



The Real Reporter

A COMPENDIUM OF COMMERCIAL PROPERTY & CAPITAL NEWS

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THE REAL REPORT

Inn Vogue



Chandler Studios, 56 Berkeley St., Boston MA

BOSTON — A hulking convention center hotel it is not, but while **Chandler Studios** in the rapidly emerging **South End** has a constitution of barely 8,000 sf and only 12 guest rooms, Capital Markets members at **Boston Realty Advisors** who this week brought **56 Berkeley St.** out for sale predict the boutique inn will play big as an investment opportunity, likely drawing prospects from across the pond and expected to approach \$7 million in a trade should

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Jason S. Weissman



Nicholas M. Herz

JLL NE Retail Exclusives Help Ebb Fears of Total Market Meltdown

BY JOE CLEMENTS

SHREWSBURY — Retail CRE may appear in shambles at the mercy of Amazon and other Internet titans sopping up the consumer dollar, especially following Credit Suisse's nettlesome bricks-and-mortar review this summer, but while acceding the outlook is troubling for many properties, JLL Managing Direc-



continued on page 56 Shrewsbury Shopping Center, 529 Boston Tpk., Shrewsbury MA

From Zero to \$800M, Albany Road Fetes Five

BY JOE CLEMENTS

BOSTON — When Albany Road Real Estate Partners entered New England's CRE investment arena five summers ago, the

veteran Christopher J. Knisley possessed ambitions to buy roughly \$100 million annually, yet their path was initially uncharted, opening July 1st sans any prospects.

"We felt it was a good time to be in the market and we decided to get things started, but we had zero idea where we were headed or what we were

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Albany Road RE People-Powered

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Christopher J. Knisley



Mark McInerney

brain trust of four financial entrepreneurs led by Co-play Real Estate Advisors

Hall Investments, NorthBridge CRE Join Forces

BY JOE CLEMENTS

WAKEFIELD — It is said familiarity breeds contempt, but an opposite impact has forged a merger of two North Shore real estate investment groups where the established Hall Investment Holdings is uniting and assuming the name of NorthBridge CRE Advisors, the up-start operation launched by Dean W. Atkins and Greg Lauze which has bought over \$150 million in only three years, enough volume

veteran investor Denison M. Hall says it inspired a shared effort to acquire multifamily and other assets.

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NorthBridge CRE Adds 345,000 SF

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100 Adams Rd., Clinton MA

Albany Road Fifth

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going to buy,” Knisley tells Real Reporter in a recent interview, so when a failing New Hampshire shopping plaza appeared on the horizon, Albany Road went that route despite being below a preferred range of \$15 million to \$50 million in deal size.

The portfolio launched unceremoniously on a soggy July morning where Knisley was the lone credible bidder at an on-site auction of Amherst Crossing in that Manchester suburb, an event arranged by lender TD Bank. The 129,000-sf plaza had been crippled from a loss of Circuit City during the consumer electronic chain’s massive bankruptcy and was underwater from a mortal mortgage of \$20 million owed amidst the recessionary fog that hung over retail earlier this decade.

At \$8.0 million, Albany Road’s basis reflected a 60 percent discount to the debt balance and a whopping 70 percent reduction on the then-appraised value of \$25 million for Amherst Crossing. The capitalization rate was inflated to 11 percent from what Knisley calculates would be 2 percent lower in a less volatile scenario such as a foreclosure action, further lowering the basis.

Whatever the backdrop, “We walked away the winner, and we were off and running,” recounts Knisley, who stresses while it was cobbled together quickly, the inaugural pursuit was hardly a capricious gambit, his background steeped in retail providing a recognition any issues could be addressed. Amid all the doom-and-gloom, for example, the center was back to 97 percent occupancy by the time Albany Road took over thanks to Bed Bath & Beyond taking the fallow Circuit City space.

“It was an interesting story, a little deal



Scott Cloud



Merrick Egan



Gail Hardy



Mark Tryder



Hillcrest Tower, Dallas, TX



Amherst Crossing, Derry, NH

that didn’t get much attention and wound up turning out great for us from a real estate perspective,” explains Knisley, a welcomed vote of confidence coming from TD Bank actually providing a \$5 million loan to cement the exchange which actually closed on September 14th. “It was a nice way to kick things off,” says Knisley regarding the milestone deal first relayed by Real Reporter.

Record low interest rates for its floating rate TD loan, signing Sleepy’s Mattress to a 10-year lease renewal and landing a fitness center for another fallow building enabled Albany Road to deliver investors net cash distributions cresting 15 percent during the holding period of Amherst Crossing and its \$12.0 million trade in July 2015 equates to a hale 28.3 percent levered IRR.

