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The Schuster Group Closes \$40M Fund to Invest in Sustainable Projects

Published: August 11, 2009

By Erika Schnitzer, Associate Editor

Seattle—The Schuster Group, a Seattle-based privately held real estate development and investment firm, has closed a \$40 million real estate investment fund that it will use to invest in undervalued properties that provide opportunities to create sustainable projects.

"We are looking at a diversified product type—both ground-up development and repositioning of existing properties," Mark R. Schuster, founder and CEO of The Schuster Group, tells MHN. "We will be focused on primarily urban and sub-urban [products], right outside the urban core, multifamily high-rise and mixed-use commercial. Highly sustainable practices will be incorporated into all our construction."

While Schuster notes that location—particularly in terms of proximity to transportation—is certainly important to new product, he adds that smaller, more efficient spaces will be key to the emerging demographics interested in renting or purchasing a multifamily residence.

Schuster also believes that the days of the massively funded developer may be coming to an end and that quality will become much more crucial than quantity. "We can't build real estate as a commodity, [which is] what we saw happening last cycle," he says. "Those days are over. We learned our lesson—and financing won't be there."

To date, the fund, Schuster Realty Partners LLC, has been used to complete two acquisitions, one of which is an Energy Star rated mixed-use community undergoing renovations. The second project will be a new high-rise residential condominium slated for LEED Gold certification, notes Schuster.

As to whether he believes there are opportunities for new for-sale product in the market, Schuster asserts, "It's just a matter of timing in the market—it's timing of the cycle and what consumers want," he says. "You have to build something that is innovative and meets consumers' needs and demands."

The Schuster Group plans to leverage the value of the fund through partnerships with other well-established private equity firms and traditional lending sources "who are aligned with our mission and vision to create special landmark projects to be sustainable—and a legacy for us and the future," Schuster says.

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Economy Watch - Mortgage Reforms From Out West

October 15, 2009

California Gov. Arnold Schwarzenegger signed green legislation over the weekend, as covered by CPE on Monday, but also nestled in the raft of bills that he signed were major overhauls of the rules governing residential mortgages. The thrust of the reforms was to help prevent some of the mortgage origination abuses that were rampant in the mid-2000s, and which did their part to inflate the housing bubble.

Western National Properties' 195-Unit Rental Community is Nearing Completion

October 15, 2009

Western National Properties is currently developing a 195-unit multifamily project in the Woodland Hills neighborhood of Los Angeles, which is nearing completion. This project is the first development with the firm's second private equity fund, Western National Realty Fund II, L.P. The ground-up multifamily development, The Enclave at Warner Center, features a 195-unit, four-story apartment complex wrapped around a five-and-a-half story parking structure.

Economy Watch - California Incentivizes Green Rooftops

October 14, 2009

Gov. Arnold Schwarzenegger was busy over the weekend signing off on policies that could have an impact on green real estate development. Among other things, he signed a memorandum of understanding with U.S. Secretary of the Interior Ken Salazar to expedite the siting of California renewable energy projects, thus making California the first state to do so. The memorandum commits the federal government to work with California to review and approve renewable energy applications in the state.

MARKET SNAPSHOT: Leasing Activity Increases in Denver

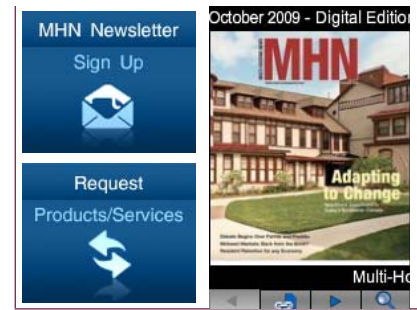
October 14, 2009

Overall leasing activity in Denver reached a near-record high during the third quarter of 2009, according to Grubb & Ellis' Multi-Housing Trends Report—Third Quarter 2009.

TODAY'S DEAL: Marcus & Millichap Arranges Sale of 136-Unit Rental Property for Over \$33M

October 13, 2009

Marcus & Millichap Real Estate Investment Services has brokered the sale of Waterstone Millbrae, a 136-unit, 114,440-sq.-ft. multifamily property in Millbrae, Calif. The sale price of \$33,782,500 represents \$248,400 per unit and \$295 per square foot.



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