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Private Equity: In, Up and Away

BY JOE CLEMENTS

BOSTON — When it comes to the legion of private real estate groups vying for all manner of commercial real estate here, there were three general stages evident in 2015 and now holding firm this season: companies just stepping in, those stepping up in profile and volume and the fortuitous roster increasingly stepping away, sniffing at today’s anemic capitalization rates

after pioneering gambits made in the market nadir from 2009-2012 reaped far greater returns for grateful backers and lenders than those available today.

Brookwood Financial comes to mind in the latter camp, swooping in after the bust (following a 15-year-hiatus regionally) to secure underwater properties in suburban Boston and turn them around into core-plus real estate, among those entries Brookwood Business Center in Billerica, 75 Sylvan St. in Danvers and One Alewife Center in west Cambridge. These days, however, the firm has divested the latter property for an impressive return and is focusing fresh acquisition prospects well beyond its North Shore headquarters in Beverly to deals across the United States. The firm led by Thomas W. Brown, Thomas Trkla and Kurt Zernich has always had a far-reaching footprint, one focused on distressed or value-add opportunities such as those suburban Boston was rife with after the 2008 bust.

“We fix broken buildings, and those are getting difficult to find around here,” Brown told Real Reporter in an earlier interview



DEAN ATKINS



GREG LAUZE



ROBERT C. KIRSCHNER



RICHARD E. PUTPRUSH



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regarding his firm's shifting focus. While the commute may have been far easier to Danvers or Cambridge, Brown says Brookwood's globe-trotting platform is necessary now that institutional capital is returning to the Greater Boston area, their focus more on buying best-in-class, well-leased investments.



DWIGHT Y. ANGELINI



NILESH K. BUBNA



REID T. PARKER



ROBERT A. PROVOST III

Brookwood is going especially far a field, while another investor spoken to is circling tertiary New England markets due to low returns from metropolitan Boston assets. "It gets harder every day" to identify opportunities that would attract yield-driven capital or are deemed worthy of the risk, says the industry veteran, adding, "There are more people operating in (metro Boston) everyday." New Hampshire, Rhode Island and Connecticut still offer assets that can produce higher yields, says the investor who does not have a fund and insists there is "zero pressure" to push capital, especially in light of aggressive expectations among sellers. "The musical chairs have to stop at some point," muses the investor.

Still others are just arriving on the scene up against more mature funds coming back for another helping after earlier successes, at times their third or fourth round. Unperturbed by the competition, a fresh crop of private capital operations kicked off platforms last year in hopes of finding their own hidden CRE treasures, many sporting institutional experience who intend to apply that knowledge in the lower middle markets, a realm institutional behemoths seldom stray into due to inadequate size.

Among the newcomers active in 2015 would be Fulcrum Real Estate Investors, Northbridge CRE Advisors and more recently Longpoint Realty Investors, that group located at 116 Huntington Ave. in Boston comprised of TA Associates Realty professionals Dwight Y. Angelini, Nilesh K. Bubna, Reid T. Parker and Robert A. Provost



68-70 CENTRE OF NEW ENGLAND BLVD., COVENTRY RI

III. Having managed over \$8 billion of real estate prior to the launch, the current penchant for Longpoint is for "Last Mile" industrial real estate and infill shopping centers. Coverage areas include the Northeast plus New Jersey/New York, Florida and Texas. Provost is responsible for New England, the Mid-Atlantic and Southeast. According to the website, Longpoint's "roots in institutional real estate combined with a nimble, entrepreneurial approach position the firm as a dynamic new voice in real estate private equity."

Northbridge came on line in autumn 2014 and its first full year in 2015 proved fruitful as founders Dean Atkins and Greg Lauze completed three separate acquisitions culminating in November's \$38 million purchase of two office buildings in Hopkinton. As part of NorthBridge's long-term strategy focused on stabilized assets, the Hopkinton properties at 68-78 Elm St. are fully leased to Perkin Elmer. Totalling 198,000 sf, they had been owned since 2012 by US Realty Advisors, that group having paid \$31 million. It was an exclusive of the Newmark Capital Markets team led by Robert E. Griffin Jr., Edward C. Maher Jr. and Matthew E. Pullen.

Atkins and Lauze are typical of many new players bearing institutional experience, with Atkins a Harvard-trained attorney who worked at Mintz Levin specializing in real estate plus spent time at Transwestern RBJ while Lauze is an alum of Blackstone and Colony Realty Partners as well as JLL where he was responsible for a range of product types. Their skills are accentuated by Senior VP Kim Collins and Chet Atkins—the former US Congressman—who is serving as an in-house advisor along with Jamie Hoyte and James Segal, also Harvard graduates.

"We are having a lot of fun," Dean Atkins says in a recent interview after closing on yet another building, this one an 84,000-sf industrial property in Brockton whose anchor tenant

is W.B. Mason. That \$5.2 million buy brings the portfolio to \$55 million, impressive given he says NorthBridge takes "a rifle shot approach" in carefully vetting limited deals rather than chasing every listing coming available or those mandating extensive attention. On top of providing advisory services to third parties such as large owners of institutional real estate, the firm's investment platform is focused on New England and "places a greater importance on protecting and preserving capital than on chasing high returns," according to the website which also explains NorthBridge is on the lookout for "mis-priced or undervalued assets" which when acquired are expected to benefit from hands-on management and "maintaining quality relationship with tenants."

