Real Estate Alert A Green Street News Title

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Blackstone Mulls Future of LA Office Campus

Blackstone may be poised to walk away from a massive office campus in Los Angeles as it continues to reduce its exposure to the struggling sector.

The investment titan is in talks with lender **Deutsche Bank** about the future of the 1.4 million-sf Playa District, which it bought from **Hines REIT** in 2016 as part of a $1.16 billion West Coast office portfolio deal. That transaction valued the property, which was then 82% leased, at $583 million. Now, the campus is 70% leased, and some of its buildings are less than 50% occupied.

"Given the challenges facing [Playa District], we began writing the property down over three years ago and completely wrote it off earlier this year," a Blackstone spokesperson said, noting that the firm sold the six other properties it purchased in the portfolio deal prior to the pandemic.

The property backs a $482 million debt package, originated in 2016, comprising a $372 million senior loan and a $110 million mezzanine note. It's unclear whether

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Rising Insurance Rates Curb Fla. Hotel Deals

Skyrocketing insurance costs have added another wrinkle to underwriting hotel deals in Florida, complicating sales in what has been one of the sector's hottest investment markets in recent years.

Premiums for hotels in coastal markets have shot up this year as insurers grapple to cover costs stemming from an uptick in natural disasters. The increases are particularly dramatic in Florida, where hotel owners report that new quotes for coverage have, in some cases, more than doubled from previous rates. Total insurance expenses in the state on a per-key basis averaged $2,406 year to date through August, up 32.4% from the full-year average of $1,817 in 2022. That figure represented a 22.2% increase over the 2021 average of $1,487.

"Florida, as well as some other markets that are heavily impacted by weather events, definitely will continue to see insurance costs spike," said **Raquel Oritz,** a director of financial performance at **STR,** a unit of **CoStar.** "That is the trend we have

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Positive Leverage Spurs Midwest Rental Deals

Brokers are pitching a handful of multifamily-property deals in the Midwest as rare opportunities to achieve yields close to or higher than the cost of debt, and market pros say more such offerings could emerge in the region.

In Columbus, Ohio, a listing for the 280-unit Northwoods Apartments is touting a tax-adjusted initial annual yield around 6%, well above where rates in the market were a year ago. **Newmark** has the listing, which is expected to fetch bids around $45 million, or $160,000/unit.

JLL also is highlighting the potential for neutral-to-positive leverage in several sales campaigns in St. Paul, Minn. One listing, in the city's Lowertown neighborhood, is being shopped with a 6.5% capitalization rate, though that could rise to 7% or more within a year with rent increases.

Such offerings have become increasingly scarce in the multifamily sector, as the ability to achieve positive leverage — when a property's cap rate is higher than its

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THE GRAPEVINE

Berkadia has hired two veteran multifamily brokers from **Cushman & Wakefield.** Senior managing director **Jason Parr** and managing director **Scott MacDonald** joined the firm's San Francisco-area brokerage team this week, targeting apartment deals in the Bay Area and Northern California. Both report to senior vice president **Mike Miner,** co-head of investment sales and production operations. Parr previously led Cushman's Northern California multifamily advisory group and had a 15-year tenure with the brokerage. McDonald worked at Cushman for more than 20 years, leaving as a managing director.

Industry veteran **Adam Brooks** has joined **Eleven Capital Management** as a partner. He started about a month ago at the

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Chicago Office Trade Back to Square 1

Lender **Deutsche Bank** is weighing options for a Chicago office tower after a round of offers came in well below the property's roughly $96.5 million debt load, underscoring the pricing and trading challenges facing the beleaguered sector.

Earlier this year, the bank, in cooperation with the owner, was in talks to sell the 536,000-sf building at 300 South Wacker Drive to **Agave Holdings.** Pricing at the time was in the vicinity of $90 million, or $168/sf, a valuation bolstered by Deutsche's offer to write fresh debt for the deal.

But those discussions fell apart, prompting Deutsche to solicit a handful of investors for new bids. Those offers were far weaker, pros said, topping out at about $125/sf, or $67 million. Now, the lender is mulling whether to scrap the sales effort, which did not involve a formal listing agreement with a broker. Deutsche declined to comment.

The latest bids for 300 South Wacker Drive represent a 58% decline from the $155 million, or $289/sf, that the 36-story tower commanded in 2017, when it sold to a joint venture between Chicago-based **Golub & Co.** and **Alcion Ventures** of Boston.

The duo spent $10 million on renovations and other updates that helped lift occupancy to 95% by 2018. Now, the building is 75% leased — likely the result of a wider, pandemic-induced pullback in office leasing.

The building joins a growing list of Chicago office properties that have struggled to trade as a lack of debt liquidity, weak tenant demand and broader economic concerns have stifled investor interest in the sector. Older office buildings in urban markets have been hit particularly hard.

Only one single-asset office trade valued above $25 million has managed to cross the finish line in downtown Chicago this year, according to **Green Street's** Sales Comps Database. **Menashe Properties** paid $45 million, or $72/sf, in September for the 624,000-sf building at 230 West Monroe Street. **Eastdil Secured** brokered the deal on behalf of **Accesso Partners,** which paid $122 million for the property in 2014 — representing a 63% valuation drop. Portland, Ore.-based Menashe, meanwhile, will realize an initial annual yield of more than 11% on the purchase. ❖

Miami Rentals With Upside Available

A Miami apartment complex with below-market assumable financing is on the market as a value-added play.

The 505-unit Emerald Palms is expected to fetch roughly $165 million, or $327,000/unit. **CBRE** is representing the owner, a joint venture between **Grand Peaks Properties** of Denver and Dallas-based **Milestone Group.**

Offering materials note that a buyer could take over a **Freddie Mac** financing package, including a senior loan, totaling $100.9 million. The interest-only debt has a weighted average interest rate of 4% and matures in July 2026.

