



# The Real Reporter

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## THE REAL REPORT

### In the Grove

BOSTON — Apparently news on the strength of the Greater Boston multi-family and healthcare markets has found its way outside New England borders, as St. Paul, MN-based real estate financial services provider Oak Grove Capital has decided to open an outpost in the region – tapping a native son, Paul Barrett to lead the office.



Paul Barrett

The Boston College alum (with graduate degrees from Harvard and MIT) is a well-credentialed choice, sporting a resume tailor-made to make best use of the opportunities that the market is currently presenting. Barrett comes to Oak Grove from the AFL-CIO Housing Investment Trust, where he was the Northeast director for the \$4.5 billion fund that invests in multifamily housing developments across the nation, including the recent Jackson Square (Jamaica Plain) and Old Colony (South Boston) developments. Barrett has also served as director of the Boston

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## Albany Road Revving Up Program; \$25M Committed for CT, RI Assets

BY JOE CLEMENTS

HARTFORD, CT — When chasing commercial real estate, Albany Road Partners possesses a broad geography, as evidenced from the fledgling Boston firm's first three conquests that are all outside its host state. Having scooped up a New Hampshire shopping center in July shortly after launch, the operation led by

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Metro Center II, Warwick RI

## Brickstone Setting Sights on Shattuck

BY JOE CLEMENTS



Shattuck Office Center, 138 River Rd., Andover MA

ANDOVER — Meritage Properties has reportedly found a buyer for its Shattuck Office Center here at 138 River Rd., with industry sources pegging local player Brickstone Properties the winning bidder of a first-class, 63,500-sf building that sits just off Interstate 93 at Exit 45. Cushman & Wakefield is

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## RBJ: Biotech Construction at 3.4M SF

BY JOE CLEMENTS

CAMBRIDGE — There is something occurring in metropolitan Boston that one CRE survey considers unique across the land. According to the Winter 2013 bioSTATus report issued this week by Richards Barry Joyce & Partners, 3.4 million sf of laboratory and office space being built for the life sciences industry tabulates to the largest amount in the privately funded commercial

construction pipeline for any one sector.

"It's substantial," says RBJ Senior VP of Research Brendan Carroll. "It really shows what a profound impact this industry has



Brendan Carroll

on Boston, and how it compares on a global scale" to other engines of economic growth. Of the 3.4 million sf tracked in the review, one million sf is for office uses, including 550,000 sf being constructed at Fan Pier in the Hub's Seaport District on behalf

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## Albany Road Partners

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President Christopher J. Knisley on Friday paid \$11.3 million to land a four-property, 1,462-unit self-storage portfolio in Greater Hartford, and is slated in the coming days to buy a 139,700-sf office asset near T.F. Green Airport in Warwick RI. The pricing of \$13.5 million for Metro Center II would put the Albany Road platform near \$40 million YTD with a like amount in queue and slated to close over the near term. An unnamed Massachusetts asset could be in tow over the next week, according to sources, which would give Albany Road holdings in four of the six New England states.

While declining to discuss pending trades, Knisley tells the Real Reporter, “We are thrilled by the way things have been going.” The firm intends to spend \$100 million annually on a diverse stripe of assets



Christopher Knisley

backed by high net worth investors and other capital. “We seem to be right on track for that,” says Knisley of reaching the first year target. The institutionally trained investment sales specialist is pursuing value-add offerings beset by solvable problems whose resolution can yield robust returns. Knisley says there is a deep pool of sources “on the sidelines” waiting for the expected tide of discounted assets needing fresh capital and resources. The New Hampshire shopping center was bought out of foreclosure, and is already being positioned for a rebound, reports Knisley, whose Connecticut self-storage package saw occupancy drop to 72 percent after traditionally performing in the 80 percent sphere, a level the buyer insists can be recaptured. The road to recovery has begun already, says Knisley, with his firm retaining management experts CT Self Stor (CSS) to oversee two properties in Simsbury, another in Bloomfield and the final in Waterbury. The principals of CSS have been in the self-storage business spanning four decades and have retained an 88 percent occupancy level for their current holdings. Knisley says having that firm on the ground will be a marked improvement because the prior manager of the portfolio was in upstate New York. “We look forward to beginning a relationship with this very experienced group that we hope will lead to



Blue Cube Self Storage, Simsbury CT

other opportunities in the future,” adds Knisley, with Albany Road hoping to acquire in excess of \$50 million in self-storage properties over time.

Among those who maintains CSS will help Albany Road achieve its aims is Patrick Lemp, whose Hartford-based company Italia & Lemp has a varied appraisal and consulting business. Lemp also has a lengthy history in the self-storage arena, and says he thinks there are various elements in place with the Hartford portfolio that make for a good amalgamation. For one thing, the Bloomfield and Simsbury properties are within seven miles of each other in an affluent part of Hartford County. One of the Simsbury facilities is across the street from a new Big Y Supermarket being constructed as well as a 200-unit multifamily community. “Good things are happening there,” says Lemp, who adds the fourth center about 25 miles away from the others in Waterbury benefits from Interstate 84 visibility—key to marketing units in the post-Yellow Pages universe—and has an expansion opportunity.

