



High-Yield Plays Surface Near Boston

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High-yield investors are once again snapping up office properties in select submarkets in suburban Boston, where occupancy and rental rates are on the rise.

Over the past several years, relatively few suburban office properties have traded, and most of those were stabilized. But two large purchases in recent weeks were made by high-yield investors betting on improving fundamentals to lift their returns.

National Development and fund shop **Charles River Realty Investors** paid \$78 million about two weeks ago for the 601,000-square-foot Unicorn Park office complex in Woburn, Mass. Eastdil Secured brokered the sale for a pension fund advised by J.P. Morgan.

In June, fund shop Blackstone acquired a half-empty office complex in Cambridge, Mass., for \$81.5 million, slightly above expectations of \$80 million. CB Richard Ellis advised the seller, Barclays, which had foreclosed on a \$106 million mortgage on the 439,000-sf property.

In two rounds of bidding, the National Development team beat out some 15 other investors, including Davis Cos. of Boston and DivcoWest Properties of San Francisco. National Development and Charles River, both of Newton, Mass., immediately flipped a half-vacant 24,000-sf building to DeSanctis Insurance, which will occupy the space. The five remaining buildings in Unicorn Park are about 80% leased, slightly better than the 78% submarket average. The partners plan to conduct some renovations and add amenities that will position the property to take advantage of rising rents in the Route 128 North submarket.

National Development, which developed the nearby 1.3 million-sf MetroNorth mixed-use complex, plans to draw on its market knowledge and contacts to lease up the property. Charles River acted via its \$170 million opportunity fund, Charles River Realty Fund 1, which shoots for a return of 15-18%.

Blackstone beat out about 30 bidders for the Cambridge complex, at 125-150 CambridgePark Drive. The site includes space for the development of additional office and laboratory space.

Demand for Class-A space is fueling rental growth in prime Boston suburbs and is expected to spill over to Class-B space. Investors are particularly interested in Cambridge, Route 128 West, Route 128 North and the Framingham/Natick markets.

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