

## Strategies

### Cole Expects To See Higher Transaction Volume

Cole Real Estate Investments expects to see an increase in transaction volume this year. Chris Robertson, executive v.p. and chief acquisitions officer, said that the firm expects to complete about \$1.7 billion of acquisitions, up from \$1.5 billion in 2007. "Our fundraising activity has increased since last year so we have stayed very active in the market," he said. "While the market has experienced a downturn in transaction volume this year, ours will meet or exceed our numbers from 2007." So far Cole has acquired \$318 million of assets.

The Phoenix-based company sees strong opportunities in the multi-tenant retail market. This is because of a diminished interest in those assets by the institutional investor community. But at the same time, the lending community still likes the sector, so financing, while still difficult to obtain, is available. "Last year, interest in multi-tenant retail was heavy. Cap rates were lower, yields were lower, and as a result, we weren't that competitive in our bidding and buying of these assets. This year, cap rates have become much more attractive and financing is still available for us," Robertson said. The firm is also seeing a rise in the number of sale-leasebacks completed.

Cole's portfolio is more than 99% occupied, which Robertson said is due to the firm's strong emphasis on property vacancy rates. "We also did a good job of picking the right assets, which was key over the last two to four years. I don't think there was a lot of disciplined buying going on in the market at that time," he added.

### BPG Properties Anticipates Slower Investment Pace

BPG Properties expects its investment pace to fall 30-40% from last year. Art Pasquarella, chief operating officer, attributes the slowdown to the increased gap between buyers and sellers. "Sellers want last year's prices and buyers want a big discount to last year's prices," he said. As a result, many owners are electing to hold on to properties rather than sell at reduced prices, particularly because most properties are showing strong rents, high occupancies, and relatively low debt costs.

The Philadelphia-based company is a value-add operator. Many of its investments are in the office and multifamily sectors. Its investments average 150,000 square feet or 250 units for apartments. When buying a property, BPG typically puts one-third of the cash down and, as a result, the credit crunch is having little effect on it. "There is plenty of debt capital available today provided the property is not being over-leveraged," Pasquarella said. BPG holds properties for five years and targets returns in the mid-teens.

The company recently sold 200 Tournament Drive, a 90,845 square foot office building located in Commonwealth Corporate Center in Horsham, Pa. The company sold the Class A building for \$18.6 million, four years after acquiring the property and redeveloping it. "We bought the building when it was empty, so value has been created through our efforts of redevelopment," Pasquarella explained.

BPG is expecting to see things pick up over the next six to 12 months. "In the end, you will see investment real estate assets clear at 5-10% off their 2006 peaks, and buyers becoming confident again in the future of revenue growth and hence confident to be more aggressive in their pricing. This will make owners want to become sellers," Pasquarella said.

### Equastone Seeks Big Lending Relationships

Equastone wants to shift its lending relationships so that it is relying mainly on three or four major lenders. As part of this, Equastone completed its first loan with Wachovia, refinancing debt on South Mountain Center, an 86,835-square-foot office in the Southeast Valley submarket of Phoenix, said Thad Meyer, cfo. "We would love to move forward with three or four great lenders. Maybe we won't have the best pricing but we want to trade that off for administrative ease and having bigger relationships with bigger partners," he said. The firm has relationships with about 20 lenders.

The La Jolla, Calif.-based firm decided to refinance debt on South Mountain Center because it wanted to reclaim some of the equity that had built up as a result of the rise in the property's value since its acquisition and redevelopment several years ago. At the time of acquisition, the property was only 20% occupied. It is now 75% occupied, with plans to boost that number to 85% shortly, Meyer said.

Initially, it wasn't easy to obtain a loan. "We started thinking about refinancing in January and February, but received silence," Meyer explained. "In March, people started to return our calls and by April and May, we were receiving competitive bids." He added that Equastone has started to see some of the larger lenders showing up and looking at their projects. "Bigger relationships with bigger partners are important at this time," he added.

Equastone selected Wachovia for a number of reasons, including the bank's ability to provide a loan that was for about 65-75% of the value of the property. "Wachovia also provided an easy close with great flexibility," Meyer said, adding that the bank structured the loan to accommodate a potential sale of the property in the next couple of years. "We saw it as a good opportunity to start doing business with a fairly large lender that we will be able to capitalize on."