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Clemente Development creates \$200M real estate distressed asset fund

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Daniel Clemente has created a \$200 million private equity fund to buy office buildings in what he calls a "down market."

Clemente, chairman and chief executive officer of Clemente Development Co. Inc., has been raising money for from CDC Real Estate Opportunity Fund I from individual investors for the past eight months.

"Buying buildings in a down market is what my career has been," said Clemente, who has spent 35 years in the real estate industry. "This time there's going to be a huge amount of product on the market and we want to do it on a larger scale."

He hopes to leverage the new fund to \$2 billion by the end of the year.

"I've contacted mortgage brokers who are tracking the debt put on buildings between 2002 and 2007," Clemente said. "All that debt starts to roll between 2009 and 2012."

He predicts asset values will dip in 2009, underwriting standards will be more conservative and capital will not be readily available to bail out syndicators that overpaid for buildings. That's why he hopes for the opportunity to occur in the first quarter of next year.

"Our fund intends to capitalize on the results of this 'perfect storm,' as commercial real estate begins to trade again at prices based on current net operating income instead of at prices based on unrealistic projections of future rental rates and income," he said.

Clemente is set to pounce on six distressed buildings in the area, totaling 1 million square feet, but also is prepared to look to other metro markets. He declined to identify the buildings.