The property's one- to three-bedroom units average 945 sf and rent for an average of $2,476, or $2.62/sf. Amenities include a renovated clubhouse, a fitness center, a business center, two pools and **Amazon** package lockers. There are 906 parking spaces.

Most of the complex was built in the 1980s, and a smaller phase was added in 2004. The complex comprises 14 three-story buildings and 20 townhouse-style buildings on 28.3 acres at 12325 SW 151st Street. Marketing materials highlight the property's low density of 17 units per acre.

The current owners updated 27% of the units in 2016 with cabinets, granite counters, tile backsplashes and stainless-steel appliances. The remaining apartments are still in their original condition or received minor renovations by the previous owners. About 45% of units have carpeting throughout that could be replaced with wood-style floors.

According to marketing materials, the estimated blended cost of these renovations is about $15,000 per unit and is expected to result in a weighted rent premium of $227. The current owners also have spent $3.9 million over the last two years to replace and repair roofs and heating, ventilation and air-conditioning systems.

The property is a mile from Florida's Turnpike, providing access to major employment markets in Coral Gables, downtown Miami, Blue Lagoon and Doral. U.S. Highway 1 is 3 miles east. Emerald Palms is close to numerous retail outlets, including a **Walmart Supercenter.** ❖

Bids Eyed for Boston Rental Complex

DSF Group is shopping a workforce-housing complex in Boston that's expected to fetch north of $90 million, or $260,000/unit.

The Class-B property comprises 347 apartments across 12 four-story buildings. **CBRE** has the listing.

The complex was developed from 1965 to 1968 at 15 Bismarck Street, in the city's Mattapan neighborhood. DSF, a Boston-based fund operator, bought it in 2018 for $65 million, or $187,000/unit. CBRE brokered that sale for **Ares Management.**

Known as SoMa, a nod to its location in Southern Mattapan, the property caters to middle-income professionals. Its studio to two-bedroom apartments average 829 sf and rent for an average of $2,145, or $2.59/sf. Amenities include a courtyard and laundry facilities. The property is 99% leased.

The listing is being pitched as an opportunity to pick up one of the largest market-rate rental properties in Boston that's unencumbered by deed restrictions.

Occupancy at SoMa has averaged 97% over the past five years, while rents have increased 34% since 2019. A buyer could boost rents further through select unit and common-area upgrades, according to marketing materials.

The sales campaign also notes that rents at the property are significantly below the monthly cost of homeownership in Mattapan, which has risen 50% since 2019 to nearly $4,000.

The property is near a new MBTA station that provides service to Boston's South Station, 6 miles northeast. ❖

Chicago Rentals Relisted at Discount

An **Ares Management** partnership is offering a luxury high-rise in Chicago for the second time in seven months, this time at a slightly reduced price.

The 213-unit Parkline Chicago, in the Loop neighborhood, is expected to attract bids of roughly $120 million, or $563,000/unit. When the property was initially listed in April with **CBRE,** some market pros pegged the price close to $135 million, or $634,000/unit. **Walker & Dunlop** is marketing the building on behalf of Los Angeles-based Ares and its partner, Chicago-based developer **Moceri + Roszak.**

The 26-story property comprises 189 market-rate units with one to three bedrooms on its lower floors, and 24 ultraluxury penthouse apartments with mostly three- or four-bedroom floor plans on the top six floors. The ground floor includes 6,200 sf of retail space.

The market-rate apartments average 956 sf. Rents for available one-bedroom units range from $2,630 to $2,897 while rents for available two-bedroom units start at $3,775, according to the property's website. Apartments have wood-style plank flooring, quartz counters, stainless-steel appliances and washer/dryers.

The penthouses start at 2,136 sf. They have open floor plans with 10-foot ceilings, floor-to-ceiling windows, wide-plank hardwood flooring, walk-in closets and terraces that are a minimum of 200 sf. The luxury units have their own dedicated elevator service.

Amenities include a fitness center with yoga, spin and Pilates areas; an indoor-outdoor pool with retractable doors; a media and game room; a two-story lounge; conference rooms and a business center. There is also an 18th-floor terrace with views of Millennium Park and Lake Michigan.

Parkline Chicago is at 60 East Randolph Street, a block from Michigan Avenue. There is 100 million sf of office space in the immediate vicinity, and a grocery store less than a half-mile away. ❖

New Rentals in Northern NJ Teed Up

A new apartment property in Northern New Jersey is on the block and could fetch bids around $100 million, or $365,000/unit.

The 274-unit Jersey Walk, in Elizabeth, was built last year and is in its lease-up phase. At the estimated price, the stabilized annual yield would be about 5%. **Cushman & Wakefield** has the listing for Brooklyn-based **Hilltop Management.**

In-place rents average $2,159, or $3.25/sf. According to the marketing campaign, the property is attracting young professionals and families who want to be close to New York City while paying less than average rents along New Jersey's Gold Coast.

Apartments range from studios to two bedrooms, averaging 664 sf. Interiors have stainless-steel appliances, wood floors in kitchens, quartz counters and washer/dryers. Amenities are mostly housed in a stand-alone 5,600-sf building and include an indoor pool with a sauna, a fitness center, a conference area and a business center.

That six-story building also has a rooftop lounge and is next to a five-story garage with 551 spaces. There's also a community garden, and some 3,000 sf of ground-floor retail space is fully leased to **Kiddie's Learning Center.**

Jersey Walk is at 925 East Jersey Street, 13 miles southwest of Midtown Manhattan. It's one of only three apartment properties built in Elizabeth after 2020 and is close to a **Citi Grocer** supermarket.

