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Dealmakers 2009

Here are 35 Who Thrived

Making the selections for our second annual California Dealmakers was twice as hard this year.

Not simply because we had twice as many submissions as last year.

The selection process was considerably more challenging because of the market conditions the industry faced. The period we evaluated nominees for this year's California Dealmakers included what will likely prove to be the nadir of the commercial real estate marketplace's downturn from a transactional perspective.

To be clear, the problem wasn't that there weren't many California Dealmakers out there. True, there were fewer blockbuster deals that just could not be ignored and challenges dogged every transaction. No, the problem was that the line that separated those we ultimately selected versus the many nominees that did not make the cut was so thin. With the fight to close deals so much tougher, we found so many players, who proved willing and able to fight harder.

We were surprised by the number of cases where we could not pick perennial industry power players that often top lists of this nature, including last year's inaugural California Dealmakers feature. While there were many repeat players, only four people repeat this year, which is remarkable consider the caliber of last year's selections. Considering the state of the market almost every nominee had a shot. Those who were not selected, did not fail to make the cut because of a failure to perform, but rather because of the higher overall level of competition we saw among this year's nominees.

Among this year's selections you will find career-making deals closed by people building practices and businesses; transactions that helped transform the surrounding marketplace or set new benchmarks; sales, leases and financings that exemplified the challenges in the marketplace; dominant performances by established players in their core areas of expertise; and individual accomplishments that belied the harsh realities of the real estate down-cycle. Whether it was the determination and ingenuity to not let the fallout of multiple lenders stop an otherwise viable deal or the stamina to maintain a remarkable pace of activity and the confidence of clients in a market where transactions declined by more than 70 percent, the 35 individuals and teams we selected exemplify how commercial real estate professionals bring true value to the dealmaking process on behalf of their clients and investors.

We are proud to offer you this year's selections for California Dealmakers. They represent not only some of the best the commercial real estate industry has to offer, but they show that true Dealmakers never walk away from the negotiating table even when the deal is dead. These Dealmakers demonstrate how you can make deals possible in an impossible market. They prove that Dealmakers not only survive in the worst of markets, they thrive.

- *Michael Gottlieb, CREJ Editor*

FRANK GERACI/WALT CHENOWETH

CB RICHARD ELLIS

When asked how long he and Walt Chenoweth have been working together as a team at CB Richard Ellis, Frank Geraci jokingly responded "too long." But, all jokes aside, the two have been co-workers for 25 years, 12 of which they have shared as formal business partners.

Geraci and Chenoweth lead a five-person team in CB Richard Ellis' Ontario office. Their names often are tied to major industrial projects in the Inland Empire along with large industrial transactions throughout the West Coast.

They brokered the 645,311-square-foot industrial lease at AMB Property Corp.'s Galleano Distribution Center in Mira Loma on behalf of the tenant, IDS. The deal was the largest transaction to close in the Inland Empire so far this year.

The team also was behind the negotiations for Continental Tire North America Inc.'s 497,714-square-foot industrial lease in Redlands from landlord Prologis. And, last year, the two brokered two of the larger deals to close: a 393,000-square-foot sale in Ontario for TA Associates and a 405,864-square-foot lease renewal in Ontario for Toto USA Inc.

Geraci got his start in brokerage working at CB Richard Ellis part-time while he was in college. Meanwhile, Chenoweth entered real estate only after deciding during his senior year in college that a career in government was not for him. The two ended up attending the same training program at the firm and worked in the same office for several years before they ultimately decided to team up.

"Frank's the rainmaker, or finds business, and then I execute," Chenoweth said. "But one of the best things about how our team operates is any one of us can do any part of the real estate transaction."

Comparing their group to a baseball team of not just business partners but good friends, Geraci and Chenoweth said working together allows them to do a greater volume of business, helping to level out the highs and lows of the business cycle.

"It's a very competitive business," Geraci said. "Your resources get stretched very thin very quickly if you work by yourself or if your team changes on a project-by-project basis. What's good about a team is we know each other's strengths and weaknesses."

Associates Patrick Wood and Juan Gutierrez joined the team four years ago putting Geraci and Chenoweth in a position to pass down their experience and knowledge. And one of the lessons Gutierrez and Wood probably picked up early on is what Chenoweth also attributed to the team's success: "We're the first ones in the office and the last ones out."

- *Kari Hamanaka*

DARLA LONGO AND BARBARA EMMONS

CB RICHARD ELLIS

Thirteen years working together has given Darla Longo and Barbara Emmons the time to perfect their craft in the brokerage business. It also is one of the reasons why the two are some of CB Richard Ellis' top producers, often involved with industrial deals of significant size.

While the two do not work exclusively with industrial, Longo said the sector seems to be where the sweet spot is.

