Chicago Firm Taps Acquisitions Pro

A real estate firm that plans to buy up to $200 million of properties within two years has hired a former **Pearlmark Real Estate** acquisitions pro.

Max Meyers joined **South Street Capital** of Chicago two weeks ago as a principal to oversee asset management and property acquisitions. He was previously vice president of acquisitions for Chicago fund shop Pearlmark, which last year changed its name from **Transwestern Investment.** Meyers will work alongside principals and co-founders **Matt Garrison** and **Marc Muinzer.**

South Street will chase opportunistic returns across property types. It will consider investments nationally, but will initially focus mostly on Chicago and elsewhere in the Midwest. The firm may eventually look to sponsor commingled funds, but for now it will invest on a one-off basis.

The company has told market pros that it has backing from several private capital sources that will fund an estimated $100 million to $200 million of acquisitions over two years. Typical equity investments will top out at about $20 million, although the firm will consider teaming up with partners to pursue larger deals. Indeed, it has joined forces multiple times on student-housing deals with **Campus Acquisitions** of Chicago.

Garrison and Muinzer began operating South Street on a part-time basis in 2002 and turned their attention to it full-time in 2008. Muinzer formerly worked on acquisitions at **Equity Residential** of Chicago. Garrison is a local investor who had a stint as a residential sales broker at **Coldwell Banker.** ❖

NEW DEALS

Northern California Office Portfolio

Basin Street Properties last week purchased a 697,000-square-foot office portfolio in Sonoma County, Calif. The Reno, Nev., company paid around $70 million, or just over $100/sf, for the six Class-A properties, which are scattered throughout Santa Rosa. The buildings, which are about 68% occupied, were pitched as a value-added play by the seller, **Blackstone. Jones Lang LaSalle** brokered the deal. The properties were part of the massive **Equity Office Properties** portfolio that Blackstone acquired for $39 billion in 2007. The slowly recovering office market in Sonoma County is expected to get a boost as rising rents in San Francisco prompt tenants to look outside the city.

Manhattan Apartment Site

Developer **DDG** paid a hefty $38.4 million for a residential development site in Manhattan's SoHo neighborhood. The New York company closed last week on the 61,000-square-foot parcel, at 325-329 West Broadway. It plans to develop two buildings with 24 condominiums and ground-floor retail space. **HFF** represented the seller, **Lehman Brothers.** ❖

Debut Fund Nearing First Close

A fledgling investment shop is expected to close this month on $10 million of initial equity for its debut property fund.

East River Partners of New York has set a $25 million overall goal for the multi-family vehicle, called ERP Fund 1. Capital is being solicited from wealthy individuals.

The investment manager was formed in 2010 by **Joseph Cohen** and **Jody Kriss.** Cohen was previously head of acquisitions at **Maxx Properties** of Harrison, N.Y. Before that, he was an executive at **Zeckendorf Development** of New York. Kriss had a previous stint at **Bayrock Group** of New York.

The fund would target opportunistic returns by acquiring, developing and redeveloping apartment properties in Manhattan and Brooklyn. Specifically, it would look south of Midtown in Manhattan and in the northern half of Brooklyn. For existing properties, it would focus on buildings with below-market rents or vacant units, as well as those in need of renovation or suitable for condominium conversion.

The average deal size would be $5 million to $25 million. With leverage, the vehicle would have some $100 million of buying power. East River could boost that capacity by teaming up on transactions with partners.

The management fee would be 1.5%. Limited partners would get an 8% preferred return. After that, East River would be entitled to 20% of the profits until the return of limited partners reached 14%, when the split would become 50-50. ❖

Mass. Offices with Upside for Sale

Manulife Financial is pitching an office complex in Suburban Boston to investors with high-yield strategies.

The 200,000-square-foot property, in Waltham, Mass., is expected to trade for about $40 million. It consists of two Class-A buildings, at 266 and 275 Second Avenue, that are 75% occupied. **HFF** has the listing.

The offering is likely to attract bids from core-plus and value-added investors hoping to bring the occupancy rate in line with the 90% average for the Route 128 West submarket. A buyer able to do so could achieve an annual yield of 8.5%.

Leasing has been strong lately in the submarket, and particularly in Waltham, where growing demand for space from the tech industry has pushed asking rents to more than $30/sf.

The buildings, developed in 1998 and 2000, were well leased until a major tenant moved out and another reduced its space in the last few years. Currently, the largest tenants are **Symantec** (57,000 sf) and **AstraZeneca** (46,000 sf).

Manulife subsidiary **John Hancock,** as holder of a mortgage on the complex, gained control in 2010 from owner **Bluestone Holdings,** which struggled with the property's $29.1 million debt. Bluestone, of Newton, Mass., had acquired the complex for $44.1 million in 2001.

The complex has 725 parking spaces in a garage and surface lots. It's less than a mile from a Route 128/Interstate 95 interchange. ❖