The sales campaign also notes that rental rates in the eastern part of surrounding Union County have risen 15% since 2019, with an average occupancy of 96%. The region has a high proportion of apartment living, with 72% of the population within a mile of the property renting units.

The complex is less than a mile from an NJ Transit train station connecting to Manhattan. It's within 3 miles of the New Jersey Turnpike, U.S. Route 9 and Interstates 78 and 278. It's also close to Trinitas Regional Medical Center, one of the area's largest employment centers. ❖

Nevada Industrial Portfolio Pitched

A **Seagate Properties** partnership is shopping a portfolio of distribution centers in Nevada that could command $100 million, which would be the state's second-largest industrial-property trade of the year.

The package comprises seven buildings totaling 585,000 sf at two industrial parks in Sparks. A buyer would earn a mid-5% initial annual yield on a purchase at the estimated value of $171/sf. **Colliers** is pitching the warehouses on the Seagate venture's behalf as a package, but bids will be considered on individual properties.

The portfolio is 96% leased by 23 tenants, but the weighted average remaining lease term is just 2.7 years. The pitch is that will give a buyer the potential to lift net operating income 42% within four years by raising below-market rents upon rollover. The average in-place rent is $11.52/sf on a triple-net basis, 13.9% below market rates.

The surrounding Sparks submarket is 97.5% leased. Rents have climbed 7% over the past 12 months. The construction pipeline is fully leased.

The warehouses all have 24-foot ceilings. They are just off Interstate 80 near the Union Pacific Intermodal Hub. The properties are at 1420-1470 Kleppe Lane (150,000 sf), 1480-1498 Kleppe Lane (92,000 sf), 910-990 Meredith Way (90,000 sf), 980-988 Packer Way (86,000 sf), 990-996 Packer Way (61,000 sf), 1400 Kleppe Lane (60,000 sf) and 810-830 Meredith Way (47,000 sf).

Seagate and its partner, **ReCap Real Estate Investments,** which acted on behalf of parent **RGA Reinsurance,** purchased the portfolio in 2019 for $50 million.

Only one Nevada industrial trade this year has topped $100 million. In that transaction, **Investcorp** and **BKM Capital Partners** paid **Terry York Properties** $157.8 million, or $213/sf, for a 740,000-sf portfolio in Las Vegas. ❖

Land Under New Jersey Offices Listed

The ground beneath a four-property office campus in Northern New Jersey is being pitched as a tax play — and as a potential option for real estate investors facing difficulties elsewhere in their portfolios.

The offering encompasses 50 acres in Short Hills, a wealthy enclave of the town of Millburn, 20 miles west of Midtown Manhattan. Occupancy for the buildings, totaling 822,000 sf, is unclear, but owner **Birch Group** pays ground rent to the unidentified family office that owns the land.

The sales pitch is that a buyer would put up some $18 million of cash and assume about $143 million of debt that Birch owes. The mortgage has 32 years remaining, while the leasehold agreement runs another 96 years.

Debt service on the in-place loan equals the ground rent paid each year, which creates tax advantages for investors. The family office tapped **Avison Young** to market the deal.

The listing is a so-called zero-cashflow play, which most often draws interest from long-term owners — such as wealthy individuals, family offices and trusts — who use the lack of profit to offset income elsewhere in their portfolio.

In the current market, Avison Young also is touting the deal to real estate investors that have outsize tax bills from distressed properties. For example, an owner with a deed-in-lieu foreclosure tax burden could put money into such a deal to help cushion the tax bill from the distressed situation.

In addition, the offering could appeal to traditional tax-deferred buyers looking to use Section 1031 of the IRS Code to limit current income with an eye toward capturing capital gains down the road.

The land is underneath the buildings at 51,101, 103 and 150 John F. Kennedy Parkway. Jersey City, N.J.-based Birch bought the portfolio for $255 million, or $310/sf, in a 2021 deal brokered by **Cushman & Wakefield.** At the time, the properties were around 80% occupied.

It's not clear whether the purchase was structured as a leasehold interest then, or whether the land was sold later. Birch bought the office space from **Mack-Cali Realty Trust,** now known as **Veris Residential.**

The buildings, rising four to six stories, were built from 1980 to 1988. By size, they are 262,000 sf (150 JFK Parkway), 261,000 sf (51 JFK Parkway), 197,000 sf (101 JFK Parkway) and 123,000 sf (103 JFK Parkway).

Amenities include cafes, conference rooms and fitness centers. There are more than 1,000 parking spaces across the campus, as well as a shuttle service to a train station connecting to Manhattan.

The properties surround the 1.2 million-sf Mall at Short Hills, considered one of the country's top retail properties. ❖

Tidewater Fund Surpasses Equity Goal

A fund operator focused on the San Francisco Bay Area has beaten the equity target for its third investment vehicle.

Tidewater Capital, which held a second close this month after an initial fundraising round in September 2022, has raised more than $200 million of equity, its initial goal. The hard cap for TC Fund 3 is $250 million. The fund, which targets value-added returns, can invest across property types and across the risk spectrum.

The San Francisco-based manager is raising equity without a placement agent, instead directly courting university endowments, charitable foundations and family offices. With leverage and co-investment equity, Fund 3 could have some $1 billion of buying power. It's not clear when a final close could take place.

"We have tremendous confidence in the long-term prospects of the Bay Area," said Tidewater managing principal **Craig Young.** "While capital markets broadly have been deeply challenging, both our returning and our new investment partners have placed a great deal of confidence in our ability to navigate a rapidly evolving market to capitalize on a Bay Area rebound."

Tidewater focuses on the residential, industrial and office sectors, but also looks at niche properties, including self-storage and parking. It repositions and renovates properties and works on entitlement and ground-up projects.