When the team closed on Westcore Properties' acquisition of a seven-building industrial portfolio totaling 760,000 square feet of space in Buena Park and Commerce from Prudential Real Estate Investors, the July deal represented one of only a handful of Southern California portfolio sales closed this year. The sale also spoke to how, even in a down market, the two are still pulling off sizeable deals.

And in San Diego, Longo and Emmons negotiated the sale of the four-building, 252,318-square-foot Activity Distribution Center, which is San Diego's largest industrial sale so far in 2009.

And just because the two are still pulling off the big deals, that does not mean they have been immune to the downturn.

"It's very, very difficult today to keep any and all deals together because of all the fundamentals that keep changing quickly," Longo said. "We have everything moving on us."

That challenge has meant taking more time to understand the market and then devising creative solutions. Longo said this means staying on top of the changes, interpreting those changes and then relaying that information back to the client.

"Our job is on the ground," Longo said. "The hardest part is communicating to our clients because we're on the firing line."

The complexity of the market, in both good and bad times, is what makes working in a team all the more advantageous.

"Working on a team allows you to leverage more of your time and leverage other people's talents and capabilities," Longo said.

And Longo said the beauty of her and her sister's relationship is the ability to trust one another's decisions allowing for more time to focus on deals.

"A lot of patience and a lot of persistence," she said of what it takes to be successful in the business. "It's easier to be successful in good times; it's harder in challenging times."

-Kari Hamanaka

KRAIG KRISTOFFERSON AND STACY MERONOFF
CB RICHARD ELLIS

Seasoned veteran Kraig Kristofferson of CB Richard Ellis and his less experienced but equally enthusiastic partner Stacy Meronoff represented the buyer in the largest downtown San Diego office building sale since their last big downtown office transaction.

In both deals, Dutch firm Wereldhave USA bought the newest office buildings in the market - in September 2008, the 15-story, 305,255-square-foot DiamondView Tower for \$161 million and, in June 2007, the 23-story, 380,000-square-foot Advanced Equities Plaza for \$210 million.

DiamondView Tower is on the southeast end of downtown just outside the right field fence of Petco Park, home of Major League Baseball's San Diego Padres. It has two floors of retail at its base and a rooftop space for meetings and events with a deck overlooking the ballpark.

"Stacy and I were the leasing agents for the building even back when it was just a site; it was in an era where we got the highest rents in downtown," Kristofferson said. "Our familiarity with the market and with this property were important."

He said one of the complications of DiamondView's sale was that the owners, San Diego-based Cisterra Partners and Prudential Real Estate Investors, were proud of the rents that they achieved and reluctant to sell when Wereldhave made its first offer. As the market declined, there was more interest in generating cash through the sale of the asset and Wereldhave bought the property for less than its initial offer.

Kristofferson joked that his partnership with Meronoff is successful because "Stacy has the youthful energy and I've got the gray-haired wisdom" and in a way, Meronoff agreed.

"Working with Kraig, with such a base of knowledge because he's been working the market for 33 years, I've just been fortunate to learn from him," he said. "He knows where all of the bodies are buried and he knows all the players."

Kristofferson said he and Meronoff rely on the credibility they've built and their reputation as a go-to team for downtown properties.

"The nice thing about our market is that downtown San Diego is actually the largest market in San Diego but there are not that many people who work it," Kristofferson said. "We have a great relationship and credibility with those brokers that do work the market."

- *Mandy Jackson*

PHILIP D. VOORHEES
CB RICHARD ELLIS

A senior vice president in the Newport Beach office CB Richard Ellis, Philip D. Voorhees focuses on retail investment on the West Coast.

During the 12 months ending July 1, Voorhees completed the \$79 million disposition of the Crossroads Marketplace in Chino Hills to SKT Investments, and sold the Mendocino Marketplace in Santa Rosa to a private investor for \$21.5 million.

"The key for us is having a systematic and organized marketing process," Voorhees said.

With a cooperating broker involved on more than 70 percent of his transactions, working with the brokerage community is another key to success, he added.

Crossroads Marketplace was one of the largest retail investment sales that took place during this timeframe. The property was marketed widely and attracted a number of offers, Voorhees said, but ultimately it came down to three qualified potential purchasers. The buyer, a high-net-worth Korean investor, was represented by a broker, David Kim, who also happened to be his property manager in Southern California. This long-term relationship added to the buyer's credibility, Voorhees said.

"The buyer assumed a 10-year, interest-only commercial mortgage-backed security loan with a favorable rate," Voorhees said. "That's the compelling factor that helped us achieve the pricing we did, which was a 5.9 percent cap rate."

Meanwhile, the Mendocino Marketplace transaction generated a high watermark price per square foot of \$667 and a 5.8 percent capitalization rate. The buyer was a 1031 exchange buyer who exchanged out of a property in the Midwest and was sourced through a cooperating broker, Voorhees noted.