NorthBridge launched its portfolio paying \$4.1 million to secure 30 Burlington Mall Rd. in Burlington, that 12,500-sf leased to major childcare provider Knowledge Universe Education. DTZ brokers Bob Cleary and Rick Robinson negotiated that March deal which was financed by \$2.1 million from TD Bank and sold at an initial capitalization rate of 7.8 percent.

HFF was the broker when NorthBridge in late summer paid \$7 million for 20 Carematrix Dr. in Dedham, a 40,000-sf office building listed in a four-asset portfolio of infill real estate. Country Bank for Savings delivered \$5.8 million to finance that property which Lauze says was acquired due to steady cash flow and his firm's desire to buy when possible inside Route 128, with communities such as Dedham and Westwood expected to benefit from urban tenants seeking less-expensive space.

According to Dean Atkins, 20 Carematrix Dr. is in a proven location and "has great, creative office space with an open layout that companies today are looking for," plus was well-maintained on page 129

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tained by its prior ownership. "I think we made real progress in 2015 and have some very good assets to show for it," he says, and as evidenced in the Brockton deal, the platform remains active, albeit selective based on the strategy.

Listed by NAI/Hunneman principal David Ross with Gina Barroso and Ovar Osvold, the fully leased Brockton building at 1010 West Chestnut St. houses multiple tenants "and subdivides really well," plus has a company in W.B. Mason which Dean Atkins says he has great admiration towards for having pioneered the fast-delivery mantra tied to e-commerce.

"It's exciting to have them there," he says, while NorthBridge also finds the location off Route 24 favorable to such product and finds that sector attractive under the right circumstances. "We like industrial a lot, especially true warehouses like this one that subdivides really well," he says.

NAI/Hunneman advised seller Jack Straw Realty Trust and procured the buyer. Ross credits the building's full occupancy to three long-term tenants as reflective of his client's "pride of ownership" in a building located on 8.7 acres close to Route 128 and I-495. "There was a lot of interest from investors since the property generated long-term stable cash flow along with scheduled rent increases in place," Ross relays.

Fulcrum Real Estate is a creation of Robert C. Kirschner and Richard E. Putprush who pledge to "create leverage by magnifying results," owing to the definition of a fulcrum. The force behind that plan is 50 years of institutional experience, as detailed in a Real Reporter article last October outlining their first two conquests, flex/industrial product in Rhode Island and a



20 CAREMATRIX DR., DEDHAM MA

well-located industrial building in Dedham, that a 20,000-sf property whose broker was Savills Studley professional Steve Woodworth. Putprush said after the sale his firm was drawn by a cash-flowing lease to John Deere Landscaping at 60 Stergis Way, plus new zoning that could lead to a higher-and-better use down the road for an asset close to the Legacy Place mixed-use complex and other high-end real estate.

As an industrial building, 60 Stergis Way also benefits from having outdoor storage, a difficult element to find inside Route 128, explains Putprush, so even if the rezoning did not pan out, investors would benefit from the in-place cash flow.

Forty days prior to that acquisition, Fulcrum had secured a land site and 34,850-sf industrial building in Coventry, RI. The property had come available when its existing owner determined 60-70 Centre of New England Blvd. no longer fit its investment platform. Fulcrum did have to perform to meet a tight closing schedule and several ancillary tasks related to that

and did other work stabilizing the asset, but felt the \$1.6 million basis was low enough to put in maximum effort, delivering a building dating to 1998 acquired well below replacement cost. The deal was even sweeter when Fulcrum was quickly able to lease the entire building, including one tenant who signed on for 10 years.

"It had a little bit of hair on it and a lot of moving parts, and that is the sort of deal we feel we can make a difference with," Kirschner told Real Reporter in the Oct. 2015 article regarding the company which he joined after years at such leading firms as Charles River Realty Investors, National Development and New Boston Fund. Putprush's career includes decades as a broker for Cushman & Wakefield and a stint at Copley Real Estate Advisors. Fulcrum intends to operate in the range of deals from \$2 million to \$15 million.

As for companies stepping up in 2015, the list is extensive, with a recap of the leading players in the coming pages listed under Private Equity. ◆

HOTEL BROKERAGE

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center, indoor pool and 7,500-sf restaurant. It will serve occupants of a 56-acre campus with 1.1 million sf of space in 13 buildings.

The same masterminds behind Residence Inn are behind the Archer Hotel design, explains Meikleham, and that brand has been searching for new locations in both downtown and suburban markets. According to a description of the concept, Archer brand "evokes the creative soul of its location with quirky, curated luxuries and a sincere staff dedicated to service." It aims to be the highest quality hotel in a deep Burlington hospitality market catering to both business travelers and tourists "seeking a unique boutique hotel experience." ◆



MARRIOTT MOXY HOTEL, STUART STREET, BOSTON MA (RENDERING)