder Mathews	35.3	1	1.0
Brokered Total		3,379.9	47	100.0

Seattle Area		1H-21 Amount (\$Mil.)	No. of Properties	Market Share (%)
1	Estdil Secured	\$800.0	2	42.6
2	Newmark	592.1	8	31.6
3	CBRE	251.3	3	13.4
4	Cushman & Wakefield	174.5	2	9.3
5	Kidder Mathews	58.6	2	3.1
Brokered Total		1,876.4	17	100.0

South Florida		1H-21 Amount (\$Mil.)	No. of Properties	Market Share (%)
1	CBRE	\$494.7	8	31.3
2	Cushman & Wakefield	402.6	4	25.5
3	JLL	392.6	4	24.9
4	Estdil Secured	230.0	2	14.6
5	Avison Young	58.9	2	3.7
Brokered Total		1,578.8	20	100.0

Dallas Area		1H-21 Amount (\$Mil.)	No. of Properties	Market Share (%)
1	JLL	\$1,159.1	6	59.7
2	Newmark	280.5	10	14.4
3	Estdil Secured	235.3	2	12.1
4	Cushman & Wakefield	132.0	1	6.8
5	CBRE	72.0	1	3.7
6	Colliers	62.0	2	3.2
Brokered Total		1,940.9	22	100.0

New York City		1H-21 Amount (\$Mil.)	No. of Properties	Market Share (%)
1	CBRE	\$1,144.2	5	66.2
2	Cushman & Wakefield	354.0	2	20.5
3	Hodges Ward Elliott	68.8	1	4.0
4	Newmark	57.0	1	3.3
5	Brax Realty	52.5	1	3.0
6	Skyline Properties	35.0	1	2.0
7	JLL	17.8	1	1.0
Brokered Total		1,729.3	12	100.0

San Diego Area		1H-21 Amount (\$Mil.)	No. of Properties	Market Share (%)
1	Estdil Secured	\$589.5	6	42.7
2	JLL	563.3	9	40.8
3	Cushman & Wakefield	134.4	3	9.7
4	CBRE	66.8	3	4.8
5	Voit Real Estate Services	26.3	3	1.9
Brokered Total		1,380.3	24	100.0

Oakland/East Bay		1H-21 Amount (\$Mil.)	No. of Properties	Market Share (%)
1	Newmark	\$531.8	4	45.6
2	JLL	270.7	9	23.2
3	Estdil Secured	230.7	2	19.8
4	CBRE	134.1	8	11.5
Brokered Total		1,167.2	23	100.0

Austin Area		1H-21 Amount (\$Mil.)	No. of Properties	Market Share (%)
1	Cushman & Wakefield	\$660.3	5	47.8
2	CBRE	349.0	2	25.3
3	Estdil Secured	295.5	1	21.4
4	JLL	76.6	3	5.5
Brokered Total		1,381.4	11	100.0

Atlanta Area		1H-21 Amount (\$Mil.)	No. of Properties	Market Share (%)
1	CBRE	\$556.8	7	52.5
2	Cushman & Wakefield	329.7	8	31.1
3	JLL	134.8	3	12.7
4	Avison Young	38.5	1	3.6
Brokered Total		1,059.8	19	100.0

Per-Unit Record Set in Jacksonville

Sentinel Real Estate has paid \$83.2 million for a garden-style apartment complex in Jacksonville, setting a record per-unit price for a single property in that city.

The New York investment manager closed last week on Bainbridge Town Center East, a 276-unit, three-story building, at 5000 Kernan Boulevard South, in the booming Southside submarket. The price works out to \$301,000/unit. **Newmark** represented the seller, a joint venture between Los Angeles-based fund manager **PCCP** and **Bainbridge Cos.**, of Wellington, Fla.

The previous per-unit record was set last September when **Inland Real Estate Investment** of Chicago paid \$83.3 million, or \$238,000/unit, for the 350-unit JTB, at 8876 A C Skinner Parkway, according to **Real Estate Alert's** Deal Database. **Walker & Dunlop** represented the seller, **Presidium Group** of Dallas.

