

Builders & Buyers

Advalurem Seeks To Double Portfolio

Advalurem Group, a New York-based investment management company that provides equity for middle market deals, is hoping to substantially expand its portfolio in the coming months. Since its inception almost three years ago, the firm has acquired ownership stakes in a portfolio comprising about one million square feet of space and about 1,000 apartment units. “Our goal is to double our portfolio over the next 12 months,” said **Gabriel Pozo**, founder.

Advalurem seeks institutional-quality deals where it can invest \$3-15 million on either an equity or preferred equity basis. The firm also provides sponsor equity and co-investment equity and would consider a mezzanine transaction with the right structure. “While we have yet to do a debt deal, we might take on a high-yield debt position on a property in a major market,” Pozo said. Its equity investments translate into a property value of \$10-60 million.

As a top-down investor, Advalurem can invest in a diverse array of geographic locations. “We look for an overall macro story and good

drivers as well as some sort of discount,” said **Fred Scott**, principal. Scott pointed to the firm’s recent acquisition of 1000 Floral Vale, a 90,000-square-foot office building in Yardley, Pa. The company and its partner, **Pembroke Hobson**, obtained a \$13.65 million loan for the roughly \$20.6 million acquisition. “Advalurem provided joint venture equity with preferential rights, as well as provided a portion of the sponsor equity for this transaction,” Pozo added.

The Class A property, which is about 80% occupied, is close to Philadelphia and Princeton, N.J., and is in the center of a healthcare/pharmaceutical corridor. “We’re making an indirect play on the healthcare, pharmaceutical and life sciences industries,” Scott said. Its location also fits in well with the big picture of what Advalurem is looking for—a strong asset in a solid secondary market. “What I find interesting is that there is still a dearth of capital for suburban office properties and properties in secondary markets,” Pozo said.

Madison International Realty Bets Big in Norway

Madison International Realty is making a big bet on Norway, striking a deal to acquire an office building in Oslo and also buying a stake in a company that owns and manages high-quality high street retail in the country.



Ron Dickerman

Ronald Dickerman, president and founder of Madison International Realty, told *REFI* the company began focusing on Norway as a potential investment destination a couple of years ago. “The economic health and the stability of the country trumps almost any other economy in the Nordic region,” he said.

Since then, Madison International has acquired **Schage Eiendom’s** 50% stake in **The High Street Shopping Company** in a venture with **Soylen Property**.

Together, Madison International and Soylen own 100% of the assets, totaling \$240 million. In addition, Madison reached a deal to acquire an approximate 90% stake in the **statoil** building in Oslo. The company originally purchased a 33% interest in the property from an investor, making it Madison’s first investment in Norway, and has been successful in buying out the remaining investors.

The investment in the building can also be seen as a play on statoil, which is rated AA+ by **Standard & Poor’s**. “If you look at the yield to maturity on Statoil’s bonds, it is 2.5%. Our prospective return is 1,400 basis points higher for

exactly the same credit,” Dickerman added. The company occupies the building on a 15-year triple-net lease.

According to Dickerman, Oslo is roughly the size of Frankfurt, Germany or Boston, Mass., but it only houses three luxury retailers in comparison to more than 20 in Boston. Earlier this year, Madison International made an investment in a company that owns almost all of the high-street retail on Karl Johan Strasse, the main street in Oslo, and has been successful in leasing **Gucci**, **Prada** and many other high-end tenants. Additionally, the company signed a contract to buy a 50% interest in a multi-level department store. “It will be one of the magnets for retail traffic on Karl Johan Strasse,” Dickerman said.

Madison International focuses on high quality retail and was



Statoil building

drawn to Norway’s market because, although smaller than the market in the U.S., it houses a lot of new development that creates investment opportunities, Dickerman said. “I think it presents an intriguing risk and return opportunity,” he added.

According to Dickerman, Madison International pursues interests in Class A assets and invests in major cities in the U.S. and capital cities in Western Europe. Although the company has carefully

examined investment opportunities in countries such as Denmark and Sweden, Norway is a big focus right now. “We are putting Norway at the top of the list in the Nordic region,” he said.