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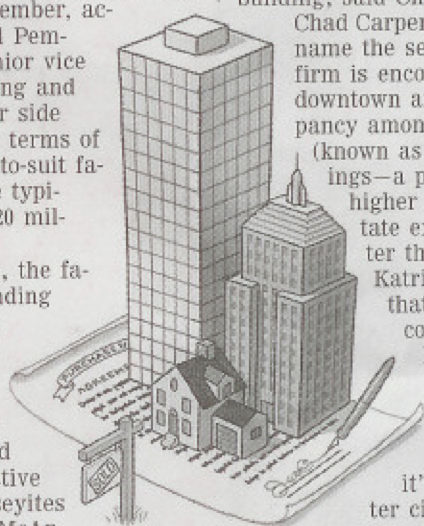
Plots & Ploys

What's Brewing in the Real Estate Market

Super Size

In a coup within the industrial sector, Hackensack, N.J.-based **Russo Development** has reached a deal with **Pepsi Bottling Group** Inc. to build one of its largest warehouse facilities in North America at Kearny, N.J., in the Meadowlands area of northern New Jersey.

Pepsi has outgrown its facility at Moonachie, N.J., and, with no room there to expand, opted to construct a 135,000-square-foot facility to open in early 2008. The campus will encompass 11 acres, which are needed for the myriad truck routes that will feed into the facility. Pepsi required a rush job because of the termination of its current lease, and Russo said it could have the facility completed by September, according to Michael Pembroke, Russo's senior vice president for leasing and marketing. Neither side would disclose the terms of the deal but build-to-suit facilities of this size typically cost about $20 million.



Despite its size, the facility won't be sending trucks full of Diet Pepsi across the Hudson River to Manhattan grocers. The Kearny facility is designed to slake the collective thirst of New Jerseyites alone, said Kelly McAndrew, a Pepsi Bottling Group spokeswoman. Pepsi has 525 warehouse and distribution plants world-wide.

Birmingham Bets

Real-estate investor David Lichtenstein's **Lightstone Group** has made its second big apartment purchase in recent months in the Birmingham, Ala., area.

The Lakewood, N.J., property company paid closely held Colonial Properties Trust $163 million for three apartment complexes consisting of 2,284 units. In a deal three months ago, Lightstone paid $140 million for 2,331 garden apartments in the same locale.

Why the big 'Bama bet? Mr. Lichtenstein said several area municipalities have thrown up roadblocks to developers, putting a constraint on new supply. He also cited population growth and relatively high home prices for why he is bullish.

In the last year, Lightstone has been a net buyer of real estate nationwide, said Mr. Lichtenstein. It has made $1.2 billion in purchases, mainly apartments and shopping centers, while selling about $1 billion in property.

Coming Back

A California investment firm is showing confidence in the New Orleans market.

Equastone, San Diego, purchased the Pan-American Life building in one of the first sales of high-rise office properties to outside investors since Hurricane Katrina devastated the city in 2005.

Not only did Equastone close on its purchase of this 28-story tower in the city's central business district, but the firm is in negotiations for another New Orleans office building, said Chief Executive Chad Carpenter. He declined to name the second building. The firm is encouraged by the downtown area's 91% occupancy among top quality (known as Class A) buildings—a percentage that is higher than some real-estate experts predicted after the area was hit by Katrina. "We believe that New Orleans is coming back," said Mr. Carpenter. "It's not going to be easy. It's going to take a while, but in the long run it's going to be a better city."

The building was previously owned by **Pan-American Life Insurance** Co., New Orleans. Pan-American chief executive Jose Suquet said the international insurance company decided to sell the building to restructure its balance sheet and to focus on its core business. The company name will stay on the building and Pan-American will remain its largest tenant.

The Pan-American building was the first downtown Class A building to reopen after the storm, as it suffered only minimal damage. It is connected to the InterContinental Hotel. Sources close to the deal said the purchase price was in the $50 million range. Jones Lang LaSalle brokered the deal and will take over leasing and management of the building.

—Jennifer S. Forsyth and Alex Frangos

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