

Fully Leased Houston Offices for Sale

Transwestern Development is marketing a 2-year-old office building in Houston's West Belt Corridor that could attract bids of \$110 million.

The 313,000-square-foot Westway Plaza is fully leased by three tenants, with a weighted average remaining lease term of 9.4 years. At the estimated value of \$351/sf, a buyer's initial annual yield would be 6.75%. The marketing campaign is emphasizing that contractual rent bumps will increase the net operating income 2.3% annually over the next decade. **HFF** has

the listing.

The Class-A building, completed by Houston-based Transwestern in 2015, is designated LEED gold. All the space was pre-leased. The developer put the property on the market that summer, also via HFF, but no sale resulted.

General Electric leases 222,000 sf, some 70% of the space, until 2027. GE has a credit rating of A1/AA- from **Moody's** and **S&P**. The other tenants are **Superior Energy Services** (64,000 sf until 2025) and **Tesco**, which is leasing 27,000 sf for its corporate headquarters until 2025.

Westway Plaza has 1,186 parking spaces. It's on 10 acres at 11330 Clay Road, at the intersection of Sam Houston Tollway and adjacent to Westway Park, a 2.4 million-sf mixed-use development.

The long lease terms could insulate the offering from investor concerns about oil-industry woes that have shaken the local economy. Houston office sales have slumped since oil prices plunged in 2014. Last year, only \$341.5 million of large properties traded, according to **Real Estate Alert's** Deal Database. But the market has begun to stir, with two big deals so far this year totaling over \$780 million. ❖

Corrections

An April 12 article, "Vegas-Area Apartments Offer Upside," misstated the owner of Veritas Apartments, a Las Vegas complex listed with **JLL**. The property is now owned by **Monogram Residential** of Plano, Texas, not by its developer, **Trammell Crow** of Dallas.

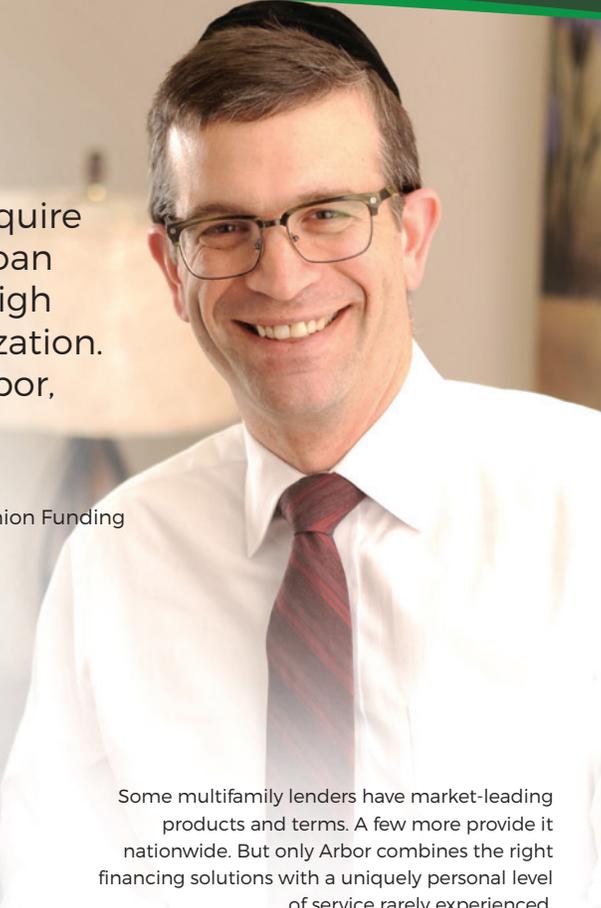
An April 12 article, "Renovated Arizona Offices Available," misstated the owner of the Lincoln Towne Centre office complex in Scottsdale, Ariz. The property, listed with **Eastdil Secured**, is owned by **Transwestern Investment Group** of Dallas, not Chicago-based **Pearlmark Real Estate**, which was formerly known as Transwestern Investment Co. ❖



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Growing Financial Partnerships

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firm **Ferguson Partners** found that 91% planned to maintain or increase hiring levels this year.

“Year-over-year we are clearly seeing more demand domestically,” said **William Ferguson**, founder of the firm. “What real estate companies would tell you is that we are not overleveraged, we are not overbuilt . . . and the prospects for the economy look reasonably good.”

Likewise, industry pros seem optimistic about their careers, said managing partner **Gregory Shultz** of **Newbridge Search**. “In a really tight market where there’s not a lot of opportunity, people stay put, they sit tight,” Shultz said. He noted that his firm is still receiving a substantial number of inquiries, including from senior executives. “They are confident that it is a good time for a career change.”