The property acquired by Sentinel was built last year and is 97% occupied. Units range from one to three bedrooms and average 1,040 sf. Average rent is \$1,788, or \$1.72/sf. Amenities include a zero-entry pool with sun decks and private cabanas, a hammock grove, a dog park and a fitness center. There also are 36 detached garages and 52 storage units.

Average household income within 3 miles is \$120,539, and the average home value is \$351,017.

The complex is 2 miles east of the St. Johns Town Center, which has 2.5 million sf of high-end retail, and 3 miles east of the Deerwood Office Park, which offers 18 million sf of office space.

Healthcare company **Florida Blue** and **Web.com** have their headquarters in Jacksonville. Other notable employers include **Bank of America**, **Deutsche Bank**, **Johnson & Johnson** and **McKesson**.

The Southside submarket is centered around the intersection of Interstate 295 and J. Turner Butler Boulevard. It has been described as Jacksonville's "true central business district" because of its office market, entertainment venues, and access to beaches and medical hubs such as the Mayo Clinic. ❖

Boston-Area Rental Portfolio Shopped

A 69-unit multi-family portfolio in Greater Boston is on the market with expectations it could fetch a whopping \$797,000/unit.

The 18-building package, concentrated in South Boston and Somerville, has apartment occupancy of 75% and includes 5,558 sf of retail space fully leased to three tenants. It's valued at roughly \$55 million, which would translate to a capitalization rate of 5%. **JLL** is representing seller **42 North Capital**, a local private investor. The portfolio's per-unit price is more than double the market average, according to **Real Estate Alert's** Deal Database. Since the start of 2017, sales of properties and portfolios valued over \$25 million in Greater Boston have averaged \$342,000/unit.

The seller will be accepting bids for components and/or all of the portfolio. The portfolio is 70% leased as of Sept. 1, 2021, based on apartment units only.

The apartments are all close to MBTA rail stops in Cambridge, Charlestown, Mission Hill, North End, Somerville and South Boston.

The listing is being pitched as an opportunity to acquire immediate scale in some of Greater Boston's most popular neighborhoods, which attract recent college graduates and young professionals as renters. Marketing materials note that 20- to 37-year-old residents constitute 38.7% of Boston's population.

The portfolio's one- to five-bedroom units average 1,141 sf, and average rent is \$4,029, or \$3.53/sf. Around 77% of the units have three or more bedrooms. Those range from 1,069 sf to 1,392 sf, with average rents ranging from \$3,860, or \$3.61/sf, to \$5,300, or \$3.81/sf.

The current owner invested \$7 million, or an average of \$100,000/unit, on upgrades including new windows and quartz counters. Investors are being told they could add parking and rooftop amenities to boost value further.

Boston's apartment market is facing near-term headwinds due to "Covid-driven urban flight," but long-term prospects for the city's rental market are positive, according to a June market report from **Green Street**, parent of Real Estate Alert. The booming life-science industry, knowledge-based economy and a very expensive single-family home market point to strong long-term economic growth for the region.

The properties in the South Boston neighborhood are:

- 377-379 West Broadway, 11 units, 72% leased; includes 2,808 sf of retail.
- 873-875 East Second Street, six units, 100% leased.
- 321 Dorchester Street, three units, 67% leased.
- 870 East Fifth Street, three units, 100% leased.
- 115 G Street, three units, 100% leased.
- 149 West Eighth Street, three units, 100% leased.
- 271 West Fifth Street, two units, 100% leased.

The properties in Somerville are:

- 34-40 Crescent Street, five units, 60% leased.
- 1-3 Beacon Street, four units (under construction); includes 2,754 sf of retail.
- 39-41 Gilman Street, four units, 50% leased.
- 24 Belknap Street, three units, 100% leased.
- 16 Crescent Street, three units, 33% leased.
- 10 Greenville Street, three units, 33% leased.