Young founded Tidewater in 2013 and serves as its managing principal. He was previously a vice president of investments at **JBG Cos.,** now JBG Smith. In August, Tidewater hired **Nick Bryer** as a managing director to lead the firm's acquisitions and investment strategy. Bryer moved over from **Roxborough Group,** another San Francisco investment manager.

Tidewater's first two funds held final closes in 2016 and 2019. Both are fully invested. ❖

Westchester Rentals Offered With Loan

An apartment complex in New York's Westchester County is up for sale with assumable financing and could attract bids of $85 million.

The 207-unit Landing on Mohegan Lake was built in 1989 and could appeal to value-added investors. The estimated value works out to $411,000/unit. **JLL** is representing the seller, Valhalla, N.Y.-based **Ginsburg Development.**

The listing touts a **Freddie Mac** financing package consisting of a senior loan and a supplemental loan that total $46.7 million. The fixed-rate debt has a below-market weighted average interest rate of 4.2% and matures in December 2027.

The garden-style complex is 95% occupied. It comprises 24 two-story buildings, a leasing office and a stand-alone fitness center on nearly 20 acres at 209 New Chalet Drive in the Mohegan Lake section of Yorktown.

The mix of 74 one-bedroom and 133 two-bedroom units average 1,016 sf and have gas fireplaces, central air conditioning, oversize closets and balconies. Amenities include a pool, a dog park, tennis and basketball courts, and a barbecue and picnic area. The property has its own boat launch and waterfront views of Lake Mohegan. There are 423 parking spaces.

According to marketing materials, most of the units either are in their original state or have dated renovations, giving a buyer an opportunity to renovate and boost rents. The current owner has revamped the pool area and the basketball and tennis courts, upgraded heating and cooling systems, parking lots and walkways, and replaced roofs on several buildings.

The complex is 40 miles north of Midtown Manhattan. Westchester County is the second-wealthiest county in New York, behind Manhattan. The apartments are within the Lakeland Central School System, one of New York's top-rated school districts, according to marketing materials.

The property is 5 miles from the Peekskill Metro North train station, which provides direct access to Manhattan. The complex is just off U.S. Route 6, the area's main retail corridor, and near the Cortlandt Town Center, Beach Shopping Center and the Jefferson Valley Mall.

Taconic State Parkway is 2 miles away, and U.S. Route 9 is 4 miles away, providing access to downtown White Plains and other employment hubs in southern Westchester County. ❖

New NH Apartments Pitched for Sale

A new 224-unit apartment building in Merrimack, N.H., is on the block and is expected to fetch roughly $89 million.

LeCesse Development of Altamonte Springs, Fla., completed the four-story midrise — dubbed Slate at Merrimack — last year. The estimated value translates to $397,000/unit. **CBRE** has the listing.

The property has one- and two-bedroom apartments, some with dens. Occupancy could not be learned. Available apartments range from 753 sf for one-bedroom units to 1,064 sf for two-bedroom units, according to the property's website. The open floor-plan units have quartz counters, stainless-steel appliances, 9-foot ceilings, wood-style plank flooring, washer/dryers and walk-in closets.

Amenities include a garage and a 7,200-sf clubhouse with a community kitchen, clubroom, game room and fitness center. Outdoor amenities include a pool with cabanas, firepits and grills.

Rents range from $2,484 to $2,653 for available one-bedroom apartments and $3,312 to $3,422 for available two-bedroom units, according to the property website.

Marketing materials peg the average per-unit tenant income at $183,000, roughly six times in-place rents.

Slate at Merrimack, at 3 Lexington Court, is less than a mile from Everett Turnpike and is adjacent to the Merrimack Premium Outlets shopping center. It's 9 miles from the Massachusetts border and close to employment centers in the Greater Boston area. Downtown Boston is 38 miles away. The property is across the street from a 1 million-sf **Fidelity Investments** campus, which is home to a workforce of over 6,000. ❖

Dallas-Area TV Studio Put Up for Grabs

A family office is shopping an **NBCUniversal** television studio outside Dallas that's expected to command $26 million.

The building, at 4805 Amon Carter Boulevard in Fort Worth, totals 75,000 sf. A purchase at the estimated value of $347/sf would give a buyer an initial annual yield of 6.25%. **Newmark** is marketing the property on behalf of **Olympus Ventures,** the Minneapolis-based family office of **Best Buy** founder **Richard Schulze.**

The facility was developed for NBCUniversal's local affiliates in 2013, replacing a previous location the company had occupied for 65 years. The property is the area's only broadcasting studio that has been built within the past four decades, according to marketing materials.

The property, designated LEED silver, has four production studios with 22-foot ceilings, along with office space with 12-foot ceilings. It's 15 miles northwest of downtown Dallas and 17 miles northeast of downtown Fort Worth.

NBCUniversal, a subsidiary of **Comcast,** fully leases the property through July 2030. The triple-net agreement has 2% annual rent bumps and no termination options. Comcast is rated A3/A-/A- by **Moody's, S&P** and **Fitch.**

The Dallas-Fort Worth television market is the fifth largest in the U.S. NBCUniversal's revenues have climbed 66% since Comcast took full ownership in 2013, according to marketing materials. The unit accounted for 32% of the parent company's total revenue last year. ❖

California Listing Points to Hefty Yield

A Northern California office building is up for grabs amid expectations that it will trade at a 35% discount to what the current owners paid in January 2020 — and at a hefty yield.

The Class-A property, Sutter Square, totals 177,000 sf in Concord. Bids are anticipated to come in around $20 million, or $113/sf. At that price, a buyer's initial annual yield would be 11%. **Colliers** is marketing the building on behalf of a partnership between Los Angeles-based **Barker Pacific** and **Iron Point Partners** of Washington.

