

## Investment Strategies

### CIP Real Estate Maps Southeast Expansion

CIP Real Estate, an office and industrial investor based in Irvine, Calif., has opened an office in Charlotte and wants to expand in the Southeastern U.S. The firm hopes to acquire about \$200 million of properties in 2008 and anticipates about half of that activity will be in the southeast region, said Jared Rogers, v.p. and regional director.

Until now, CIP has focused on the West Coast. It is looking at deals from Atlanta to Richmond and from Memphis to Nashville. It is also looking at opportunities in Raleigh and Charlotte. CIP is more focused on industrial properties than office deals at the moment. "People are still waiting for the pin to drop on what's going to happen with some of the office space, with regards to the residential market," Rogers said.

CIP has a portfolio of warehouses in the Southeast under contract but Rogers said it was too early to discuss details, including location. CIP tends to cater to smaller tenants and Rogers noted that for the warehouse acquisition, the tenants range from as small as 600 square feet to 25,000 square feet. The company tends to give expansion leasing assignments to third-party brokerages and handle renewals in-house.

Rogers said he's also doing research into possible deals in Savannah and Jacksonville. "We keep it simple: solid demographics and buying at a discount to replacement cost. It's got to pass that litmus test for us to do anything," he said.

### Mission Residential Sees Middle Market Opportunities

Mission Residential sees substantial opportunities to acquire middle market apartments. Chris Finlay, managing principal, said the Vienna, Va.-based multifamily specialist likes the fundamentals of the market, which include undersupply and good availability of debt from Fannie Mae and Freddie Mac. "Fifty percent of the rental housing in this country is over 50 years old," he said. "And 70% is over 30 years old."

As the echo boomers enter the housing market in the coming years, increasing demand will lead to improving fundamentals. "When you look at the demographic that is going to drive apartment rents for the next 10 years, these people are not looking for concierge services and cappuccino bars. They're looking for value," Finlay said. "When you get out of college and you get your first job, are you looking for that high-end place

with granite countertops and all the services? No. You're looking for a place that's close to work that is well-maintained. You're looking for a place that has got good service and that's safe. That's the middle market."

Finlay believes that middle market apartments have been largely abandoned by institutional real estate companies and REITs. The company makes two acquisitions per month and is interested in markets where above-average job growth is forecast for the next 10 years such as Raleigh-Durham and Charlotte, N.C., Dallas, Austin, Nashville, Salt Lake City and Denver. "I think this country is going to be broken into the haves and have-nots in terms of job creation, and ultimately that's going to translate directly into what apartments perform and what apartment are just going to get by," he said. "People move to where the jobs are."

### Developers Map Out Hotel Component For Mixed-Use Project

Shea Properties and Olson Development have reached an agreement to build three hotels totaling 480 rooms at Legacy Park, a mixed-use development in Tustin, Calif. As part of this, the partners will be in the market for construction financing, looking for loans from relationship lenders and possibly new financing sources.

Olson, a hotel developer active in California, will build a 180-room full service Kimpton boutique hotel on the site. It will also build two other hotels for which Olson has not named an operator. The hotels are part of a 5.7 million-square-foot, 2,100 unit office and residential project that Shea is developing on the site of a former Marine Corps air station. The project is considered in Los Angeles' John Wayne Airport submarket.

Jack Godard, senior v.p. at Shea, said the partners decided to anchor each end of the main street in Legacy Park with hotels instead of more traditional retail anchors. "It brings a business traveler, a whole different consumer to the area," Godard said. "Legacy Park is not going to be a regional mall-type retail street. It's really a dining and entertainment street, and we believe that the hotel customers are a really critical component to energizing that street," Godard said.

Robert Olson, president of R.D. Olson Development, said the firm has undertaken projects in Burbank and Aliso Viejo in which the hotel functions as a community center. The spec project is in the final stages of entitlement. Godard hopes to break ground in 2009. Both Olson and Gogard said it was too early to determine financing requirements.