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## Starwood IPO is Top in '09

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Barry Sternlicht's Starwood Capital Group, a private-equity firm specializing in real-estate investments, increased the size of its initial public offering of a real-estate investment trust to \$800 million on late Tuesday, marking the biggest IPO to hit the market this year, according to people familiar with the matter.

Starwood is among a slew of private-equity firms planning to form publicly traded REITs to buy or originate debt used to finance offices, retail centers and other real estate. Other such offerings in the pipeline include those by Apollo Management LP and Colony Capital LLC. That business is becoming more attractive partly because property prices have fallen so far that investors expect to pick up bargains and also because the federal government is promising low-rate financing to investors willing to buy existing mortgage debt held by banks.

The Starwood REIT, called Starwood Property Trust Inc., boosted the size of its deal from the \$500 million as originally planned, according to these people. It begins trading Wednesday on the New York Stock Exchange under the symbol STWD. A spokesman for Starwood Capital declined comment.

The move stands in sharp contrast to the offering by PennyMac Mortgage Investment Trust more than a week ago. PennyMac, established by former executives of Countrywide Financial Corp., raised \$335 million by selling shares, less than half of the \$750 million the company hoped to get when it filed its IPO plan in May.

Some analysts attributed the relative success of the Starwood offering to the involvement of Mr. Sternlicht, a well-known real-estate investor. The Starwood REIT could potentially capitalize on the ongoing dislocation in the commercial real estate market, and the subsequent void in capital, to originate new loans and other debt investments with less competition than when the debt markets were more liquid, analysts say.

Mr. Sternlicht signaled to investors that he's confident enough in the offering to put his firm's money on the line. SPT Investment, LLC, an affiliate of Starwood Capital, bought one million shares of the REIT in a private placement at the IPO price of \$20 a share, according to the IPO prospectus.

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