Albany Road went on to secure two more assets in 2012, the capital again coming through syndication of deals to high net worth individuals and other private sources. Many at the outset were admiring business associates and friends of the founders, a band who collectively brings 120 years of

investment banking, real estate and venture capital experience to Albany Road, the firm so named because Knisley and partner Mark McNerney attended the private secondary school Deerfield Academy whose major thoroughfare has that handle as well.

The other founding members are Clark N. Callender and Steve Strandberg. All four serve on the Board of Managers and Albany Road’s Investment Committee.

The pace really picked in the third year, and is about to go into hyper-drive—to say the least—amid estimates from Knisley of buying between \$300 million and \$350 million of product annually as the company begins its trek towards a 10th anniversary milestone. The campaign is being fueled by a \$200 million fund that celebrated its inaugural equity raise of \$135 million on September 18th—poignantly five years and four days removed from buying Amherst Crossing—with more equity closings planned next month and in early March to a hard cap of \$200 million, while a sidecar investment could gen-

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Albany Road Fifth

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erate another \$150 million in equity, collectively providing upwards of \$900 million in buying might.

“We have a lot of capital to deploy,” Knisley acknowledges. Reflecting on reaching the five-year mark, he says the growth coming so rapidly was unanticipated, with the \$500 million level set for five years attained in spring 2016. Business went to another level from an expansion beyond the Northeast where the platform had been initially focused, buying in every New England state save for Vermont while assembling a lineup of self-storage facilities, industrial and office buildings and a large shopping center in western Massachusetts, the Springfield Plaza, bought in November 2013 for \$35 million, as previously unveiled by Real Reporter.

All told, the company now has over \$800 million of CRE under management representing \$250 million in equity covering 49 structures encompassing 6.2 million sf of industrial, office and retail real estate. The \$135 million raised in the initial Fund II equity raise was partly deployed to acquire a stabilized office building in Dallas, as previously announced by the firm along with Albany Road rolling out its Southwest office in Dallas to be run by Lincoln Property Co. transplant Merrick Egan. The \$21 million office deal was funded by Bank of America.

Knisley confirms to Real Reporter the group has inked an agreement to acquire a seven-building property in San Antonio, TX, at a price tag market watchers peg in the \$14.5 million range. It would be the second Fund II asset. Knisley declined to discuss specifics beyond describing it is a flex/office hybrid and relaying that San Antonio is a desirable market where there are opportunities “right in our wheelhouse” to be considered. The Northbrook deal should be completed as of mid-December. Fund II is expected to contribute approximately \$6 million in equity and about \$1.2 million in capital improvements are expected for the 105,600-sf property presently 89 percent leased and located near two of the city’s main highways. Rents are about 7 percent below market by one assessment.

Albany Road has interest in Austin, Dallas and Houston as target markets, although energy sector uncertainty and Hurricane Harvey have put the latter metropolis on a back burner. Austin “is very hot but pretty



Northbrook Business Center, San Antonio TX

expensive right now,” Knisley reports, making Dallas and San Antonio the primary areas being considered initially, as evidenced in the first two deals taking place in those communities. Egan is a longtime CRE professional active in the Dallas market, something Knisley maintains will be of particular benefit for what is presently a one-person

“
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CHRISTOPHER KNISLEY
Albany Road CEO

shop.

Interestingly, whereas Albany Road may have been feeling its way along in 2012, the firm has very specific strategies in mind how the Fund II portfolio will take shape, with retail and self-storage taking a back seat to industrial and office opportunities, typically in the \$30 million- to \$40 million-sphere but also able to dip as low as \$15 million and up to \$50 million, and should the right situation evolve, the scope could be ratcheted upwards to a possible nine-figure opportunity.

“The premise of the fund is built around geographic and property diversification in industrial and office real estate where we will be flexible in considering different sorts of opportunities in those areas, be it medical, suburban and urban, and we anticipate a pattern of one-third invested in the Northeast, one-third spent in the Southeast and one-third going to the Southwest.” Texas is the primary focus for the latter operation which Knisley says will ultimately take about three years to establish, by which point deals will be considered in such states as Arizona, Nevada and possibly Colorado.

But the farther a field Albany Road stretches, Bay State native Knisley stresses New England is still a “tremendously important” venue for the company, relaying that along with a couple of deals being chased in the Carolinas for Fund II, there are multiple Northeast prospects being circled about, though he would not provide further insight on the targets.

