

Hines Bullish on Sacramento, Acquires Former EOP's 2.4M Sq. Ft. Portfolio
More Blackstone Property Flipped in Record-Shattering \$750M Office Transaction

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Not to be left out of the ongoing redistribution of Equity Office Properties massive office portfolio, an affiliate of Houston-based Hines Interests LP has locked up the former EOP's 2.4 million-square-foot Sacramento office portfolio, including the 502,365-square-foot Wells Fargo Center at 400 Capital Mall, CoStar News has learned.

The transaction, valued by sources close to the deal at more than \$750 million, or \$312.50 a square foot, is the largest transaction in the history of the Sacramento market by a wide margin. The acquisition, for which Hines outbid San Francisco-based Shorenstein Properties, is expected to close May 1.

"It's the largest ever. There's nothing even close," said John Frisch, head of the Sacramento office of Cornish & Carey, which participated in due diligence in the deal. Frisch added that the top-price deal is going to raise rents -- as it has in other markets where Blackstone has flipped property at an immense profit from the \$39 billion buyout of EOP.

The 32-property Sacramento portfolio includes the downtown 30-story Wells Fargo Center tower built in 1992, along with suburban office buildings in the city's Campus Commons, Point West, South Natomas and Watt submarkets. The package includes 10 properties totaling more than 732,000 square feet in the region's booming Roseville/Rocklin office market. However, it does not include four former EOP properties in the Folsom area split off and reportedly sold to McCarthy, Cook & Co. in a joint venture with J.P. Morgan, according to sources.

The transaction reflects growing interest from institutional investors in Sacramento, said Jason Goff of Jones Lang LaSalle, who along with partner Drew Peterson advised Eastdil Secured, the firm retained by Blackstone to market the portfolio.

"My takeaway is that institutional investors now look at Sacramento as being a primary or very close to a primary market," said Goff. "They realize there's tremendous value in being in the capital of the state of California in an area with a broad-based economy."

Blackstone spokesman John Ford did not return a telephone call. Hines spokeswoman Kim Jagger, speaking on behalf of the officer in charge of the REIT's Western operations, said the company does not comment on pending transactions.

However, in a filing with the U.S. Securities and Exchange Commission, Hines disclosed that, on March 29, an affiliate of its unlisted REIT entered into a contract to acquire a portfolio on behalf of an indirect subsidiary of Hines-Sumisei U.S. Core Office Fund, as well as other properties on behalf of another Hines affiliate.

Hines set up the Core Office Fund in 2003 to invest in existing office properties that the Texas firm believes are desirable long-term holdings.