Bolstering the demand for professionals is the continuing flow of foreign and domestic investment in U.S. properties. “An increasing allocation of capital is going into real estate and going into the U.S., and I don’t see that changing in 2017,” said **Steven Littman**, president and managing partner of **Rhodes Associates**. His firm continues to receive assignments from foreign investors looking to build or expand U.S. platforms.

And while much of that capital is targeted towards major coastal cities such as New York and San Francisco, investment shops are showing a willingness to continue to push into smaller markets as well, according to **Chris Papa**, senior managing director at **Bachrach Group**. He has completed two recent searches for professionals placed in tertiary locations.

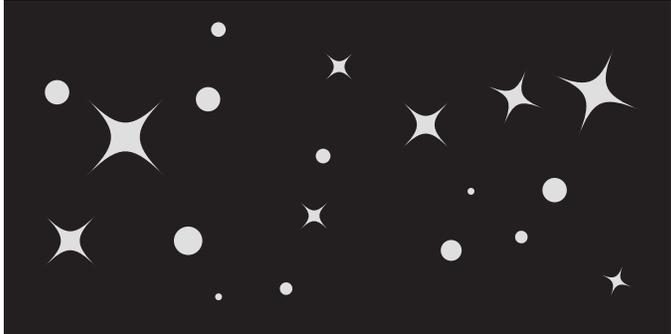
Another factor is demographic: A large contingent of industry pros is reaching retirement age, prompting more hiring as firms make succession plans. “You are going to see a lot more turnover in the Baby Boomer category, and that creates a whole new wave of requirements in a market that is already short on talent,” said **Anthony LoPinto**, global sector leader of real estate at **Korn Ferry**. “Ergo, I think we are going to continue see the search business remain very active.”

Meanwhile, real estate companies are increasingly willing to seek out candidates from other types of investment firms, to draw on their skills in roles such as investor relations and capital raising, said **Jennifer Novack**, managing director and head of global real estate at **Sheffield Haworth**. “Firms are looking into new ways to do things as they grow.”

Recruiters noted that most search assignments are tied to specific needs — such as filling vacancies created by departures or promotions, or managing new acquisitions.

“Firms are not going crazy adding overhead,” said **Robert Baron**, president of **BCGI American Real Estate Executive Search**. While being cautious about growth, he said, companies “kind of keep doing what they’re doing with one eye on the horizon.”

Even with full pipelines of assignments, recruiters are wary. “I am a realist, I am going to be cautiously optimistic,” said **Jana Turner**, a principal at **RETS Associates**. “Currently so much is going on economically and politically that could cause a pause. The current cycle has lasted longer than anticipated, and this gravy train is not going to go on forever.” ❖



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EXECUTIVE-SEARCH FIRMS

Recruiters Serving Real Estate Companies

Organization	Contact	Specialty	Retainer	Contingency
20-20 Foresight Executive Search, Chicago	Bob Cavoto, 708-246-2100	All functions	•	
Aethos Consulting, Boulder, Colo.	Keith Kefgen, 516-770-2331	Acquisitions, asset management, and executive positions for hotels, casinos and restaurants	•	
ALJ Group, Chicago	Todd Justic, 773-445-3423	Development, construction, engineering and architecture	•	
Allium Partners, Chicago	Jay Costley, 312-755-8351	All functions	•	
Ankenbrandt Group, Newport Beach, Calif.	Dave Ankenbrandt, 949-955-1455	All functions		•
Atlantic Group, New York	Richard Scardina, 212-271-1190	All functions	•	•
Bachrach Group, New York	Chris Papa, 212-279-7777	All functions	•	•
BCGI American Real Estate Executive Search, New York	Robert Baron, 212-706-0750	All functions	•	
Bob Poline Associates, San Diego	Bob Poline, 858-541-2500	All functions for firms specializing in retail and mixed-use properties	•	•
Caldwell Partners, Toronto	John Wasley, 310-402-5711	All functions	•	
Christenson Advisors, Chicago	Kevin Christenson, 312-214-3480	All functions	•	
Christopher Group, Prairie Village, Kan.	Chris Sprehe, 913-515-2403	All functions	•	•
CL Kiley Associates, New York	Cornelia Kiley, 917-573-0076	All functions	•	
Claremont Search Advisors, New York	Jane Ezersky, 212-866-3600	All functions	•	
CPI, New York	Brian O'Callaghan, 212-354-3933	Acquisitions professionals	•	
Crown Advisors, Pittsburgh	Bert McDermott, 412-348-1550	All functions	•	
Dawn Taylor Associates, New York	Michael Kinsler, 203-341-9592, ext. 107	All functions		•
DHR International, Chicago	Sayres Dudley, 214-347-8083	All functions	•	
Diamond Group, Fairfield, Conn.	Steven Diamond, 203-256-9955	All functions	•	•
Easton Executive Recruiting, Dallas	Alex Cox, 214-584-6657	All functions for real estate investment firms	•	•
Glocap Search, New York	Sun-Sun De Swaan, 646-356-6479	All functions	•	•
Equinox Search, New York	Barbara Beck, 212-660-7455	All functions	•	
Ferguson Partners, Chicago	William Ferguson, 312-893-2333	Corporate- and board-level and senior-management positions	•	
Futurestep, New York	Eric Goldstein, 212-973-5866	All functions at director level and below	•	
Gillham, Golbeck & Associates, Dallas	Rick Gillham, 214-880-9040	All functions	•	
Grant Morgan Associates, Bethesda, Md.	Mark Pugrant, 301-718-8888	All functions	•	•
Heidrick & Struggles, Chicago	Graham Beatty, 212-699-3009	All functions	•	
Huntington Partners, Mars, Pa.	Chris Aretta, 724-864-1600	All functions	•	•