“We are absolutely going to remain active in the Northeast,” he declares. “Industrial here can be expensive to buy into right now, but we are looking hard at finding the right opportunities and certainly hope we can find them in all areas.”

Preferences have shifted over time for the group, with self-storage something Albany Road was voracious towards in its formative years, landing a substantial Connecticut portfolio before the end of 2012, then assembling enough similar type product through Fund I that its sale as a package of 458,000 sf in May 2016 delivered \$39.3 million, an astounding 36.6 percent IRR. The assets which were bought from 2012 to 2015 had cost \$27.6 million to purchase.

According to Knisley, there may be select opportunities in self storage that come about, “but we think that market has become too expensive, even for the mom-and-pop opportunities, and so we decided not only did we not want to buy more, it was probably the best time to get out,” he says. Ultimately, “we felt we bought into that market at the right time, and we felt we exited at the right time as well.”

Retail is an area Knisley cut his teeth on professionally, “and the firm’s Springfield shopping center performs well, but “retail is a very difficult industry and product type (to invest in) today,” he cautions, whereas, “We felt there are more and better opportunities in the industrial and office segments, and so do our investors.” ■

Many Drivers at Albany Road Wheel

BOSTON — Sage sorts proffer that “marrying right” is the prescription for a fulfilling life, and in assembling Albany Road Real Estate Partners’ growing commercial real estate team, the firm has brought such sentiment to heart, according to founding principal and CEO Christopher J. Knisley, his contingent enjoying faster-than-anticipated assemblage in its first five years of business creating a US portfolio of 6.2 million sf extending from Portland, ME to the heart of Texas and valued in excess of \$800 million (see story, Page 1).



Jeff Burke



Bruce Nolan



Mark Tryder

“Hiring carefully has been critical to our success and has made our run a really enjoyable experience,” Knisley says in welcoming his newest executive, Lincoln Property Co. ace Merrick Egan, who is charged with operating the firm’s third office, based out of Dallas from where Albany Road hopes to invest upwards of \$300 million across the Southwest during the next five years (see main story, Page 1).

“We do an extensive and expensive search when we add people where the focus is as much on character and integrity as it is about real estate (knowledge), and in all three of those areas, Merrick really overachieves and we are very happy with that selection,” conveys Knisley, who says the firm is already pleased by the results from its Nashville office that came on line three years earlier that has made inroads into the Carolinas and Georgia after planting its flag in Music City via acquisition of two office towers.

In that case, the managing principal is Scott Cloud, one of a trio of staffers there. Knisley attended Vanderbilt University and thusly is familiar with the community, but says it is important to have asset managers operating from the regions they serve to



provide real-time market information and cultivate relationships with “best-in-class” leasing agents, managers and vendors.

A University of Georgia alum who spent 10 years at Lincoln Property Co. serving as Vice President of National Finance, and most recently was helping a Canadian investor acquire Texas CRE. Albany Road has an ambitious agenda for the Southwest and Egan’s success helping his former em-

ment software, Knisley says, explaining her knowledge on the latter subject is helping Albany Road build and manage a back-office network “as we strive to create an unparalleled on-line investor experience.”

Tryder came aboard just six months after Knisley launched the Hub office in summer 2012 with friends Mark McInerney, Clark Callender and Steve Strandberg. “Mark is an incredible real estate guy and has been fantastic to work with,” says Knisley, who has tabbed him to oversee a 10-building, 301,000-sf medical office portfolio in Providence acquired in April for \$60.5 million, with Tryder also expanding his role handling the entire Northeast region. A Certified Public Accountant and Boston College School of Management graduate, Tryder helps Albany Road’s soup-to-nut approach to investments where an effort is made to identify through financial modeling ways to accrete income or realize operational savings.

The crew starts with securing the best debt package that may include interest only terms and scouring lenders to get lowest rates achievable, plus reviewing acquired land sites to see if a portion can be spun off for sale or development. Incorporating better management practices is another method embraced. Knisley points to parking garages bought along with given assets as one area Albany Road has enhanced performance by introducing best practices and efficient technology, including software. In their third purchase, a two-building office park on the South Shore, Albany Road monetized telecommunications tower leases at Braintree Executive Park, reducing

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“
Hiring carefully has been
critical to our success.
”

CHRISTOPHER J. KNISLEY,
CEO, Albany Road

ployer identify and emerge as winning bidder of 10 assets was another point in his favor. “It is invaluable to what we are trying to accomplish there,” Knisley says of Egan’s results for Second City Real Estate.

