

**REAL ESTATE
ASSET ENHANCEMENT PROGRAM
*OFFICE***



*A CASE STUDY
FROM
AMERICAN REALTY
ADVISORSSM*



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BLOOMINGTON, MN

Investment Background

American Realty Advisors acquired a nine-story 199,276 square foot Class B suburban office building in Bloomington, Minnesota, on behalf of one of its public fund separate account clients, as an enhanced core investment opportunity. At the time of acquisition, the original cost of the property was \$12.4 million or \$62.18 per square foot and the building was 88% occupied.

In 2003, as a result of American's comprehensive due diligence process, the investment team recognized the tremendous upside potential of the investment and proposed an extensive repositioning strategy with the goal of renovating the property over the holding period.



Exterior - Pre-Repositioning

The property is ideally situated in the heart of the Southwest/Northeast Scott County submarket, the second largest submarket in the Minneapolis area, adjacent to I-494 at the entry to the local Suburban business center. The property is within minutes of the Minneapolis central business district, and in close proximity to the Minneapolis/St. Paul International Airport. It provides excellent access to nearby executive housing and local services.

An Ideal Opportunity

In early 2005, Wells Fargo Home Mortgage, which occupied approximately 62% of the property's net leasable area, announced that it would soon vacate 111,505 square feet of its 120,988 total to consolidate

into a new headquarters building in Minneapolis. The news of the tenant's impending departure presented the perfect opportunity for American to commence renovation to the property, to capitalize on a tightening market and thereby achieve the highest possible rents prior to the release of the space to new tenants.



Exterior - Post-Repositioning

American's investment strategy for the property encompassed a comprehensive plan of interior and exterior improvements in conjunction with an aggressive marketing campaign aimed at attracting new tenants with long-term leases at market rents.

Investment Strategy

American's investment team executed a capital improvement strategy of \$9 million in capital expenditures to be utilized primarily for building and tenant improvements, with the majority of the upgrades completed in early 2006. Building improvements included the extensive renovation and upgrades of the lower level common areas, upper corridors, lavatories, exterior curtain wall, entrance vestibules, landscaping, signage, lobby, and elevator modernization. Union labor was utilized in all aspects of the redevelopment project.

Project Results

The property enhancement project was completed in the fourth quarter of 2006.

Debt encumbering the property was retired in November 2006 as new financing in the amount of \$12.5 million (50% LTV) was secured with ING through October 2011. In the first quarter of 2007, the property was appraised by an independent external appraiser. As of March 31, 2007, the concluded market value pursuant to that appraisal was \$33.3 million, or \$165 per square foot. The property is now 93% leased/occupied. Jostens (30%), Allstate (11%), and investment manager Waddell & Reed, Inc. are among the list of exceptional tenants which now lease space in the property.



Lobby pre-renovation



Lobby post-renovation

From December 31, 2003 through March 31, 2007, American's investment cost in the property increased by \$9.3 million with a corresponding increase in market value of \$17.4 million.

"We are extremely pleased with the evolution of this property over the past 13 years and will continue to

uphold our strategy to stabilize occupancy and capitalize on its tremendous location and identity within the submarket" commented Stanley L. Iezman, American's President and Chief Executive Officer.

American Realty Advisors

American Realty Advisors, a California corporation, is an SEC-registered investment advisor under the Investment Advisers Act of 1940 and a leading provider of real estate investment management services to institutional investors. With more than \$3.4 billion in gross assets under management (excluding partners' share of equity and partners' share of debt on partnership investments) as of September 30, 2009, American has provided real estate investment management services to institutional investors for over 21 years utilizing core and value-added commingled funds and separate accounts.

The Firm's portfolios include office, industrial, multi-family, and retail properties nationwide. Additional information regarding American can be found online at www.americanreal.com.

In addition, American is a significant originator of debt financing for real estate investments utilizing various structures from senior debt to highly structured mezzanine or preferred equity formats, secured by mortgages or other interests in real estate. Our conservative cash flow underwriting, pro-active investment management and ability to structure transactions has produced superior risk-adjusted returns on behalf of our clients.



Institutional Real Estate Investment Management

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If you would like information regarding this project, including returns, or for any other information regarding American Realty Advisors, please contact Jay Butterfield at 818-409-3243 or at butterfield@americanreal.com.

This case study is presented as an illustration of the methodologies utilized by American in connection with a property enhancement program. Some of the information included in this case study involves present or former clients of American. Such material has not been selected based on performance and it is not known whether the clients approved or disapproved of American or the advisory services provided.

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