Green Street

Real Estate Alert

THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

Apartment Sales Plunge; CBRE Tops Chart

Green Street

Real Estate Alert

THE WEEKLY UPDATE ON THE INSTITUTIONAL MARKETPLACE

FEBRUARY 3, 2021

14 RANKINGS: MULTI-FAMILY BROKERS
18 RANKINGS: TOP MULTI-FAMILY SALES
2 New REIT Targets Ground Leases
2 Investors Getting a Crack at DC Hotel
4 Recruiter Sees More Top-Level Moves
6 Well-Leased Virginia Offices In Play
8 Calif. Hotel Mezzanine Loan Offered
10 Shuttered Washington Hotel on Block
10 Large Ill. Warehouse Portfolio for Sale
12 Sacramento-Area Rentals Shown
12 Apartment Fund Heads Toward Goal
12 Loan-to-Own Play on NY Retail Space
13 Large Retail Portfolio Up for Grabs
13 Seattle-Area Office Complex Listed
13 JV Pitches Conn. Value-Added Rentals
21 South Beach Rental Portfolio Teed Up

THE GRAPEVINE

NorthMarq this week added five North Carolina apartment brokers, all from **JLL.** In Charlotte, **Andrea Howard** and **Allan Lynch** joined as managing directors, and **John Currin** and **Caylor Mark** as senior vice presidents. **Jeff Glenn** came in as a managing director in Raleigh. Howard and Glenn report to **Trevor Koskovich,** president of investment sales. Before JLL, Howard worked at **Grubb Properties,** Lynch at **Cushman & Wakefield,** Currin at **Ram Realty Services,** Mark at **Cassidy Turley,** and Glenn for 18 years at **CBRE.**

Matt Cochrane joined **Crow Holdings** of Dallas this week as a managing director

See GRAPEVINE on Back Page

Blackstone Shops Giant Industrial Portfolio

Blackstone is marketing a 5.5 million-sf industrial portfolio in the Western U.S. that could command $850 million.

The 41 properties, almost fully leased, are in 11 industrial parks spread across six markets. Nearly half of the net operating income is generated by space in Reno, Nev., while over one third comes from California.

At the estimated value of $155/sf, a buyer's initial annual yield would be in the low to mid-4% range. Blackstone is pitching the properties as a package but would consider bids on separate chunks. **Eastdil Secured** has the listing.

The investment titan also remains one of the most active buyers of warehouses in the U.S. Last month, it paid roughly $960 million for a 60% stake in a 9.5 million-sf industrial portfolio on the West Coast. Eastdil advised the seller, **LBA Logistics** of Irvine, Calif.

The portfolio Blackstone is now shopping is 98% leased by 100 tenants, with a weighted average remaining term of 3.3 years. Leases include 2% to 3% annual

See BLACKSTONE on Page 21

Apartment Sales Plunge; CBRE Tops Chart

Sales of large apartment properties tumbled 27% in 2020 amid the worst public health crisis in a century, though the year was bookended by record quarterly transaction volumes.

Some $85.8 billion of multi-family properties traded last year, a sharp drop from the record $117.3 billion of deals that closed in 2019, according to **Real Estate Alert's** Deal Database, which tracks sales of $25 million and higher. The total was roughly on par with the $88.9 billion of sales logged in 2015.

Virtually every brokerage saw volume drop. **CBRE** was again the most active broker, but its $19.7 billion of sales was 31.8% below last year's figure. **Newmark** remained in second place, with a 4% dip to $16.4 billion. **JLL** had $13.9 billion of sales, down 9.7%. Rounding out the top five were **Cushman & Wakefield,** down 16.7% to

See APARTMENT on Page 14

Big DC-Area Apartment Portfolio on Block

Capital Properties is shopping a massive apartment portfolio in the Washington area valued at roughly $500 million.

The New York investment manager has tapped **Cushman & Wakefield** to advise it on a recapitalization or outright sale of 1,400 units spread among four properties — one in Washington, one in Northern Virginia and two in Maryland. The estimated valuation works out to $357,000/unit.