EXECUTIVE-SEARCH FIRMS

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Organization	Contact	Specialty	Retainer	Contingency
HVS Executive Search, Mineola, N.Y.	Court Williams, 516-248-8828, ext. 220	Acquisitions, asset-management and executive positions for hotels, casinos and restaurants	•	
John Morrow & Associates, Irwin, Pa.	Jim Morrow, 724-864-9500	All functions	•	•
Joseph Chris Partners, Houston	Veronica Ramirez, 281-359-2108	All functions	•	•
Judson Partners, New York	Kerry Allison-Gaines, 646-757-9974	All functions	•	
Kaye/Bassman International, Dallas	Marty Shapan, 972-265-5202	All functions	•	
Keller Augusta Partners, New York	Kate Keller, 212-584-7880	All functions	•	
Korn Ferry, Los Angeles	Anthony LoPinto, 212-984-9329	Board directors and senior executives	•	
Leichter Ellison Advisors, New York	Van Leichter, 646-503-5352	All functions, platform acquisitions and capital raising	•	
Marcus & Associates, New York	Jacob Lefkowitz, 212-856-9888	All functions	•	•
Newbridge Search, New York	Gregory Shultz, 212-626-6719	All functions	•	
Newport Strategic Search, Encinitas, Calif.	John Fitzpatrick, 760-944-6795	Development, investment and property management	•	•
Norgay Partners, New York	Mary Gay Townsend, 646-838-0499	All functions	•	
Peregrine Group, Chicago	Ward Feste, 312-564-8886	All functions	•	
Real Estate Executive Search, Dania, Fla.	Richard Birgel, 954-927-6000	All functions		•
Redpath Partners, New York	Emma Stuart, 646-880-3310	All functions	•	•
RETS Associates, Newport Beach, Calif.	Kent Elliott, 949-724-0800	All functions	•	•
Rhodes Associates, New York	Steven Littman, 212-503-0444	All functions	•	
Russell Reynolds Associates, New York	Debra Barbanel, 310-775-8942	Board directors and senior executives	•	
Sheffield Haworth, New York	Jennifer Novack, 646-979-2823	All functions	•	
SG Partners, New York	Sheri Gellman, 212-922-9544	All functions	•	•
Sousou Partners, London	Shabnam Boettle, 212-557-7500	All functions	•	
Southcoast Partners, Kingwood, Texas	David Bowles, 281-358-3199	All functions	•	•
Spencer Stuart, Chicago	Lynn Cherney, 312-396-3940	All functions	•	
Terra Search, San Francisco	Matt Slepín, 415-433-2244	All functions	•	
Trovato Group, Madison, Wis.	Al Marco, 608-239-1801	All functions	•	•
VSR Advisors, New York	Vivian Rabin, 973-458-1535	All functions	•	

GLL Snags Apple-Leased Offices

GLL Real Estate has paid \$96 million for a new office building in Austin that is fully occupied by **Apple**.

The Munich fund manager acquired the 217,000-square-foot Capital Ridge, at 320 South Capital of Texas Highway in the Southwest submarket, last week from a joint venture between **Miller Global** of Denver and **Riverside Resources** of Austin. At the \$443/sf price tag, GLL's initial annual yield will be roughly 5.4%.