The duo purchased the property for $30.9 million, or $175/sf. Colliers also brokered that deal for the seller, a Walnut Creek, Calif.-based firm called **Meridian** that develops and invests in medical-office and life-science properties.

Sutter Square is 75% occupied, with a weighted average remaining lease term of 3.7 years. The marketing campaign is touting recent leasing momentum, with agreements or renewals for 36,000 sf signed in the past 24 months.

The nine-story building was completed in 1988. It has a six-story underground garage with 499 spaces.

Sutter Square is at 1800 Sutter Street, 17 miles northeast of downtown Oakland. There are 2.4 million sf of retail and dining venues within a mile, with a BART station less than a half-mile away. The downtown district's population has grown 7% since 2010, with 1,100 multifamily units recently completed or in development, according to marketing materials. ❖

Insurance ... From Page 1

been seeing over the last 10 years, and I think it is getting more normalized."

The rise in insurance rates comes amid markedly higher borrowing costs and a tempering of hotel performance in some Florida markets, where the wave of domestic vacation travel that washed over the state when quarantine restrictions first loosened has waned. "All three [factors] make it almost impossible to get a deal done in Florida unless an owner is willing to accept the new reality," a hotel broker said. The upshot: "A lot of the deals on the market have not transacted."

Some of the highest per-key insurance rates are in the state's most popular beach destinations for visitors and investors alike. Through August, hotels in Fort Lauderdale saw average annual insurance costs of $4,301/key, up almost 28%. The Florida Keys' average of $3,841 represents a 16% year-to-date increase. In Miami, insurance costs rose almost 33% to $3,783.

"It's one of those things you uncover in diligence," when investors are weighing a purchase, said **Michael Tacorian,** chief investment officer and co-founder of **BlackPearl Capital.** Once discovered, that has the potential to derail a bid by as much as 10%, he said.

"The seller needs to absorb that hit, and in some instances, they are willing, and in others, [the deal] just dies," Tacorian said.

From a valuation perspective, insurance typically represents a small percentage of a hotel's operating budget. In Florida, it previously was equivalent to 3% of a property's revenues, but with recent increases, that's grown to as much as 5%, estimated **Charlotte Kang,** national practice leader of hotels in **JLL's** valuation advisory group. Increasing revenues at Florida hotels have provided a buffer to that increase in recent years, she noted, but waning performance for some markets could change the dynamic.

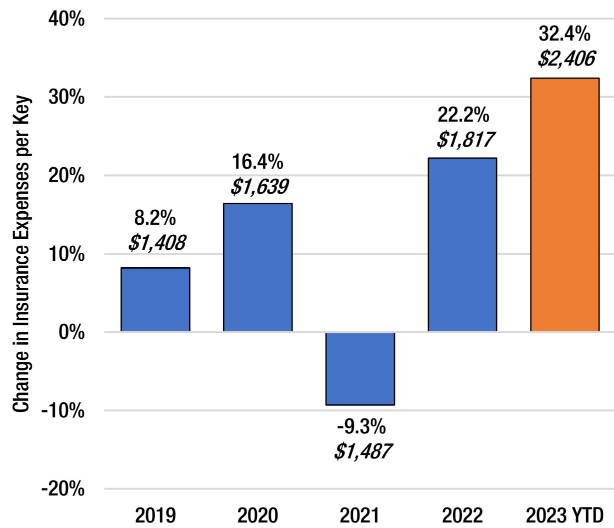
In Fort Lauderdale, for example, transient demand — stays booked on short notice — had dropped to 2019 levels at midyear after surging in 2021, according to CoStar. Through September of this year, revenue per room there grew less than 1% over the same period last year. Across Florida, revenue per room was flat in the first nine months when compared with the same period last year, with the Florida Keys and Miami both registering a decline.

Investors now are looking at deals in coastal markets and wondering where things will stabilize.

"When the good news has risk and the bad news is certain, that's a challenge," said **Russell Flicker,** managing partner and co-founder of hotel investment shop **AWH Partners.**

Year to date, $3.15 billion of hotels valued at $5 million and up have changed hands in Florida, trailing the $4.29 billion sold in 2022, according to **Green Street's** Sales Comps Database. That's off a record high in 2021, when the state saw $5.47 billion of hotel sales. Florida is the second-busiest state for hotel sales, surpassed this year by New York, where improving performance is driving investor interest. ❖

Insurance Costs Spiking in Florida



Source: CoStar

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the debt is distressed or in default.

Despite a $32 million renovation completed in 2019, Playa District has fallen victim to the woes that have since roiled the broader U.S. office sector. Entrenched remote-working trends have caused vacancy rates to soar and valuations to plummet, while rising interest rates have made refinancing properties challenging. In Los Angeles, for example, office occupancy fell to a record-low 77.8% at the end of the third quarter, according to **Newmark.**

Blackstone bought the property, then known as Howard Hughes Center, via Blackstone Real Estate Partners 8, which had a reported 15% net internal rate of return as of Sept. 30. With that strong track record, the firm may be amenable to turning over the keys to Playa District to Deutsche or cooperating in a joint sale.

Once a major buyer of office properties, Blackstone is actively trimming its traditional U.S. office holdings, and such properties now represent less than 2% of its owned portfolio. "We aim to invest in sectors with strong fundamentals propelled by macro demand trends, which is why the majority of the real estate we own is in sectors like logistics, student housing and data centers," the spokesperson said.

Lenders and owners nationwide are engaged in negotiations regarding office properties. In some cases, lenders will extend and/or restructure loans, while in others, owners choose to walk away. At times, the parties cooperate in sales rather than seek to salvage their investments. That was the case with another big office property in Los Angeles County this year.

