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MACFARLANE PARTNERS CLOSES URBAN REAL ESTATE FUND II

New Commingled Fund Has Fully Committed \$1.0 Billion Raised for Investment

SAN FRANCISCO (December 6, 2007) – MacFarlane Partners, a real estate investment manager specializing in urban properties and other high-yielding assets, announced today that it has closed to new investors a commingled real estate fund it manages – MacFarlane Urban Real Estate Fund II (“Urban Fund II”) – and that the fund has committed for investment all of the \$1.0 billion in equity raised on its behalf.

Urban Fund II is pursuing an investment strategy that MacFarlane Partners pioneered a decade ago on behalf of institutional investors: developing, redeveloping and repositioning properties in urban and high-density suburban areas nationwide that promote “smart growth” and urban revitalization.

The fund, which has an expected investment term of eight years, is targeting a leveraged total return of 16%+ for its limited partners, net of management fees. With leverage, it has a total capitalization of approximately \$4.0 billion.

“MacFarlane Partners was the first to offer institutional investors an investment program focusing exclusively on urban development and redevelopment, and we did so at a time when urban property markets were an unknown frontier for many investors,” said Victor B. MacFarlane, managing principal, chairman and chief executive officer of MacFarlane Partners. “In the ensuing years, the success of our investments – as well as those made by other firms – has proven that the urban concept is a viable strategy for achieving high risk-adjusted returns.”

MacFarlane Partners has focused on urban real estate since forming a joint venture in 1996 with the California Public Employees’ Retirement System (“CalPERS”), the nation’s largest public pension plan, to invest in properties within California’s urban areas. The firm currently manages more than \$10 billion in urban real estate assets on behalf of CalPERS in markets throughout the United States.

Smart growth emphasizes the efficient use and re-use of land and existing infrastructure to accommodate future population growth and create more livable communities as an alternative to further suburban sprawl. According to MacFarlane, the smart-growth movement – along with the growing popularity of urban living and the recognition of the unmet demand for goods and services in densely populated, low-income urban neighborhoods – is spurring a development revival in many urban areas. It also is reshaping suburban development patterns to make them more urban-like.

About MacFarlane Urban Real Estate Fund II

Urban Fund II, which was privately marketed to qualified institutional investors, exceeded its target equity capitalization of \$750 million that MacFarlane Partners set when it began marketing the fund in early 2006. The fund has an equity capitalization of \$1.0 billion from a total of 15 limited partners, among which are domestic and foreign pension plans, insurance companies, and a private foundation. C.P. Eaton Partners, LLC, of Rowayton, Conn., served as the placement agent for the fund.

“Private equity funds focusing on urban real estate have become quite popular among pension plans and other institutions over the past few years,” said W. Michael Crawford, a principal with C.P. Eaton Partners. “The capabilities, bench strength and track record of MacFarlane Partners all helped make Urban Fund II attractive to a diverse group of investors.”

Notably, Urban Fund II already has committed all of its equity to real estate development projects in markets nationwide. Its investments include:

- **JBG Urban:** a 42-site portfolio of transit-oriented development and redevelopment projects in the Washington, D.C., metropolitan area, through a joint venture with The JBG Companies and Morgan Stanley Real Estate;
- **The Hotel & Residences at L.A. Live:** a 54-story high-rise development with hotel space and for-sale condominiums in downtown Los Angeles, through a joint venture with AEG;
- **The Crossing Phase III:** a multifamily residential development with rental apartments and for-sale condominiums being built on former U.S. Navy property in San Bruno, Calif., just south of San Francisco, through a joint venture with SNK Realty Group; and
- **Half Street Phase I:** a mixed-use development adjacent to Nationals Park, the new stadium for the Washington Nationals Major League Baseball team in Washington, D.C., that consists of office and retail space, for-sale condominiums and a hotel, through a joint venture with Monument Realty.

“Because these investments further smart growth and/or revitalize neighborhoods, they have community benefits that should last well beyond the term of Urban Fund II,” said Greg Vilkin, managing principal and president of MacFarlane Partners. “These benefits – efficient land use, urban renewal, a better ‘sense of place’ and the like – show that urban real estate can produce the “double bottom line” of attractive returns and ancillary benefits sought by socially responsible investors.”

About MacFarlane Partners

MacFarlane Partners is one of the leading real estate investment management firms in the United States, with \$20 billion in assets under management. Founded in 1987, the firm offers an array of investment programs for its institutional capital partners that are derived from its core competencies in property development, smart growth/urban revitalization, and single-family home building.

Considered a pioneer of the urban investment concept among institutional real estate managers, MacFarlane Partners invests in real estate development, redevelopment and repositioning projects in

urban and high-density suburban areas nationwide. Among the properties in which it has invested are Metropolitan Lofts and Wilshire Vermont Station in Los Angeles; Bay Street Emeryville and The Uptown in the San Francisco Bay Area; Half Street in Washington, D.C.; and The Shops at Columbus Circle, the retail component of the Time Warner Center in New York City.

The firm also invests in single-family residential land and housing developments in markets nationwide. To date, its investments have financed the development of 130,000 single-family homes and residential lots in 18 states with more than 100 different home builders.

MacFarlane Partners is headquartered in San Francisco, with regional offices in Los Angeles; Washington, D.C.; and the greater New York metropolitan area. For additional information, please visit the firm's Web site at www.macfarlanepartners.com.

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