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## Shorenstein Latest Buyer In Great EOP Sell-Off

*San Francisco-Based Investor Said to Acquire Portland Office Assets for North of \$1B*

San Francisco-based Shorenstein Properties has placed the former EOP's Portland office portfolio under contract for a price reported to be \$1.2 billion, joining the ranks of buyers lining up to acquire parts of the 542-building Equity Office Properties Trust portfolio being sold-off by The Blackstone Group.



Portland skyline

Local Portland sources confirmed that the deal was in the works, though details were sketchy and Shorenstein and Blackstone officials were not available for comment. Tishman Speyer is also looking at the Blackstone property.

Of the 542 properties The Blackstone Group acquired from Equity Office Properties Trust in the record leveraged buyout that closed last week for \$39.2 billion in cash and debt, 45 buildings totaling more than 4 million square feet are in the greater Portland area, including 15 buildings in Beaverton, 18 in the Lake Oswego/Kruse Way submarket, six in Tigard and five in Portland proper, according to CoStar data. The Portland CBD holdings include the 23-story, 369,000-square-foot Congress Center (91.2% leased) and Umpqua Bank Plaza, a 271,573-square-foot building (97.7% leased).

The Equity Office portfolio contains some of the most desirable office properties in the Portland market and with the barriers to entry high in the low-vacancy, slow-growth region, investors are thrilled to get a crack at them, local players said.

"These are some of the most well-located, well-leased Class A office properties with some of the lowest vacancy rates in the Portland market," said Thomas Hanacek, an investment sales broker with Sperry Van Ness in Portland, who is not part of the transaction. "There's only a small amount of inventory. This is not a trader's market. It's a buy-and-hold market. It's an attractive market for owners."

As for its motivation to sell, Blackstone appears determined to ratchet down the high debt costs it was forced to take on in order to fund the purchase and then fend off rival bidder Vornado Realty Trust (NYSE:VNO). In the week since Blackstone acquired the Chicago-based REIT in the largest leveraged buyout in history, it has been scrambling to sell off EOP's former assets to the highest bidders in several major markets.

In fact, it arranged to sell eight former EOP assets in Manhattan directly to Macklowe Properties from Equity Office almost simultaneously as the sale closed.

"They're working their way out of this purchase," Peter Hauspurg, chairman and chief executive officer of Eastern Consolidated Properties Inc. in New York told Bloomberg. "When they had to up their bid, they had to shed these valuable assets to make this thing work. If they can sell the trophies and end up owning 50 buildings at no cost, that would be a home run."

Macklowe agreed to buy the eight former EOP buildings for \$7 billion on Feb. 9, the same day Blackstone closed on the Equity Office acquisition. The assets were sold directly to Macklowe by Equity Office. In doing so, Blackstone saved approximately \$212 million in New York City and state transfer taxes, Bloomberg estimated.

In short order following the acquisition, Blackstone has lined up Boston-based Beacon Capital Partners Inc. to buy 36 former EOP office properties in Washington DC and Seattle for \$6.35 billion, and is now about to flip 17 buildings in Portland to Shorenstein for \$1.2 billion.

And in Chicago, Blackstone has retained Holliday Fenoglio Fowler to find a buyer for Equity Office's 23-building portfolio in Chicago that is expected to pull in another \$2 billion, according to Crain's Chicago Business.

The former REIT's Chicago assets include 10 and 30 S. Wacker Drive, 161 N. Clark St., Oakbrook Terrace Tower and Westbrook Corporate Center.



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Under the terms of its agreement to buy Equity Office, Blackstone borrowed \$31.9 billion and secured another \$3.5 billion in bridge equity while contributing only about \$3.75 billion of its own money to fund the purchase.

Those firms who lined up to loan Blackstone money to acquire Equity Office Properties Trust reads like a who's who of Wall Street titans, including Bank of America Corp., Bear Stearns Cos., Goldman Sachs Group Inc., Morgan Stanley, Citigroup Inc., Wachovia Corp. and affiliates of Credit Suisse Group and Deutsche Bank AG.

*Managing Editor Tim Trainor contributed to this report.*