

Liquidity in the Pacific

A \$645 million cash infusion clears the way for the estate of James Campbell in Hawaii to become a real estate operating company.

A 104-year-old property trust is making quite a splash in investment circles. The Hawaii-based estate of James Campbell, which owns a diversified portfolio of 59 commercial properties around the nation, will become a \$2 billion real estate operating company within three years. The trust secured \$645 million in debt financing in October through an institutional investor-led private placement.

The funds will enable the estate to become the closely held James Campbell Co. LLC in 2007, 20 years after Campbell's last surviving daughter passed away. That date was stipulated in Campbell's will.

The trust owns 59,700 acres of land in Hawaii, as well as 27 industrial centers, 16 office properties and four retail centers in 17 states. The mainland portfolio consists of 12.9 million sq. ft. of commercial property. Through September of this year, the portfolio was 94.8% occupied.

"I can't think of any other private placements that were quite this large," says Douglas Poutasse, chief investment strategist at Boston-based pension fund advisory firm AEW Capital Management.

Normally, says Poutasse, it would be difficult to keep a deal of this magnitude quiet — but he admits that he was unfamiliar with it. "It shows how much liquidi-

ty there is in this real estate market, if they could raise that much money without many people knowing about it," says Poutasse. "Everyone is pouring capital into this asset class." The money will be used as working capital, to refinance debt and to cover the new firm's cash needs in 2007.

The flood of capital on both the debt and equity sides is not expected to slow in 2005. Respondents to the 2005 "Emerging Trends in Real Estate" survey — a research report conducted by the Urban Land Institute and PricewaterhouseCoopers — say pension funds will lead the equity investment charge. Many of these funds have loads of capital to be invested in real estate. The Campbell Estate private placement was raised chiefly through life insurance companies and pension funds.

In 1850, Campbell, who was born in Ireland, arrived in Hawaii seeking work as a carpenter. Instead he founded the Pioneer Mill Co., a sugar-processing plant, with local business partners. His timing was fortuitous as the sugar trade was booming.

By using profits from his plant to buy large parcels of land in Oahu, Maui and the big island of Hawaii, Campbell became one of Hawaii's biggest landowners. Campbell created the trust in 1900 in order to pre-



THE CAMPBELL LEGACY: The 120,000 sq. ft. Campbell Square was the first office project built in the master-planned City of Kapolei.

serve his legacy. Then, the Hawaii real estate owned by the trust was valued at \$3 million.

"Since there's a law that prevents trusts from lasting in perpetuity, it was decided that the estate would become a closely held real estate company in 2007," says Steve MacMillan, CEO of James Campbell Co.

Most of the trust's 31 beneficiaries, all descendants of Campbell, will become shareholders in the new company.

MacMillan expects a seamless transition because the new firm will carry on the estate's mission of buying core properties on the mainland. It also will oversee the development of Kapolei, a large master-planned city on Oahu.

In 1990, the estate broke ground on the 32,000-acre site of Kapolei, a master-planned community outside of Honolulu. The fastest-growing region in Hawaii, Kapolei has created more than 15,000 jobs over the past 14 years. Home Depot recently opened a store and Gannett Pacific's *Honolulu Advertiser* — the local newspaper — opened its new printing facility there.

"We'll be totally built-out at Kapolei in 20 years," says MacMillan. "The intent was to create a large urban center with jobs." — **Parke Chapman**

NAMES IN THE NEWS



ROSS FORD has been promoted to president and CEO of TCN Worldwide.

Ford formerly was president of the organization. Ford is responsible for the strategic direction of the organization and the implementation of its marketing, expansion and networking initiatives.

CHARLES J. RUE has been named vice president of development for Matrix Residential Properties, a division of Matrix Development Group. Rue previ-

ously worked for GMH Military Housing LLC as associate counsel.

BRIAN BARNUM has been appointed CFO for Rent.com. Prior to joining the company, Barnum was CFO at UFO Communications.

MARINA ROSSI has joined NewMark Merrill Cos. as acquisitions director, responsible for land acquisitions and property development in Los



Angeles, Orange, Riverside, San Bernardino, Ventura and San Diego counties, as well as Las Vegas. Prior to joining NewMark Merrill, Rossi worked as a retail investment broker at Marcus & Millichap.

CURT BAILEY has been appointed director of the retail division for the north central region of Archon Group. Based in Chicago, Bailey will be responsible for acquisition, development and tenant



relations for Archon's retail projects.

PATRICIA B. FORBES has joined Paradigm Properties as vice president in the development services group. Previously, Forbes worked for ChildrenFirst Inc. as vice president of real estate.

JAMES WHITTINGTON has been promoted to executive vice president and managing director of finance and investments at U.S. Equities Realty. Whittington joined the firm in 1995 to oversee its investment services.

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