The properties in Charlestown are:

- 18 Allston Street, three units, 33% leased.
- 8 Parker Street, three units, 67% leased.

The property in the North End neighborhood is:

- 27 North Margin Street, four units, 50% leased.

The property in the Mission Hill neighborhood is:

- 737 Parker Street, three units, 100% leased.

The property in Cambridge is:

- 16 Gore Street, three units, 100% leased. ❖

Need to see property sales that were completed recently?
Log in to GreenStreet.com and click on "Deal Database."

Wisconsin Apartments Pitched

A new garden-style apartment complex in suburban Milwaukee is for sale.

The 241-unit Hawthorn Apartments in Kenosha, Wis., could attract bids of \$68 million, or \$282,000/unit. **JLL** is representing the owner, **Ravine Park Partners** of Chicago.

Hawthorn, built in 2020, leased up rapidly over the last 12 months despite the pandemic. It currently is 95% leased and 90% occupied, according to marketing materials. The average rent is \$1,684, or \$1.73/sf.

The property, at 1070 59th Avenue, consists of 33 two-story buildings on nearly 25 acres. All units have private entrances, and more than half have direct-access or detached garages.

The studio to three-bedroom units average 973 sf. They have 9-foot ceilings, quartz counters with tile backsplashes, stainless-steel appliances, wood-style flooring and washer/dryers.

Amenities include a pool with a sun deck, a fitness center, firepits and grilling stations, and a dog park.

Marketing materials note that tenants at the property have an average household income of \$86,000. New homes in the

area sell for more than \$400,000. The complex is 65 miles north of Chicago and 33 miles south of Milwaukee. ❖

Tower ... From Page 1

UFJ Financial, a publicly traded company with \$3.1 trillion of assets under management and an investment-grade credit rating of A1/A-/A- by **Moody's**, **S&P** and **Fitch**.

KBS completed a \$20 million repositioning of Union Bank Plaza last October. The modernist structure was designated a Historic-Cultural Monument in February 2020 by the **Los Angeles City Council**, the first Downtown tower to receive the distinction.

The listing is being touted as a rare opportunity to buy an office building in Downtown Los Angeles. Of the 24 Class-A office buildings in the submarket, 20 belong to owners that generally hold properties long-term, limiting buying opportunities, according to the marketing materials.

Investors also are being told the property is poised to benefit from ongoing revitalization efforts in Downtown Los Angeles. In the past five years, the area has added 7,000 residential units,

with 4,800 more under construction and another 29,000 planned, according to marketing materials.

Downtown Los Angeles has 36.7 million sf of office space that was 80% occupied at the end of the first quarter. However, only four other properties can accommodate a tenant seeking more than 100,000 sf of contiguous space in the submarket.

The building, on 3.6 acres at 445 South Figueroa Street, is adjacent to the Route 110 Freeway and two blocks from the Seventh Street Metro station. It has two floors of retail space, including Union Bank's only Downtown branch, occupying 22,000 sf. A landscaped plaza has water features, outdoor fire pits and lounge areas.

KBS paid \$208 million for Union Bank Plaza in 2010. **JLL** represented the seller, Houston-based **Hines**. KBS owns the property via its KBS REIT 2, which is liquidating under a two-year plan approved last year by shareholders.

The nontraded REIT, which owned 2.7 million sf in 2019 prior to liquidation, sold several properties in 2020. At the end of the first quarter, it owned 2.4 million sf, worth about \$698.5 million, including Union Bank Plaza, according to an **SEC** filing. ❖

Green Street Week in Review

Executive Compensation and Corporate Governance

7/14/2021

The differences in executive compensation and corporate governance practices within the U.S. REIT industry impact share prices.

Lodging Insights:

Cap-Ex – The Hefty Price of Admission

7/22/2021

Lodging cap-ex is especially steep, and the industry's "rule of thumb" (4% of revenue) is woefully short of reality (10% of revenue)..