The portfolio is being pitched to value-added investors as an opportunity to gain scale in the Greater Washington market and boost net operating income by updating unit interiors and amenities. The properties, built between 1973 and 2002, all could benefit from upgrades. The average occupancy is 89.3%.

The buildings, ranging from nine to 16 floors, have a mix of studios and one- and two-bedroom units, with an average size of 925 sf. Amenities include rooftop pools, fitness centers with saunas and concierge services.

It's not clear if Capital Properties would accept bids on individual properties or is

See PORTFOLIO on Page 10

Sales of large apartment properties tumbled 27% in 2020 amid the worst public health crisis in a century, though the year was bookended by record quarterly transaction volumes.

Some $85.8 billion of multi-family properties traded last year, a sharp drop from the record $117.3 billion of deals that closed in 2019, according to **Real Estate Alert's** Deal Database, which tracks sales of $25 million and higher. The total was roughly on par with the $88.9 billion of sales logged in 2015.

Virtually every brokerage saw volume drop. **CBRE** was again the most active broker, but its $19.7 billion of sales was 31.8% below last year's figure. **Newmark** remained in second place, with a 4% dip to $16.4 billion. **JLL** had $13.9 billion of sales, down 9.7%. Rounding out the top five were **Cushman & Wakefield,** down 16.7% to $8.5 billion, and **Walker & Dunlop,** with a 0.8% uptick in sales to $5.1 billion.

Coming off two strong years, the first quarter saw the most sales at the start of a year since Real Estate Alert began tracking deals in 2001, with $26.7 billion closed. Volume dropped precipitously in the second quarter amid lockdowns intended to curb the spread of the coronavirus, and remained depressed in the third quarter. Deal flow picked up rapidly at yearend, and the fourth quarter notched a record $37.1 billion in sales.

Some investment shops were able to make up lost ground in the frenzied trading near yearend. "We manufactured almost full-year volume in just the last two months of the year," said **Nickolay Bochilo,** executive vice president of investments at **Bell Partners** of Greensboro, N.C., which closed $1 billion of transactions between mid-October and late December.

The strong yearend performance and vaccine rollouts are leading market pros to be cautiously optimistic that 2021 will see stronger sales activity.

"If the recovery and the vaccine play out the way everyone is expecting, I think there is going to be a deluge of capital chasing apartments in 2021 compared to 2020," said **Matt Ferrari,** co-chief investment officer at **TruAmerica Multifamily** of Los Angeles. "I expect transaction activity to pick up and, hopefully, apartment fundamentals and operations to pick up."

Matthew Gottesdiener, chief investment officer at **Northland Investment** of Newton, Mass., sees strong appetite for multi-family properties. "We saw peak aggressive buying demand for our marketed dispositions in the fourth quarter," he said. "I expect that in 2021 we'll see record-low cap rates — granted, on lower forecasted net operating income — but fundamentally, a strong rebound in buying demand."

He characterized the landscape for buyers in today's market as "excruciating. Extremely difficult." His firm recently sold assets for 5% to 15% above the pre-Covid broker opinion

See SALES on Page 2

REAL ESTATE ALERT: February 3, 2021

Click here for more information or call 949-640-8780.

Sales ... From Page 1

of value. In another deal, a mid-1980s-vintage property in a tertiary market in Central Florida received 25 bids above the target price.

Still, there are some factors at play that could create headwinds early in the year. **David Schwartz,** CEO and co-founder of **Waterton**, a Chicago multi-family investor, and the chair of the **National Multifamily Housing Council,** said rent shortfalls at yearend are estimated to be as high as $70 billion. "Some economists project we could have another $80 billion of unpaid rent through September [2021], or more. No one really knows," he added.

The NMHC has lobbied hard for emergency renter assistance since the start of the pandemic. The $900 billion pandemic relief bill passed into law in December includes $25 billion in rental relief. While that's a good start, Schwartz said it's not nearly enough. "It's still just a down payment. This is a problem we're going to be dealing with for a while."

While additional relief may be forthcoming, pros say the fact that the stimulus package arrived later than expected created more distress for renters.

