

Washington Real Estate Investment Trust sells 3.1M-square-foot portfolio for \$350M

Rockville real estate investment trust rids itself of industrial properties

by Sonny Goldreich, Special to The Gazette

AP AG Portfolio of Miami announced that it is acquiring almost 1 million square feet of commercial real estate in Prince George's and Montgomery counties as part of a \$350 million deal with Washington Real Estate Investment Trust of Rockville to sell off its industrial portfolio.

The two companies already have closed on the \$235.8 million sale of 2.28 million square feet in the Washington region, from Frederick to Northern Virginia. The final \$114.2 million phase of transactions to acquire the WRIT portfolio's remaining 803,673 square feet — including 149,860 square feet at 6100 Columbia Park Road in Landover — is expected to be completed in the next two months. Overall, the sale covers 3.1 million square feet of space, including 900,391 square feet of industrial and office properties in Maryland.

The blockbuster deal will finalize WRIT's plan announced last year to unwind itself from industrial investments and concentrate on office, residential and retail properties. In recent earnings reports, industrial space has been the exception to the company's otherwise positive rental rate growth. The company began its industrial divestment in December with the \$23 million sale of a Beltsville portfolio totaling 305,000 square feet for a \$9.2 million profit.

"Completing this first phase of our industrial portfoliodisposition provides WRIT the flexibility to invest in assets that better fit our long term strategy of acquiring properties inside the Beltway, near major transportation nodes and in areas with strong employment drivers and superior growth demographics," George F. McKenzie, WRIT's president and CEO, said in a news release.

The company has no other property sales planned this year, but said it would explore selling off a "handful" of outside-the-Beltway office buildings in 2012, McKenzie said during WRIT's second-quarter earnings conference call in July. WRIT owns a portfolio of 74 properties totaling about 9 million square feet of commercial space and 2,540 residential units, and land held for development.

The WRIT industrial portfolio buyer — a joint venture between AREA Property Partners and **Adler Group** — gains buildings stretching from Landover to the I-270 corridor, as well as in Northern Virginia. In Prince George's County, the deal includes 692,799 square feet in Capitol Heights, Laurel, Landover and Lanham. The



LCOR LCOR of Berwyn, Pa., developer of the new 362,000-square-foot, \$131 million Nuclear Regulatory Commission office tower, recently topped out construction of the 14-story building on Rockville Pike in North Bethesda, part of the NRC's expanded headquarters. Construction of the building, owned by a joint venture of LCOR and USAA Real Estate of San Antonio, started in July 2010 and is expected to be finished in May. About 1,300 employees are to work there. The building was designed by HOK and Turner Construction is the general contractor.

I-270 holdings include the 158,319-square-foot 270 Technology Park in Frederick and the 49,273-square-foot Crescent office complex in Gaithersburg.

The properties are home to major Maryland companies such as MedImmune as well as many federal agencies. The deal vaults AREA and Adler to the second-largest industrial property landlord in the Washington region's market.

"We are bullish on the greater Washington, D.C., area, and confident that this high-quality portfolio will further flourish under the hands-on asset management skills we bring to the table," said AREA partner Steve Wolf.

The new owners will focus on on-site property management, leasing and tenant retention to raise the current portfolio occupancy levels from the high 70 percentile to above 90 percent, said Matthew L. Adler, chief investment officer for Adler Group.

The other Maryland properties in the sale are Hampton South, 166,326 square feet in Capitol Heights; Hampton Overlook, 134,340 square feet in Capitol Heights; 8880 Gorman Road, 140,700 square feet in Laurel; and 9950 Business Parkway, 101,573 square feet in Lanham.

Cassidy Turley represented WRIT in the transactions.

Los Angeles investor buys Wheaton office building

Lowe Enterprises Investors announced that it has acquired an 86,000-square-foot office building in Wheaton next to the Metro Red Line stop on behalf of a pension fund client.

The five-story property at 11141 Georgia Ave. is 73 percent leased and is one block east of the Westfield Wheaton Shoppingtown mall. The sale price was not disclosed.

"The building is well-located and positioned to benefit from the strengthening market," said Bleecker Seaman, Lowe's chief executive. "We are currently reviewing plans for improvements to the building."

The property is one block from the planned town center mixed-use project that B.F. Saul of Chevy Chase is trying to market to government tenants.

"Wheaton is emerging as a pedestrian-friendly Metro-served environment which offers good access to transportation, retail and the workplace for its tenants and residents, in keeping with our longstanding focus on improving properties in urban infill locations," said Mike Balaban, managing director of Lowe Enterprises Real Estate Group.

Joe Carrol and Harmar Thompson of Lowe Enterprises Real Estate Group led Lowe's acquisition team. Sandy Hunt of HBW Group represented the seller.

Lowe Enterprises established its Washington-area office in 1980 and has been an active investor and developer of commercial real estate throughout the region. It recently completed development of the \$250 million CityVista mixed-use project at 5th and K streets N.W. and oversaw the \$150 million restoration of the famed Washington Hilton Hotel in Washington.

East Baltimore retail block sells for \$4.55 million

Spectrum Properties of Washington bought a block of retail buildings near Johns Hopkins Medical Center in Baltimore for \$4.55 million, according to KLN B Retail Investment Sales, which brokered the deal.

The company acquired 2213-2241 E. Monument St., which is part of the city's eastside development zone. The buildings, which are 100 percent leased, comprise eight separate stores totaling more than 32,000 square feet.

The retail strip is two blocks from Hopkins and had been owned by Miller Real Estate for more than 70 years. Tenants include a mix of local and national retailers.

"The new owner of this Monument Street portfolio recognized the unique opportunity to acquire a historically stable asset that produces a nearly double-digit investment yield positioned in a dense section of Baltimore City," said Gil Neuman of KLN B Retail Investment Sales.