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235,000-SF D.C. Office Building Changes Hands

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A 235,000 square-foot office building in Bethesda, Md., a market within the highly coveted Metropolitan Washington, D.C., area, has been snapped up by a team consisting of Meritage Properties and GoldenTree InSite Partners. The two companies bought the Class A property from AEW Capital Management, which made the sale on behalf of an institutional client. Terms of the transaction have not been disclosed; however, the property last traded in January 2004 for nearly \$44 million and, according to Maryland tax records, it has a total current assessed value of \$46.2 million.



The structure at 10401 Fernwood (pictured) boasts a location in North Bethesda's Rock Spring Park, one of southern Maryland's premier office parks. Originally developed in 1970, the two-story building has been completely renovated over the last five years and is presently 66 percent occupied by the National Institutes of Health under a lease that is not scheduled to expire until 2011. NIH maintains its headquarters within close proximity to the building and occupies additional space within Rock Spring Park. The remaining 57,000 square feet of space at 10401 Fernwood will be marketed by Lincoln Property Co., which will also take on management responsibilities. As per a recent report by GVA Advantis, the average asking rate for Class A office space in the North Bethesda submarket is \$29.41 per square-foot, triple net. "The demand is healthy for all types of office buildings in the Bethesda market and the fundamentals are improving, as well," Steve Gichner, senior vice president with Grubb & Ellis Inc., told *CPN*. Grubb & Ellis marketed the building and represented AEW in the transaction, while the buyers represented themselves.

"The whole business plan and investment premise for 10401 Fernwood is the lure of the market and value creation," Rob Vahradian, GoldenTree managing director, told *CPN*. Vahradian and Meritage principal Andy Nathan worked closely on the deal. "It's a solid location with tight vacancies. We're going to go in and open up the plaza space, and we will introduce structured parking to the building. The value proposition is why we were so interested. We'll lease up after the upgrade, the environment will be premium with the addition of a water feature and reservoir that will be the center of the park, and we'll have the ability to create value."

The acquisition of 10401 Fernwood has beefed up Scarsdale, N.Y.-headquartered Meritage's portfolio of properties in the Northeast, where the company and affiliates have bought stakes in 16 properties valued in excess of \$380 million over the last three years. GoldenTree, an international real estate investment firm based in New York City, manages about \$7 billion in assets.

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