



## D.C.-Area Firm Targets \$2Bln for Office Investment Fund

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Clemente Development is in the market to raise up to \$2 billion for a fund that will acquire office properties with debt financing problems.

The Vienna, Va., development and investment company is not expected to complete the capital raising or begin investing the fund, CDC Real Estate Opportunity Fund I, until the start of 2009. That's when the company's founder, C. Daniel Clemente, expects that the types of investments being sought will become more available.

The fund will target major-market office properties that have short-term debt financing coming due. Clemente believes there will be a sizable amount of short-term financings that will come due next year and an ongoing economic slowdown will weaken office leasing and drive rents down.

"We expect to be ready for a perfect storm in real estate. There will be distress from lenders that won't make an 80 percent loan-to-value loan, but instead will make 65 percent loans and from rents that were written pro forma at \$60/sf, but are now at \$40/sf," said Clemente.

The fund has raised \$200 million of equity so far from high net-worth individuals. Clemente is among Virginia's highest net-worth individuals, with \$410 million in personal worth, according to a 2007 report by *Virginia Business* magazine.

Clemente is also marketing the fund to overseas investors and it would appear that he would have to further expand it to U.S. institutions to meet the \$2 billion equity goal. Clemente Development will provide 20 percent of the fund's total.

The fund will first focus on the Washington, D.C., area, then expand to other major market areas, including Dallas and northern California. Its individual investment range will be \$50 million to \$200 million.

It will mainly source its deals through mortgage brokers. Clemente said that his talks with D.C.-area brokers have identified more than 600 commercial properties in the area with debt financing coming due next year.

Area properties that fit well within the Clemente fund's parameters include [2445 M. St. NW in Washington](#), a 294,000-sf building that is being marketed for sale by Broadway Partners. Broadway, a New York company, according to the *Wall Street Journal*, is selling properties to raise funds to pay \$750 million of debt that comes due next January.

Clemente Development's investments include 1020 19<sup>th</sup> St. NW, a 108,000-sf office building in Washington that it sold to Zuckerman Graveley Development for \$48 million last year. It had acquired it about eight years earlier for \$22.2 million from the Los Angeles County Employees Retirement Association.

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