



# The Real Reporter

A COMPENDIUM OF COMMERCIAL PROPERTY & CAPITAL NEWS

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## THIS WEEK'S ISSUE

No Waiting . . . . .	2
Kerry Good . . . . .	4
On the Waterfront . . . . .	6
Life Wish . . . . .	7
Rare Welch Bit. . . . .	10



## THE REAL REPORT

### Why RI

PROVIDENCE, RI — Thanks to the cloak of confidentiality agreements, details and strategies on why certain real estate investments come to pass can often be lost in the legal quagmire, making it challenging to decipher a given venture's genesis or purpose. Given that, an analysis of **Albany Road Real Estate Partners'** latest acquisition in the Ocean State's capital city through the eyes of Albany founder **Christopher J. Knisley** offers a refreshing view of why the region is finally attracting capital after a five-year hiatus borne of the recession.



“We are thrilled with our recent purchase of **Gateway Center**, the fifth deal we have acquired since launching our firm 11 months ago,” Knisley says of the 117,000-sf office building that was secured last week for \$13.2 million, or \$112 per sf. That represents a 55 percent discount to replacement cost, Knisley estimates, “ensuring that the property will not

continued on page 8

## Eastdil Lists 240 Luxury Apartments as CBRE Closes \$22M Framingham Trade

BY JOE CLEMENTS

**S**TOUGHTON — Much to the delight of deal-starved investors, yet another large multifamily community is being offered for sale, this one the just-completed Lodge at Stoughton, a high-end product of upscale builder Hanover Co. Eastdil Secured has been retained as exclusive agent for the



continued on page 9 The Lodge at Stoughton, Stoughton MA

## JLL Sews Up Leather District Property

BY JOE CLEMENTS

**M**OSTON — An office building in the city's evolving Leather District is being put up for sale through Jones Lang LaSalle, with 201-207 South St. expected to attract players both locally and beyond New England, according to the leader of JLL's Capital Markets Group, Managing Director Frank Petz.



201-207 South St., Boston MA

continued on page 21

## Investors Have Chance to Take A Village

BY JOE CLEMENTS

**M**ANSFIELD — An upscale, transit-oriented apartment complex in this southeastern Massachusetts community is the latest multifamily property to hit the sales block in 2013. Totalling 66 units, the Village at Cedar Heights is being listed through



continued on page 22 The Village at Cedar Heights, Mansfield MA

## The Real Report

continued from page 1

have to compete (from a rental rate perspective) with any new developments, when and if they were to be undertaken.” The pricing is also 35 percent below the \$20 million Gateway Center reaped in its prior sale.

Gateway Center is the third Rhode Island property Knisley has pursued since leaving the **Koffler Group**, a homegrown investment firm that has a prolific appetite for product throughout New England. Knisley was there for 13 years until leaving in the spring of 2011. Albany Road also controls **Metro Center II** in Warwick, which went for \$13.5 million this past December.

A native of southeastern Massachusetts, Knisley does have a comfort level with Rhode Island that others might not possess, but his argument for embracing the state despite its prolonged troubles come more from his background as an institutional investor that bristles at capitalization rates in core markets plunging under 5 percent. “Conversely, quality assets in secondary markets like Providence have experienced a dearth of deal-chasing capital,” he notes. “Cap rates in these markets have risen from previous ranges of 6 to 7 percent to the 9 to 10 percent (stabilized) range reflected in” the Gateway Center acquisition.

By his calculations, the historical cap rate spread between assets in primary and secondary markets is around 200 basis points. “The 400 basis point spread in this deal should tighten as the worldwide economic situation improves and institutional capital returns to secondary markets, or even as frustrated capital that has found difficulty permeating the primary/core markets comes to realize the attractiveness that a Gateway-like opportunity represents on a risk-adjusted basis,” explains Knisley, concluding, “this bodes well for future value increases for a property like Gateway Center.”

The property is 86 percent leased to a diverse, credit-worthy tenant roster that includes **Admirals Bank, Andera, the Big East, ERM, Precision Design** and **TIAA-CREF**. Given that the leases were all consummated during the period of upheaval when a special servicer was overseeing the property “is a notable accomplishment,” says Knisley, one that “reflects incredibly



Gateway Center, Providence RI.

well on Gateway Center’s position in the marketplace.”

Albany Road financed its purchase using a 10-year, \$10 million **Bank RI** loan with a minority participation from **Brookline Bank**. The loan features \$9.2 million provided at closing with future earn-out proceeds of \$800,000. The interest rate is fixed at three years for 3.23 percent, followed by seven one-year options for the borrower priced at the one-year **FHLB** rate plus 240 basis points. The first three years of debt payments are interest-only, “which will enhance distributable cash flow in the early years of the investment,” adds Knisley. The debt structure also provides Albany Road “a great deal of investment flexibility as we execute our value-add strategy,” enabling the group to hold, refinance or sell as opportunities are presented. ■

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