"When I started in the real estate business, they said you could stand on the roof of the building and see the potential purchaser," he said. "But with the Internet and better information, we're seeing capital look at deals across the country in similar geographies."

In 2007, Voorhees and Todd Goodman formed the National Retail Investment Group-West Team. He believes the melding of Goodman's strength representing institutional investors with his own expertise with high-net-worth private investors allows their team to appeal to a broad base of potential purchasers.

With 22 transactions completed year to date, Voorhees expects they'll finish the year somewhere in the neighborhood of 35 deals. Even with the dip from a peak of close to 70 deals, they are looking to add staff to the current 12-member team.

"The people that are going to be long-term players will find a way to make it through and achieve success," Voorhees said.

- *Julie Nakashima*

RAY ELDRIDGE
CB RICHARD ELLIS

A senior vice president in the Newport Beach office of CB Richard Ellis, Ray Eldridge specializes in multifamily institutional investment sales in Southern California. Over the past 24 years, he has been involved in the sale of more than 25,000 apartment units with an aggregate value of more than \$2.7 billion, including the completion of some \$244 million worth of sales within a 60-day period this year.

"As a broker, it helps to have personal relationships that I have developed since 1986," Eldridge said.

Eldridge's transactions include the Northwestern portfolio sale, consisting of the \$70 million sale of the 498-unit Avila Apartment Homes in Rancho Santa Margarita to Stoneridge Capital Partners; the \$56.3 million sale of the 386-unit Aventine at Aliso Viejo complex to Pacific Coast Management; and the \$75 million sale of the 484-unit Alize at Aliso Viejo to Sequoia Equities Inc.

In addition, Eldridge sold the 349-unit Adagio at South Coast in Santa Ana to The Prime Group for \$43.1 million, or \$123,496 per unit, on behalf of an undisclosed seller. The transaction closed 22 days after the execution of an access agreement.

These four deals represent the only 100-plus apartment sales to take place in Orange County so far this year. What made this especially challenging is that Eldridge was competing against a plethora of negative financial news at the time.

"I think what kept the buyers motivated was the strong fundamentals of multifamily in Southern California," Eldridge said.

The transactions closed in the second quarter, but Eldridge said the process actually was initiated in the first quarter. Because of what was going on in the capital markets, he said, the first three months of the year were a wait-and-see period as real estate assets went through a repricing.

By dint of their being successfully completed, the sales created new data points, Eldridge observed.

He also pointed to a "misconception" about the multifamily sales volume -- the lack of sales isn't due to a lack of interest from buyers. It's more from a dearth of available property to purchase at a price buyers would consider economically feasible.

"The gap has narrowed a little bit, but there's still a lack of product being offered in the market," Eldridge said.

- Julie Nakashima

TROY TEGELER
CB RICHARD ELLIS

If one looks at some of the major deals Troy Tegeler has helped arrange acquisition financing for, Fannie Mae and Freddie Mac are the lenders. It reflects a significant change Tegeler and the rest of his team in CB Richard Ellis' Debt & Equity Group have had to adjust to since the evaporation of credit.

"In the multifamily sector, we have gone from 100-plus active/viable lending sources to really just three main sources - Freddie, Fannie and the FHA - in less than 24 months," Tegeler said.

Keeping up with constantly changing market conditions, underwriting standards and borrower credit challenges all represent hurdles.

Still, in this year alone Tegeler has arranged \$29 million in financing for the acquisition of the 204-unit Trellis Square Apartments in Sunnyvale, \$55 million for the acquisition of the 498-unit Rancho Santa Margarita Apartments and \$37.5 million for the 225-unit Parc Point Apartments in Burbank.

The Burbank deal was the first Freddie Mac Capital Markets Execution transaction the firm completed in Southern California.

Tegeler said the fact that his team specializes in multifamily originations helps in being efficient.

However, he said being competitive in the business also is about customer service and it helps that his team has averaged closing a multifamily deal on a weekly basis for the last

four years. That activity has enabled them to keep their fingers on the pulse of the market changes.

"It takes discipline, patience, hard work and humility," Tegeler said. "It is a cliché, but there are no shortcuts."

And crucial to getting deals done is genuinely caring about the client, he said. Originally, Tegeler began his career in the commercial real estate appraisal sector and received his Member of the Appraisal Institute designation.

He said his experience in the appraisal business has come in handy with the work he does today, citing it as instrumental to his success as a mortgage banker.

"In 1994 I was working for Arthur Anderson in downtown Houston and had the opportunity to be a loan analyst with L.J. Melody, prior to the CBRE acquisition and the predecessor to CBRE Capital Markets," Tegeler said. "I jumped at the chance and never looked back."

- *Kari Hamanaka*

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