Size matters as well in terms of economies of scale, and Lemp says the Hartford portfolio is on the high end in terms of a typical New England self-storage listing, estimating less than a handful of that many units would trade annually together in New England. “It was a unique opportunity that doesn’t come along very often, and Albany Road seized it,” says Lemp, whose client had an unusually tight time frame and required a buyer who could perform. No problem there, it turns out,

according to Lemp. “I’d say this was one of the smoothest transactions I’ve ever been involved in,” he says. Albany Road “was a pleasure to work with.”

Eastern Bank financed Albany Road with a \$7.5 million mortgage that will provide proceeds necessary to boost occupancy through marketing and capital improvements. The largest of the quartet is at 1280 Hopemeadow St. in Simsbury, a 465-unit facility totaling 73,000 sf on 5.9 acres. Once above 80 percent, occupancy there today is just 66 percent, and Knisley says Albany Road and CSS feel upbeat about lifting that figure.

The second Simsbury building is at 123R West St., a 3.7-acre parcel containing 254 units and 32,625 sf of rentable square footage. That four-building complex was constructed in 2006 and is the youngest in the mix. A slightly larger (301 units, 36,850 RSF) property at 29 Old Windsor Rd. in Bloomfield is considered a stable asset that benefits from a daily traffic count along Route 305 of 12,800 vehicles. Branded Blue Cube Storage, the five-building facility “is in very good condition” relays Knisley, and no significant capital improvements are needed there at present.

The final center is Waterbury Self Storage at 2454 East Main St. in New Haven County. The 4.6-acre site sports 406 units developed in a half-dozen buildings (44,750 RSF) in 1988. Attributes include a high percentage of renters in the area and the visibility from I-84 along a densely developed commercial area that has occupancy in the

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## Albany Road Partners

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90 percent level. Waterbury Self Storage is not in need of extensive upgrades, although landscaping and parking lot improvements are budgeted in the \$50,000 range.

The Rhode Island office property next on Albany Road's dais has weathered a state economy with double-digit unemployment and is being acquired from an owner given a fleeting chance to pay off an oversized Unum loan by some estimates carrying an LTV in the mid-90 percent range.

While acknowledging its pending purchase, Knisley declined to discuss financial elements of that deal given it has yet to close, but observers report Albany Road is acquiring Metro Center II for approximately \$97 per sf. The supposed beauty of the opportunity is in landing a fundamentally sound, cash-flowing property populated by mostly credit tenants and doing so for roughly 55 percent of replacement cost. The top two occupiers—United Healthcare and the US Coast Guard—lease one-third of the space and have commitments with the earliest expiration not occurring until mid-2017. One analysis shows rental rates in the \$21 per-sf-range and reaching nearly

\$29 for select space. Metro Center II was deemed “best-in-class” for Rhode Island’s second largest city, whose population of 82,000 makes for a substantial southern New England enclave that has brought such tenants as AT&T, Entercom, Konica Minolta and Prudential through Metro Center’s doors.

Stable cash flow and the chance to lease up the estimated 20,000 sf remaining unfilled were among the attractions that were touted by Metro Center II’s brokerage tandem that includes Hayes & Sherry and Cushman & Wakefield. Bank Rhode Island was encouraged enough to loan Albany Road \$9.2 million and offer another \$800,000 for tenant improvements and other lease-up costs.

“It’s a gorgeous piece of real estate in the state’s strongest (office) submarket . . .



Metro Center II, Warwick RI

and has just a phenomenal rent roll,” Knisley says of the asset that he adds should benefit from a pro-business atmosphere in Warwick.

Looking forward, Knisley says Albany Road has identified several other promising assets in its \$15 million to \$20 million target area which he anticipates will keep the acquisition ball rolling into 2013. As for the current holdings, he says “it does speak to the breadth of our platform” which counts all of New England in Albany Road’s realm. ■

## Meritage Properties

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exclusive listing agent for the asset that market sources estimate is trading between \$135 and \$140 per sf, or roughly \$8.5 million to \$9 million.

Meritage has owned Shattuck Office Center since paying \$9.7 million in Dec. 2005 for a property that dates to 1984. It underwent an extensive overhaul under the firm’s stewardship, and today sports a spacious granite lobby with two-story glass atrium and winding staircase. Mechanical upgrades were also incorporated along with an enhanced energy management system. Based in White Plains, NY, Meritage is a longtime investor in the Massachusetts office market, with current holdings in Boston’s Seaport District and at South Station where the firm this spring paid \$26 million to secure 711 Atlantic Ave., an 83,000-sf office building featuring brick-and-beam space. That deal previously was detailed in the Real Reporter on May 11th.

As for the Andover situation, calls to

C&W Capital Markets team members and Meritage principal Andrew Nathan were not returned by press deadline. Brickstone founder Martin Spagat also did not respond to a phone inquiry made to his headquarters at the firm’s Minuteman Park. Nonetheless, sources maintain Brickstone has emerged ahead of the crowd. “I do hear they have it,” one market professional confirms in supporting similar reports. That complex on Minuteman Road is located barely a half mile from 138 River Rd. “It makes sense,” one observer says of Brickstone pursuing the nearby opportunity.

The Interstate 495 North office market



Shattuck Office Center, 138 River Rd., Andover MA

has been on the mend along the I-93 corridor to start the decade, but high vacancies remain one challenge for the submarket. Aided by leasing agent CBRE/New England, Shattuck Office Center has managed to outperform competing product during Meritage’s tenure, at one point hitting 100 percent occupancy. Sources could not say what the present level is, or whether there is significant lease roll in the coming months.