While Egan is poised to contribute going forward, Knisley says Albany Road’s existing professional stack has been a cornerstone to the unanticipated growth enjoyed in the firm’s opening five years, citing Investor Relations Manager Gail Hardy and Vice President Mark Tryder for their respective tenures. “Gail was the third person in the door,” Knisley recalls of his colleague who has over 15 years experience in operations, sales and customer relations, Hardy has been “invaluable” to the firm thanks to her interpersonal skills and expertise in such tools as contract relations manage-

Newmark Exclusive

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turer whose ownership had a aptitude for buying their real estate three generations.

“It is an incredible collection,” remarks one observer familiar with the assemblage and aware it is being made available to what is expected to attract a mix of cash-flowing aficionados and patient capital sources to visionaries eager to extract perceived value in the land presciently situated between Union Square in Somerville and Porter Square in Cambridge.

While thickly settled to the max, Somerville lacks tracts substantial enough for the transformative projects seen across town at the Assembly Square site. As to cash-flow, there are “rent bumps” as existing leases at Ames Business Park wind down, according to informational materials obtained by Real Reporter. Calls to Newmark’s investment sales team led by Robert E. Griffin Jr., Edward C. Maher Jr. and Matthew E. Pullen were not returned by press deadline. As to target allocations it is indicated Ames Business Park will be listed unpriced, the site’s heft expected to stir broad interest. “That will be a madhouse,” one source predicts, with the pricing put in the range of the Boston Flower Exchange that changed hands a year ago to Abbey Development, that blockbuster deal first revealed by Real Reporter ultimately bringing over \$40 million for what is essentially a 5.6-acre development play.

Sticker-shocked bidders might be advised of the relative bargain considering the \$82 million the Boston Globe site is expected to close at in the coming days for 16.5 acres, especially considering in that case and the Flower Exchange, there is none or scant cash flow accompanied in a trade as in the case of Ames Business Park, one CRE professional points out in defending the anticipated basis needed to compete.

According to the Newmark brochure obtained, the ownership has not been letting its portfolio wither away, having via a multi-year, multi-million dollar overhaul turned the complex into a “dynamic innovation space” whose denizens are described as “collaborative, entrepreneurial and creative” and serves as anchor to “Milk Row,” a larger district home to Somerville’s “innovative business environment.” A rock climbing gym, brewery and wine distribution company share space at



Ames Business Park, 21 Properzi Way, Somerville MA

Ames Business Park with a green energy startup incubator and N12 Technologies, that a nanotech company.

“It has a ton of energy,” according to the industry observer who frequents the park. Members of the listing team at Newmark include Director James M. Tribble and Associate Director Samantha N. Hollowell. Information on leasing for the Inner Suburbs is being provided by Managing Director Scott Gredler. According to the brochure, Executive Managing Director David Douvadjian and Director Tim O’Donnell will counsel those looking to leverage and purchase of an asset being delivered free and clear of any debt.

Launched in Boston in 1919 by Irish postal worker John W. Fitzgerald, Ames Safety Envelope Co. relocated to 21 Properzi Way in Somerville in 1938, remaining and rising to annual revenues of \$70 million at its peak until 2010 when the firm was sold to a competitor who has relocated operations, the residue being real estate holdings whose value has skyrocketed at a prescient time for Newmark’s clients.

“It’s a terrific story,” according to the industry watcher spoken to who marvels at the Fitzgerald family’s ability to turn their firm’s departure and loss of hundreds of jobs into the cash-flowing engine in the new millennium. Founder Fitzgerald’s grandson, Arthur Fitzgerald, is credited with leading the transformation and

setting the park up for a major Middle Markets exchange. ■

Albany Road People

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its initial basis of \$17.2 million paid Grossman Cos. in spring 2013.

Hardy is a multi-tasker who “does everything here,” Knisley observes, her most recent feat overseeing the opening of an expanded Boston office. “We really could not do anything without Gail,” says Knisley. Others who have passed muster with the firm’s exacting standards are Corporate Controller Jeff Burke, like Tryder a licensed CPA, who hails from tax and auditing firm PKF and brought 11 years experience to the post where he is responsible for all of the company’s financial matters.

Leasing, marketing and operations of Albany Road’s portfolio are the duties of Managing Director Bruce Nolen. Sporting over a quarter-century in the CRE arena, Nolen has worked for such firms as Griffith Properties, Northland Investments and REIT Management & Research, companies where he held similarly extensive oversight.

“It really is a wonderful group of people who like to spend time with each other and everybody’s family,” says Knisley, the camaraderie evidenced in a retreat earlier this year where the five-year milestone was celebrated (see group photo, Page 72). ■