In March, a **Starwood Capital** partnership entered talks with lender **Morgan Stanley** about the future of PCT, a 1.6 million-sf office complex that was half vacant. Two months later, a syndicate led by Morgan Stanley began effectively shopping the property via **Eastdil Secured.** This month, bids topped out at $275 million, a staggering drop in value since PCT was potentially worth nearly $1 billion as recently as 2017.

Playa District, at 6060-6701 Center Drive, is near Playa Vista and close to the 405 Freeway and Los Angeles International Airport. It is operated by **EQ Office,** Blackstone's office-property unit, which enlisted coworking firm **Industrious** to help manage the campus. ❖

Positive
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underlying cost of debt — has been crippled by skyrocketing borrowing costs and slowing rent growth.

But market pros say the Midwest is well positioned to produce more positive-leverage plays, thanks to a combination of above-average yields and steady rent growth.

According to **CBRE** data, average cap rates in Midwest markets are 10 bp to 50 bp higher than in other regions. Rent growth, meanwhile, averaged 3.0% in the third quarter, well above the national average of 0.7%.

"We were never one of those markets that got way over our skis," said **George Skaff,** a vice chair in **Newmark's** Columbus multifamily institutional properties group.

The Northwoods property, at 99 Antelope Way, is 93% occupied. Its one- and two-bedroom apartments average 850 sf, with average rents of $1,275, or $1.50/sf.

Skaff noted that even during the most recent market run-up — when some Sun Belt markets saw cap rates fall to as little as 3% — yields in the Midwest held steady for the most part, around 4% to 4.5%.

Since then, cap rates in the region have risen about 200 bp, and investors are taking notice.

"The attractive going-in yields have prompted capital to shift to the Upper Midwest, as investors search for stable, well-positioned assets that can generate positive leverage within the first year of ownership," said **Josh Talberg,** a Minneapolis-based managing director in JLL's capital-markets group. "We've been as busy as ever, whereas in some parts of the country that has not been the case."

Skaff echoed that sentiment. "We're getting tons of new buyers interested in the market because the going-in caps are strong, and it has performed well in a super-volatile market," he said, noting that many of those "are viewing the Midwest as a safety market now."

The turn toward Midwest markets comes amid sharply lower rent-growth expectations for the multifamily sector overall. As recently as last year, many multifamily investors were willing to accept negative-leverage deals because they felt confident that double-digit annual rent increases would put them into positive territory quickly.

But buyers' tolerance for such deals has waned since, and they're now looking for trades that can deliver positive leverage quickly, if not immediately, market pros say.

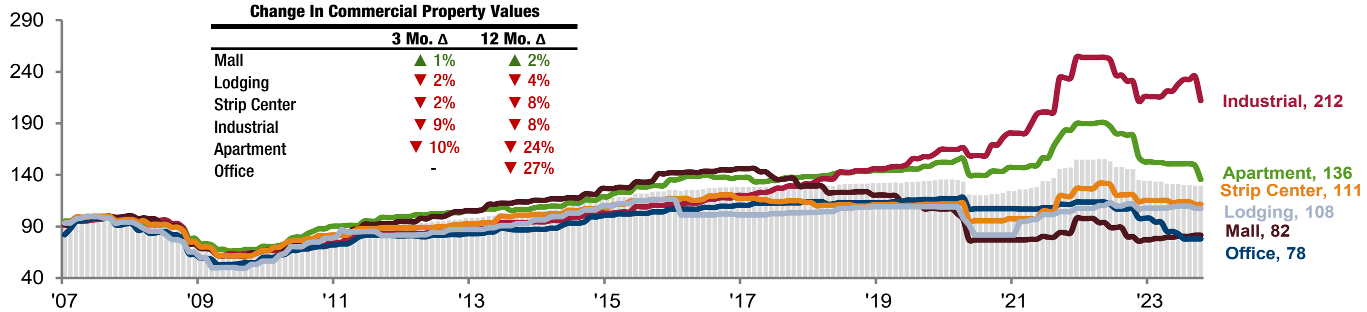
"Many institutional investors today would say having a clear path to positive leverage is a prerequisite to lean into a deal," Talberg said. ❖

MARKET MONITOR

SUMMARY

- Self-storage property values are down 14% from last year's peak.
- Relative to other sectors, self-storage is fairly priced in the private market.
- Office REITs are trading at a 25% discount to asset value and an implied capitalization rate of 9.6%, on average.
- Expected unlevered returns for Class-A office properties are well above those of Class-B properties.

GREEN STREET COMMERCIAL PROPERTY PRICE INDEXES



Change In Commercial Property Values

	3 Mo. Δ	12 Mo. Δ
Mall	▲ 1%	▲ 2%
Lodging	▼ 2%	▼ 4%
Strip Center	▼ 2%	▼ 8%
Industrial	▼ 9%	▼ 8%
Apartment	▼ 10%	▼ 24%
Office	-	▼ 27%

