

THE PROPERTY REPORT

Archstone Draws Bids From Big Names

Trio of Owners Argues Over Whether to Sell the Apartment Giant Outright or Bring It Public; Dual Tracks Continue

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Four of the biggest names in real estate have submitted bids for Archstone, but the offers aren't high enough to resolve a dispute among the owners about how and when to unwind the apartment giant, according to people familiar with the matter.

Archstone, which played a major role in the sinking of **Lehman Brothers Holdings Inc.** nearly three years ago, is being pursued by private-equity firm **Blackstone Group LP**, Toronto-based **Brookfield Asset Management Inc.** and apartment owners **Equity Residential** and **AvalonBay Communities Inc.**, the people said. The four submitted offers in recent weeks for all or parts of the company. The specific bids weren't available.

A Lehman-led group bought Archstone in a \$22 billion deal in 2007, only to see it plunge in value with the economic downturn. One of the nation's largest apartment landlords, it owns or has stakes in nearly 77,000 apartments, and if it were sold in full, it would mark by far the largest commercial-real-estate sale since the downturn.

Archstone's owners—a trio of



Archstone's fate is unclear. Above, one of its apartment buildings, at 800 Sixth Ave. in New York.

the estate of Lehman, **Bank of America Corp.** and **Barclays PLC**—have been arguing over whether to sell the company outright or to take a longer-term sale strategy by bringing it public. With Barclays pushing for a private sale and Lehman favoring an initial public offering, the owners this year agreed to take a dual-track approach by readying papers for an IPO while also reaching out to potential buyers.

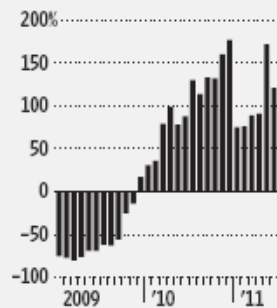
Barclays, in particular, had

hoped offers would be so high as to convince the others of an outright sale. But the offers were too low to satisfy Lehman to change its views, according to people familiar with the matter, making it unlikely that any major decisions with the company are imminent. All three owners must agree to major decisions for the company.

The potential sale process continues, as do preparations for an IPO, people familiar with the

Real Retreat

Year-over-year change in U.S. commercial-property sales



Source: Real Capital Analytics

strongly, and some analysts placed Archstone's value at about \$19 billion.

But a once-promising rebound has recently slowed, and maybe even started to move in reverse, particularly as volatility in the capital markets has caused lenders to pull back. The commercial-mortgage-backed securities sector, typically a major source of commercial-property loans, has been virtually frozen for weeks.

Some deals have fallen apart already. Last month, private-equity firm **Cerberus Capital Management LP** pulled out of a \$1.12 billion deal to buy 64 hotels from **Innkeepers USA Trust**, saying a "material adverse effect" occurred, which allows it to back out. Innkeepers later sued Cerberus, saying the firm didn't have the right to terminate the deal.

Overall deal volume appears to be cooling, according to data from Real Capital Analytics, a real-estate research firm. July saw the smallest year-over-year growth in commercial-property sales since November 2009, with sales just 16% higher than July 2010, compared with 121% for June. Preliminary data from August show flat growth over the

prior year, the firm said.

For Archstone, it is unclear exactly how the owners want to proceed, although there is no time pressure to choose a course of action, and the owners could opt to wait until the markets stabilize.

Another concern is the volatility of the stock market, which could make a private transaction particularly attractive. "In the public market, you've had significant gyrations, such that any potential IPO candidate would really have to question what the market would be like when they finally bring their deal public," says Craig Leupold, president of Green Street Advisors, a real-estate consultancy. "The problem with Archstone is: You've got three different owners with three different agendas."

The bids that came in were complex, people familiar with the matter said, and involved various scenarios including buying pieces of the company as well as offering mixes of stock and cash. Equity Residential, AvalonBay, and Brookfield submitted offers for the entire company, none of which were all-cash, while Blackstone made offers only for pieces of it, the people said.

Meanwhile, the clock and a statue of the novel's eccentric

tional Tower on the Las Vegas strip, a 64-story, 1,282-unit

ers in January, but an arbitrator ruled against them. Though