The Miller partnership began marketing the Class-A property last September via **Eastdil Secured**, but the effort was put on hold amid some uncertainty in the debt markets. The process restarted early this year.

Apple's presence was a major draw for bidders. The computer giant's rent is \$24.03/sf on a triple-net basis, which is about 20% below the market's prevailing asking rate. Scheduled increases will gradually boost the rate to \$30.63/sf by 2028, when the lease expires.

The Miller-Riverside team completed the seven-story building late last year on a site with 38 acres — more than 30 of which are designated as green space. As part of the deal, GLL also assumed an eight-floor garage with 914 spaces, including 96 spaces reserved for the adjacent Hotel Granduca, a luxury boutique with 194 rooms.

The building is across from the 227-acre Wild Basin Preserve, which includes 2.5 miles of bike and walking trails. ❖

IBM Offers Data-Center Leaseback

IBM is seeking to sell and lease back a data center in Columbus, Ohio, that could attract bids of \$40 million.

The 213,000-square-foot property is at 4499 Fisher Road. IBM would lease it for seven years on a triple-net basis with a base rent of \$14.70/sf, which would generate net operating income of \$3.1 million in the first year, according to marketing materials.

At the estimated value, the buyer's initial yield would be 8%. **JLL** has the listing.

The one-story building, constructed in 1989, has 118,000 sf of raised floor space and some 95,000 sf of support space. It was designed to meet "Tier 3" data-center standards, the second-highest level in terms of security and redundancy. But it doesn't have an official rating.

Indications are that IBM believes it can take advantage of strong demand for data centers among institutional investors. The marketing campaign highlights the stability of the technology giant, which is rated Aa3/AA- by **Moody's** and **S&P**. The property is used by its IBM Global Technology Services unit.

The proposed lease would include annual rent increases of 2.5%, creating what JLL is pitching as a passive investment that offers growing long-term cashflow. Renewal options haven't been set.

The property is on nearly 27 acres about eight miles west

of downtown Columbus, near the juncture of Interstates 70 and 270. ❖

Hertz Spinoff Eyes Sale-Leaseback

An equipment-rental company spun off by **Hertz** last year is seeking to sell and lease back 64 retail/industrial properties in the U.S. and Canada.

The 783,000-square-foot portfolio has an estimated value of about \$150 million. At that valuation, the capitalization rate would be roughly 6.7%. Investors can bid on the entire package or any of four sub-portfolios. The seller, **Herc Holdings** of Bonita Springs, Fla., has given the listing to **CBRE**.

Herc rents equipment for construction, farming and other uses from 270 branch outlets, primarily in North America. It was founded in 1965 as a unit of the car-rental giant Hertz and operated as the Hertz Equipment Rental Corp. until last July, when it was spun off as a public company. The firm, which operates under the Herc Rentals brand, generated \$1.35 billion of revenues last year and has a market capitalization of \$1.3 billion.

The listed properties are spread across 53 markets in the U.S. and 11 in Canada. Herc plans to fully occupy the properties under absolute, triple-net leases without any landlord obligations. The agreements of 10-15 years would include 2% annual rent bumps. The leases would carry five renewal options for five years apiece. ❖

Cambridge Offices, Shops Available

L&B Realty has teed up a well-leased office/retail property in Cambridge, Mass., that's expected to fetch around \$80 million.

The 122,000-square-foot complex is 95.5% occupied. Given leasing demand in the white-hot Cambridge market, the pitch is that a buyer could fill the vacant space and boost below-market rents as leases expire. **CBRE** has the listing.

The property, at 625 Massachusetts Avenue, consists of two connected buildings, of two and three stories, at the corner of Essex Street in the Central Square neighborhood. It's directly above the MBTA's Central Station.

Harvard recently renewed a lease for seven years on 41,000 sf of office space. **WeWork** occupies another 30,000 sf. Retail tenants include Boston Sports Club (22,000 sf) Walgreens (13,000 sf) and TD Bank (5,000 sf). Rents for the street-level retail space are about 30% below average asking rates in the area, which has an abundance of shops and restaurants.

Completed in 1929 and 1950, the buildings underwent a \$7 million gut renovation in 2000. L&B, a Dallas investment manager, paid \$40 million for the property in 2012, when it was fully occupied. Since then rents have shot up dramatically for offices in Cambridge, and the market's occupancy rate has risen to nearly 100%. The Central Square neighborhood is sandwiched between Harvard Square and Kendall Square. ❖