Source: Green Street

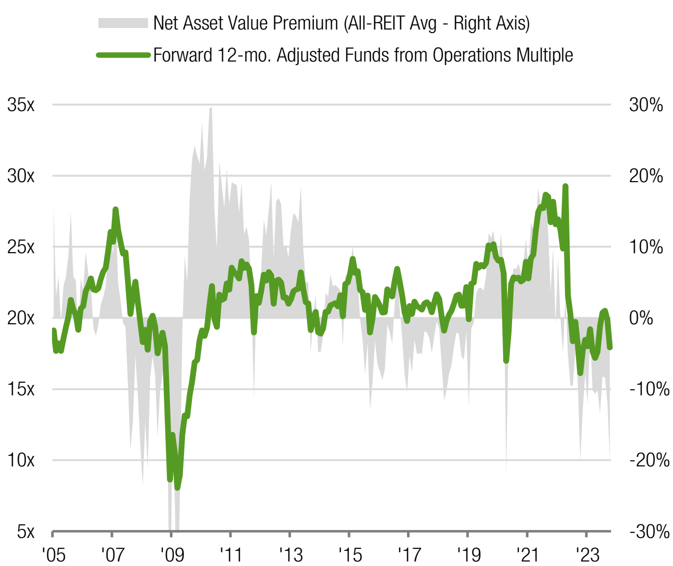
PUBLIC MARKET PERFORMANCE

	Total Returns*			Pricing Metrics		
	1 mo.	YTD	Last 12M	Prem to NAV	Prem to Assets	Nominal Cap Rate
RMZ	-5%	-6%	0%			
S&P	-2%	11%	14%			
US 10-Yr.	-3%	-4%	-1%			
Apartment	-3%	-4%	-7%	-17%	-13%	5.7%
Healthcare	-2%	2%	13%	21%	13%	6.8%
Lodging	1%	-1%	-9%	-31%	-21%	8.5%
Industrial	-10%	-7%	3%	-11%	-8%	4.7%
Mall	-5%	-5%	12%	-22%	-13%	7.4%
Manu. Housing	-8%	-14%	0%	-18%	-13%	4.8%
Net Lease	-4%	-18%	-9%	-10%	-6%	7.0%
Office	-8%	-24%	-22%	-44%	-23%	7.3%
Storage	-7%	-10%	-14%	-28%	-22%	5.3%
Strip Center	-4%	-6%	5%	-17%	-11%	6.6%
Wtd. Avg.	**-5%**	**-6%**	**0%**	**-22%**	**-14%**	**6.3%**

**Pricing as of 10/23/2023*

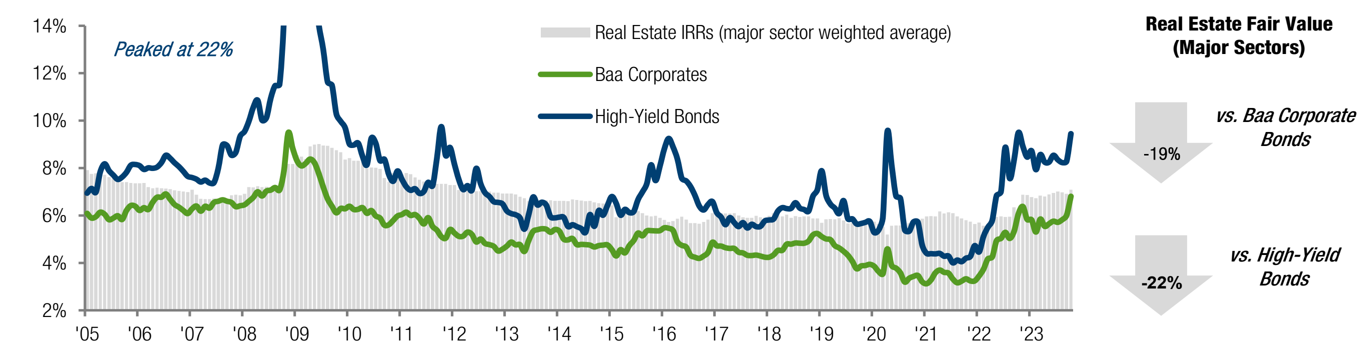
Sources: Bloomberg, Green Street

NAV PREMIUMS AND REIT AFFO MULTIPLES



Source: Green Street

REAL ESTATE RETURNS VS. BOND YIELDS

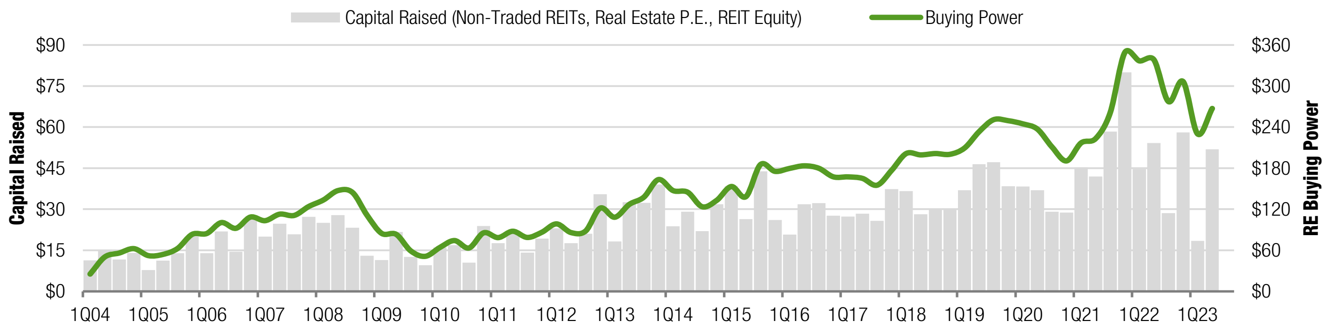


Sources: Bank of America, Moody's, Green Street

MARKET MONITOR

US REAL ESTATE CAPITAL RAISING AND BUYING POWER ($BIL.)

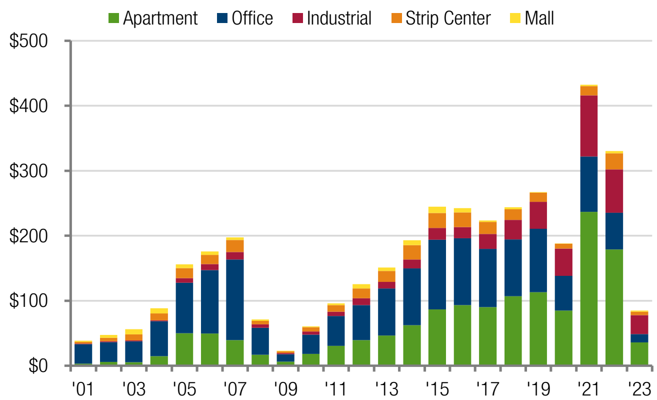
Buying power calculated as cash plus estimated incremental debt



Sources: Robert A. Stanger & Co., Preqin, SNL, Green Street

SALES VOLUME BY PROPERTY TYPE ($BIL.)