Office Sector: Some Summer Thawing, but Still Some Freezer Burn

7/20/2021

Though U.S. office pricing discovery remains impaired as most markets see below pre-Covid levels transaction and leasing volumes, recent trades and conversations with market participants point to Green Street forecasts being too conservative in the Sun Belt as well as some adjustments needed for lower quality/lower vacancy buildings in select markets.

If you are not a Green Street client and are interested in learning more about our commercial real estate research, insights and analytics, please [contact us](#) and we will get back to you shortly.

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Office ... From Page 11

Belt cities, which are benefiting from population growth and stronger leasing activity among firms looking to open outposts in less costly areas.

That was reflected in the data showing the nation's most active markets. After Seattle, which claimed third with \$2.1 billion in sales, two newcomers crept into the top five: South Florida placed fourth, with \$2 billion, followed by the Dallas area at \$1.94 billion.

New York, the country's largest office market and a perennial leader in sales, saw volume plummet 50% to \$1.93 billion, dropping it into sixth place. Like other gateway cities, it was hit hardest by work-from-home orders that emptied offices at the onset of the coronavirus crisis.

New York's sluggish first half was no surprise given investor hesitancy for big-ticket purchases, the lack of foreign buyers able to reach the market and lackluster leasing fundamentals — all due to the pandemic, said **Doug Harmon**, chairman of capital markets at Cushman. Those gray areas are slowly melting away, and as the coronavirus crisis fades, he noted that investors are resurfacing and looking first at high-quality buildings in the best locations.

"Every time the New York market is knocked down or written off, it emerges stronger, more vibrant, and more valuable," Harmon said. "Today is no exception, as there is still no more exciting place to work, or more diverse home for talent than New York City. That is the backbone for long-term market health."

Similarly, major markets like San Francisco (\$1.15 billion) and Washington (\$1.09 billion) tumbled out of the top 10 most active markets. Chicago, meanwhile, fell out of the top 20, logging just \$497.5 million of sales.

Nevertheless, brokers are taking an optimistic view of the coming months. "As we put the pandemic further in our rear-view mirror, we will have more leasing data points for investors, and that will lead to more velocity," said **Kevin Shannon**, co-head of U.S. capital markets at Newmark. "The pipeline looks like it will create a much stronger second half, but it's still not going to be at 2019 sales levels yet."

Buyers flush with dry powder and seeking higher returns than can be found in asset classes such as industrial and multi-family are expected to return to the office market. "Firms buying in 2021 and 2022 are going to get really good, attractive acquisitions," Fink of JLL said. "You're going to see more positive headlines as people continue to return to the office after Labor Day."

Overwhelmingly, the consensus is that the biggest upswing in volume will start early next year. "First half of 2022 is when

we expect an acceleration in transaction activity," Lagosh of Eastdil said.

Broker rankings are based on property transactions that closed in the first six months of 2021 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. ❖

Harbor ... From Page 1

and particularly in Manhattan, have come down given the uncertainty surrounding long-term demand for office space.

The property, which fills the east side of Sixth Avenue between West 52nd and West 53rd Streets, is fully leased. CBS, which has used the building as its headquarters since it opened in 1964, occupies roughly one-third of the building. The next-largest tenant is law firm **Wachtell Lipton**, which renewed its lease on 250,000 sf in 2018. Law firm **Orrick Herrington** leases some 210,000 sf.

The deal would be the largest office purchase in Harbor Group's history — as well as a big bet on New York at a time when its office-sales market has slowed more than any other top-10 market in the country, according to **Real Estate Alert's** Deal Database.

It also would be the second-largest office trade in New York since the pandemic took hold. The biggest was the \$904.9 million purchase by **601W Cos.** at yearend of a 95% stake in the 636,000-sf property at 410 Tenth Avenue. CBRE brokered the sale for local shops **SL Green Realty** and **Kaufman Organization**.