"We're not out of the woods," said **Hessam Nadji,** president and chief executive of **Marcus & Millichap.** "It's hard to gauge the true stress on the renter and their ability to pay."

Brian McAuliffe, president of CBRE's capital-markets division, believes transaction flow won't be as robust early in the year as it was at the end of 2020. "There's a lot of optimism, and rightfully so, for the multi-family sector, but I think it's much more a second- and third-quarter story, especially as property performance improves," he said.

Right now, market pros say, there's too much money chasing too few available deals. "The wall of capital targeting multifamily appears to be bigger than it has ever been," Bochilo said. "Our read on the market in [the first quarter of] 2021, from talking to major brokerages, is that the number of deals on the market today is down about a quarter to a third compared to a year ago, suggesting downward pressure on cap rates despite an increase in borrowing costs."

Given the aggressive pricing on desirable assets, some would-be sellers see few options for redeploying capital into other investments that would replace their cashflow and yields, said **Roberto Casas,** senior managing director and co-lead of JLL's national multi-housing practice.

Casas said he expects to see a lot more listings emerge in the coming months. "Assets on the market today are getting a lot of attention because there is not a lot to look at," he said. "A lot of folks are waiting for the spring leasing season to hit to get a lift in their operations, and then they're going to market."

Market pros say the pandemic's impact — and now the pending recovery — is not being felt evenly across the country. While the consensus is that the worst may be over for secondary suburban markets in the Sun Belt, Midwest and Southwest, the jury is still out on when and how the recovery will play out in high-cost urban and gateway markets, which suffered the greatest impact from the pandemic.

According to **Yardi Matrix,** multi-family rents ended the year relatively flat, "with a slight downward tilt," but there was an extreme bifurcation between expensive gateway markets and their neighboring lower-cost suburbs. Almost half of the top 30 markets in Yardi's coverage finished 2020 with flat or positive year-over-year rent growth, but many high-cost markets, including San Jose (-13.7%), New York (-11.7%) and San Francisco (-9.4%), saw declines.

"If you own urban core gateway city apartments, it has been pretty painful," said Ferrari, who is also head of acquisitions and East Coast asset management for TruAmerica. "Has it been as painful as a retail owner or a hotel owner? No. But in many of these gateway cities, effective rents at Class-A apartments are down 25% when you take into account concessions."

Sales figures for individual markets reflected the shift away from urban and gateway markets toward the Sun Belt: Central/Northern Florida ($7.5 billion of sales, down 17.1%) and Greater Atlanta ($7.2 billion, down 6.2%) remained the first and second most active markets. Phoenix ($5.8 billion, down 13.1%) replaced Seattle ($2.9 billion, down 57.2%), one of the first cities hit by the pandemic, as the third most active market. Other significant declines among top markets were in Houston (down 53.9%), Los Angeles (down 49%), and New York City (down 42.6%).

"It is impressive, frankly, that the overall market was only off 27% when many urban markets were not transacting," said **Blake Okland,** vice chairman and head of multi-family investment sales for Newmark. "Those deal sizes tend to be a lot larger." According to Real Estate Alert data, deals valued at or above $100 million dropped 29% year over year, while deals valued $200 million or more were down 43%, indicating that smaller deals drove apartment buying last year.

But that doesn't mean city life as we know it is dead. "There will be a price adjustment in the various hard-hit urban markets, but contrary to what the numbers and sentiment of the market may suggest, we're very positive because of the liquidity in the market and investor interest in multi-family," said Nadji. He is seeing interest in acquisitions in urban markets from investors able to ride out the next 18 to 24 months. They are betting on a coming economic surge and release of pent-up demand.

All told, 2021 should be a pretty strong year, Okland said. "But I think all of us say that with caution because, obviously, we still don't have the pandemic in the rearview mirror.

"What we do have is a rough playbook of how to transact in the Covid-19 environment," he continued. "We have a stable capital-markets environment, and multi-family has proven again that it's a needs-based asset. We're 2-for-2 for global crises, and coming out of both, we look really good."

Broker rankings are based on property transactions that closed in 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 $25 million. ❖