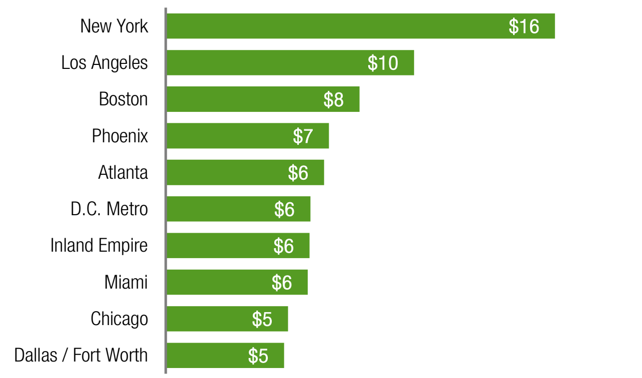
Volume representative of verified transactions $25 million or more



Source: Green Street

LAST 12 MONTHS TRANSACTION VOLUME ($BIL.)

Volume representative of verified transactions $25 million or more



Source: Green Street

NOTABLE RECENT TRANSACTIONS

Individual property transactions of $25 million or more. Excludes portfolios and partial-stake sales.

	Property Name	Date	Sector	Market	Price ($Mil.)	SF/Units	Price PSF/ Unit	Buyer	Seller
1.	69 East 125th Street	10/19/23	Apartment	New York	$28.2	77	$366,234	GO-RE Partners	Greystone
2.	Sandy28	10/19/23	Apartment	Portland	$43.0	206	$208,738	Green Leaf Capital Partners	Fairfield Residential
3.	Windsor Westminster	10/18/23	Apartment	Denver	$81.0	277	$292,419	GID	Jackson Square Properties
4.	185 Van Dyke Street	10/18/23	Industrial	New York	$27.5	96K	$286	Terreno Realty	Lande Alexander
5.	Village Business Park	10/17/23	Industrial	Orange County	$71.0	301K	$236	Buchanan Street Partners	TA Realty
6.	Interchange Logistics Park	10/17/23	Industrial	Charlotte	$28.3	225K	$126	Clarion Partners	Trinity Capital
7.	Seven Lakes	10/16/23	Apartment	Tampa-St. Petersburg	$94.3	640	$147,344	Bridge Investment Group	Covenant Capital Group
8.	Lafayette	10/16/23	Apartment	D.C. Metro	$68.8	340	$202,353	Spira Equity Partners	Jonathan Rose Cos.
9.	29 Wyn	10/13/23	Apartment	Miami	$135.0	248	$544,355	Berkshire Residential Investments	Metro 1; Related Group
10.	Safeway Plaza	10/12/23	Strip Center	Oakland-East Bay	$35.0	69K	$509	TRC Retail	Trammell Crow Co.

Visit the News Library to access the data in the Market Monitor charts. **Source: Green Street**

THE GRAPEVINE

... From Page 1

New York-based shop, which invests on behalf of **Chad Pike,** a former co-head of real estate at **Blackstone.** Brooks' duties could not be learned, but his background is in opportunistic equity and debt investing. Last September, he parted ways amicably with **Prospect Ridge,** which he joined in 2019 when it spun off from **AllianceBernsteins's** real estate opportunity funds. Brooks spent eight years at AllianceBernstein and 15 years before that at **Goldman Sachs.**

Stephen Warheit joined **BGT Enterprises** this week as chief financial and operating officer of the Jersey City, N.J.-based development firm. He was previously CFO and chief investment officer at **Kiska Investments,** where he oversaw the family office's U.S. holdings, including equity, debt and fund investments. Warheit had worked at the New York-based firm since 2016. Prior to that, he was CFO and controller at **Kar Properties** for about a year and had a five-year term at **Tishman Speyer** as a finance director. In the newly created role at BGT, Warheit reports to **Ben Torrei,** founding and managing partner. Executive-search firm **J. Shaw Enterprises** arranged the hire.

Kerry Hawkins joined **Hobbs Brook Real Estate** this month as a vice president and senior director of asset management. She was previously senior director of life-science investment management at **Greystar,** which she joined in February 2022. Prior to that, Hawkins spent almost four-and-a-half years combined at **JLL** and **HFF,** which JLL acquired in 2019, working on investment sales. At Waltham, Mass.-based Hobbs, Hawkins oversees growth strategy for the firm's 4.7 million-sf portfolio.

Oliver Turner joined **Long Wharf Capital** last week as a director on the investment team. He's charged with analyzing opportunities nationally on behalf of its value-added investment vehicles and reports to managing director **Philip Murphy.** Turner was previously a vice president of acquisitions at **WHI Real Estate Partners** of Chicago, where he worked for just over four years. His hire at Boston-based Long Wharf was arranged by executive-search firm **Keller Augusta.**

JLL has added a director in its valuation-advisory practice. **Stephanie Phipps** started on Oct. 2, focusing on build-to-rent deals nationwide. Based in Oregon, she reports to executive managing director **Kai Pan,** head of the multifamily sector in the firm's value and risk advisory business. Phipps previously worked at **BBG** as a senior appraiser for more than eight years.

Caroline Eastman joined **LaSalle Investment Management** as a senior analyst on the transaction team in El Segundo, Calif., this month. She came to Chicago-based LaSalle from its brokerage affiliate, **JLL,** where she spent two-and-a-half years in San Francisco, leaving as a senior analyst.