That deal had the advantage of being a newly repositioned Class-A building with **Amazon** as an anchor tenant. The Black Rock sale would be for an older Class-A building with impending vacancies, the sort of bet many investors are shying away from these days.

New York's sales volume in the first half totaled just \$1.93 billion of deals worth \$25 million and up, according to the Deal Database. That's down 50% from the first half of 2020, when the pandemic led to reduced dealflow. New York was the only top-10 market to notch a year-over-year drop in sales in the first half.

Still, several large property trades and recapitalizations in recent weeks have some brokers and buy-side pros optimistic that the second half of the year will see a solid uptick in listings and closed deals.

In addition to being the biggest pending office trade in New York, the Black Rock deal also would be the largest office purchase by Norfolk, Va.-based Harbor Group since chief executive **Jordan Slone** founded it in 1985. The firm's current largest office deal was its \$372.8 million purchase in January 2020 of Newport Office Centre 4 in Jersey City, N.J., from **LeFrak Organization**.

Harbor Group has done larger deals in the multi-family space, where it has purchased several portfolios valued at more than \$1 billion. Overall, the firm has \$13.5 billion of assets under management. ❖

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THE GRAPEVINE

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director in San Francisco last month. He came from **Swift Real Estate**, where he spent seven years. Copeland previously worked at **ASB Capital, Presidio Partners, Compass Equity and Lincoln Property**. Northwood was founded in 2006 by **John Kukral**, former president and chief executive of **Blackstone Real Estate**.

Buy-side veteran **Jim Stein** parted ways with **Lincoln Property** last week. He had been a senior vice president in New York, running the office for Dallas-based Lincoln the past 19 years. He was a leasing broker at **Cushman & Wakefield** before that. Stein is now a principal of business development at **Unispace**, a Sydney interior design firm looking to expand in North America. Unispace was bought by Hong Kong private equity shop **PAG** in March.

Investment firm **Charis Capital** launched last month to buy and develop real estate. The firm, with offices in Newport

Beach, Calif., and Boston, targets the hotel and industrial sectors, and private equity and venture capital investments. Charis is led by managing partners **Pete Gottlieb**, who spent more than three years in the Boston office of **Rubenstein Partners**, leaving as a senior vice president and regional director of New England; **Adam Chez**, a founder and managing director of **Verve Venture Partners**, which focused on long-term care facilities; and **Ian Kaminski**, formerly general counsel at brewer and restaurant operator **Fifco USA**. Chez and Kaminski also ran Irvine, Calif.-based development firm **Continuum33**.

Bridge Investment's new industrial platform brought on two pros to its New Jersey office this month. **Calvin Page** joined Bridge Logistics Properties as an investment analyst. He came from **Collins Aerospace**, a unit of **Raytheon**, where he was a senior associate. **Matt Toia** started as a vice president of development management. He previously spent six years at **RC Andersen**, a general contractor in Fairfield, N.J., specializing in industrial buildings. Both hires focus on the Northeast. The unit is led

by chief executive **Jay Cornforth**, who was previously global head of industrial investments at **Brookfield**.

Kate Moran started at **Waterton** this week as vice president of portfolio management at its Chicago headquarters. She is helping to manage a portfolio of apartment properties, reporting to executive vice president **Phil Lukowski**. Previously, Moran worked at **Harrison Street Real Estate Capital** in Chicago as a vice president of asset management for four years. She also had stints at **Cohen Financial, Blue Vista Capital** and **J.P. Morgan**, all of Chicago.

Invesco Real Estate is seeking to hire an acquisitions investment officer with at least 10 years of experience. The job is based in San Francisco and will cover the Bay Area and the Pacific Northwest for the Dallas investment giant. Duties include sourcing direct purchases, joint-venture opportunities and entity-level deals. The recruit would also work on debt deals and report to managing director **Peter Cassiano**. Email Michelle.Tillis@invesco.com for more information.

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