

Strategies

Kearny Hunts For Complex Deals

Kearny Real Estate is looking for complex or interesting deals where it can use its background in entitling, land development and distressed debt placement. "We are looking for opportunities that are not just financial engineering, but need a good amount of heavy lifting," said Tony Nobuyuki, partner. The company specializes in West Coast assets and doesn't have a limit on size.

As part of this, the company recently completed the sale of an 183,400-square-foot building in San Francisco to the Kaiser Foundation Health Plan. The sale was completed with partner Morgan Stanley Real Estate Investing and was the last piece of a 13-building, 42-acre complex at 190th and Figueroa Street that was formerly the headquarters of Nissan North America.

The sale was the culmination of nearly four years of work, Nobuyuki said. Kearny acquired the property in October 2006 and began repositioning work about five months later, after Nissan vacated. The company spent \$10 million on updating facilities, expanding parking and untangling land use issues related to changing the complex from a single tenant to a multi-tenant property. "We took 700,000 square feet of buildings, broke them down and sold to local businesses," he added.

Another recent transaction included a land swap with the Los Angeles Air Force Base. The base, which needed new facilities, was short on cash but had plenty of land. In exchange for the construction of a new 540,000-square-foot, low-rise campus Kearny received a 40-acre site in El Segundo that will ultimately be used for residential housing.

Developer Launches \$100M Equity Campaign

Concord Eastridge wants to raise \$100 million to fund its development pipeline. The company, which is focused on public-private real estate developments for colleges and universities, is expecting the money to come from two to four institutional investors. Public-private development is a good risk-adjusted investment for some institutional investors, said Susan Eastridge, ceo. "In 2009, we decided to raise capital. We realized we were too big to be small and too small to be big," she added.

The Arlington, Va.-based firm hired Carl Adams from Sunrise Senior Living as its new chief investment officer to oversee the fundraising. Adams, who will also be responsible for corporate strategy, equity and debt financing and forecasting, filled a

similar role at Sunrise. Additionally, senior living—like college and university developments—is not always recognized as its own sector, Eastridge added.

Concord anticipates using leverage of about 50% to 60% on its developments. Its pipeline includes a new hotel and conference center at North Carolina State University, student housing at the University of Nevada Las Vegas and a mixed-use project at the University of Mary Washington. "We feel we will have an audience with people because we are not speculative," Eastridge added. All of the existing projects as well as the ones in the near future are between \$25 million and \$150 million.

JCR Sets Second Closing For Debt Fund

JCR Capital is raising capital for its first investment fund, which it hopes will be the first in a series of offerings that target the dislocation of the debt markets. The Denver-based company has already raised \$20 million for *JCR Capital Partners 1* and wants to bring in another \$10 million to \$15 million. "We are starting off small so that we can turn this fund around quickly," said Jay Rollins, principal.

JCR's investment philosophy results from its analysis of the current downturn. "If you were around in the 1990s, you would remember that it was an asset problem. There was speculative lending on buildings that were not occupied. This time around, there were not a lot of new assets created but a lot of assets were overleveraged," Rollins said. "We have a credit market dislocation rather than an asset dislocation and when you factor in declining rents and net operating income, you have the perfect storm."

The company sees three ways it can capitalize on the current dislocation. It will work with legacy borrowers that have loans in default to either buy or restructure loans and it will also originate new debt on a property. Finally, it will work with lenders—particularly community banks—that need to get assets off of their books either through a partial or outright sale. The company will target loans of \$1 million to \$10 million.

After investing the first fund, JCR aims to raise a larger fund of about \$50 million to \$100 million. "We think we have another two or three years of distress. This fund is just our first fund. We would like to get \$500 million under management over the next five years," Rollins said. As the market recovers over the next two to three years, the company will transition itself to a high-yield lender, he added.