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Commercial Real Estate: Apartment deals continue to lead recovery

Federal Capital pays \$50.5M for Frederick complexes

by Sonny Goldreich | Special to The Gazette

Apartment complex deals continue to make big news in Maryland's commercial real estate market, as developers seek out investment properties that can benefit from the dearth of construction since before financial markets collapsed in 2008.

Federal Capital Partners of Washington, D.C., announced it bought a pair of garden apartment complexes in Frederick with a total of 722 units for \$50.5 million.

"The Brookside and Overlook Manor acquisitions expand [Federal Capital's] presence in the Frederick market, a market with stable employment centers and opportunity for continued growth," managing partner Alex Marshall said in a statement. "These properties were acquired at a significant discount to replacement cost and allow us to achieve additional economies of scale with our nearby Crystal Park community."

The communities feature easy access to Interstates 70 and 270 and are within walking distance of retail along the Route 40 corridor.

Federal Capital, which has bought about 7,000 rental units in the past 18 months in the mid-Atlantic, plans renovations to common areas and amenity spaces. The Frederick deals continue its strategy of investing in bargain-priced properties.

Most notably, Federal Capital paid \$97 million in 2008 to buy the failed Monterey condominiums in Rockville, which is at the prime intersection of Montrose Road and Rockville Pike near the White Flint Metro station. The company became the fourth owner in three years and abandoned the apartments-to-condo conversion plans for the property, whose previous owners went bankrupt.

When Federal Capital took over the 432-unit high-rise, it was only 45 percent occupied. The company completed condo-grade renovations within a year and marketed the building as luxury apartment and it is now 96 percent rented.

Another company seeking residential bargains is Praedium Group of New York, which last month bought the Hampton Hollow Apartments in Silver Spring for \$31 million, state property records show. The 240-unit complex was sold by Fairfield Residential LP, which had completed recent renovations on the Route 29 corridor property before the project went bankrupt.

The property was 95 percent occupied and expected to sell for \$35 million, broker Jones Lang LaSalle said when it announced the listing last year.

URS leases 91,350 square feet in Germantown

URS, a global engineering design firm in San Francisco, plans to move its local offices from Gaithersburg to Germantown in June, according to its new landlord, Multi-Employer Property Trust.

The company will occupy 91,350 square feet at Milestone IV in the Milestone Business Park. The property, at 12420 Milestone Center Drive, is a six-story Class A building rated gold in the U.S. Green Building Council's Leadership in Energy and Environmental Design program.

"The URS lease serves as further validation of the strength of the Germantown submarket and the appeal of Milestone Business Park," Campbell Smith, a principal at Trammell Crow, said in a statement.

Trammell Crow completed the building on behalf of Multi-Employer Property Trust in 2009. The trust acquired the 45-acre Milestone Business Park in 2004, including developable land along with the existing Milestone I and II buildings, which are 83 percent leased. Construction of Milestone IV began in 2009.

CB Richard Ellis represented the owner in the transaction, which was part of a three-party deal for URS to move from its space at 200 Orchard Ridge Drive. Biotech MedImmune bought the property, which is next to its corporate campus. MedImmune will take over the URS space upon completion of the new offices at Milestone Business Park.

"Corporate and employee demand for offices in Germantown is growing, but constrained by a limited supply of Class A properties," said Dennis Owen, senior vice president of CB Richard Ellis.

Saul Centers to team with White Flint group

Property owner and developer Saul Centers of Bethesda has joined the White Flint Partnership, the alliance that is seeking to transform the Wisconsin Avenue-Rockville Pike corridor in Bethesda and Rockville. The partnership includes property owners with holdings in the dense commercial corridor.

"We are fortunate to have the experience and expertise of Saul and its top officials in the White Flint Partnership," Alan Gottlieb, COO of Lerner Enterprises, a founding member of the partnership, said in a statement. "Saul's history of planning and developing signature properties around the region will further strengthen our knowledge and impact on the major matters we are addressing as we work together to plan the physical future of White Flint."

Gottlieb said the partnership is advocating strongly for creating a pedestrian-friendly boulevard with center lanes dedicated to bus rapid transit, a feature gaining popularity nationally that would improve transportation options. Bus rapid transit would connect the National Institutes of Health and National Naval Medical Center in Bethesda to Gaithersburg's proposed Science City.

Nobel Learning buys three preschools

Nobel Learning Communities of West Chester, Pa., announced the purchase of three Montgomery County preschools from Children's Center Preschools.

Nobel Learning, which runs private preschools, elementary and middle schools and K-12 online distance learning, also bought two locations in Northern Virginia. The prices were not disclosed.

"By integrating these schools with our existing Maryland and Virginia schools, we will expand and enhance our ability to serve the preschool needs of parents and children in the D.C. Metro area," George H. Bernstein, Nobel's president and CEO, said in a statement.

The acquisition, the company's first since 2009, includes schools in Olney, Gaithersburg and Germantown that were part of 11 sites operated by Children's Center Preschools, owned by Child's Play of Reston, Va.

Over the next few months, Nobel Learning plans to rebrand the schools under its Chesterbrook Academy logo. Children's Center Preschools will continue to operate the remaining six preschools.

Anne Arundel Health, Johns Hopkins to expand

Johns Hopkins Medicine and Anne Arundel Health System announced plans to expand health services in western Anne Arundel County by jointly developing a 60,000-square-foot medical office building in Odenton.

The building is scheduled to open by early 2013. The \$14 million project will augment primary care and specialty services already provided by both institutions in the Odenton and Fort Meade area. There also are plans to develop an adjacent urgent care center.

The building will be on property known as Odenton Gateway, at the corner of Route 175 and Sappington Station Drive, across from the Odenton Shopping Center. Odenton Gateway is a mixed-use project that also will include 254 apartments.

Windsor Office Park leases raise Baltimore County site to full occupancy

St. John Properties of Baltimore said it completed two new office leases within Windsor Office Park to bring the business community's office space to 100 percent occupancy.

Northrop Grumman signed a lease at 7275 Windsor Blvd. for 15,600 square feet and 20/20 Ventures expanded its lease by about 9,800 square feet to more than 17,000 square feet at 7265 Windsor Blvd.

Toronto firm buys in Havre de Grace for \$26.4M

Toronto real estate firm Bentall Kennedy bought a 613,000-square-foot distribution center in Havre de Grace for \$26.4 million, according to Cassidy Turley, which brokered the deal.

The property, at 1900 Clark Road, is fully leased to Sun Products through February 2016. The seller was a joint venture between Hampshire Real Estate Cos. and MCB Real Estate. Cassidy Turley arranged the sale of the same building 18 months ago. The price represents a 35 percent increase over the September 2009 sale price.