

Users are Winners in 2012 CRE Game

BY JOE CLEMENTS

FRAMINGHAM — Users had a big role in the commercial real estate sales game in 2012, and the operative term is B-I-G. There were actually plenty of trades under \$10 million by firms taking advantage of federal loan programs and record low interest rates to own versus lease, but the trend extended to the very top as exemplified in TJX Cos. paying an aggregate \$116 million to wrest away a family heirloom from the Campanelli Cos., owners of 770 Cochituate Rd. in Framingham until its occupant made the Braintree based real estate company an offer it did not refuse, one negotiated with Eastdil Secured advising TJX Cos. and Richards Barry Joyce & Partners representing the seller. Officials at both real estate services firms declined to acknowledge their involvement, reportedly due to the buyer wanting to retain a low profile that proved impossible to achieve given the size of the asset and the impact on the local community.



GEORGE "TONY" HEWETT



DAVID L. PERGOLA

According to Cushman & Wakefield, less than 290,000 sf of space was acquired by users in the region during 2011, but that number jumped tenfold this year to 2.4 million sf. The interest rate climate is deemed as one factor, plus incentives to own versus rent. And long-awaited federal accounting changes supposedly favor ownership for companies in terms of their tax treatment, an issue firms such as Cresa Partners have been telling clients for most of the decade. Whatever the influences, many brokerage firms selling commercial real estate across New England were often involved in a user transaction last year. On the North Shore, Nordlund Associates tendered seven transactions in excess of \$1 million. Of those, six involved user situations. NAI/Hunneman Commercial Corp. principal Catherine Minnerly and Associate Ovar Osvold also completed multiple user deals in 2012, helping Yale Appliance buy an 80,000-sf building at 75 Campanelli Pkwy. in Stoughton for \$3.7 million and divest its former location at 240 Forbes Blvd. in Mansfield to the Lacerta Group in a \$4.3 million trade. That custom packaging company will occupy the Mansfield space for its growing needs.



ONE CONSTITUTION WAY, FOXBOROUGH MA

As to the "What, Me Worry?" set, brokers spoken to note that users can often spend more on a building than investors, and can be greatly advantaged by financings such as the popular Small Business Administration 504 lending program that was a major force in the 2012 sales activity throughout New England. A caveat requires the borrower fill at least 51 percent of the structure for its own operations, and that has proven a workable caveat for many borrowers. The Lacerta Group received 504 financing of \$3.8 million from RBS and South Eastern Economic Development, for example, the latter entity certified by the SBA to compile such instruments.

Davis Malm D'Agostine partner George "Tony" Hewett has been handling SBA 504 loans for decades and reports 2012 was among the busiest ever, rivaling 2006 to 2007 during commercial real estate's last true boom. Compared to what followed, 2012 was refreshingly active, says Hewett. "We did them all over the state," he relays, and to no great surprise, the final quarter was especially hectic, concurs



32 RIVERSIDE DRIVE, PEMBROKE, MA

Hewett, and not just over sellers trying to wrap up deals for tax purposes. The SBA this year enabled 504 funds to be used for refinancing a loan, an unprecedented provision that ran until September. Those who made the cut then had a short time period to complete the process, further bottling up the home stretch.

Hewett worked on a broad scope of transactions, assisting the owner of an air compression equipment firm buy an 18,500-sf commercial condominium at 32 Riverside Dr. in Pembroke for \$1.26 million. The deal was backed by New England Certified Development Corp. and Eastern Bank with a total consideration of \$1.23 million. Eastern Bank is a leading supporter in the region for 504 deals.

Hewett and NECDC also participated in a
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financing of 300 Winthrop St., a Medford nursing home bought by MRNC Realty for \$7.5 million and funded through Brookline Bank and NECDC in mortgage financing of \$6.3 million. In Chelmsford, NECDC and Bank of New England financed the \$1.24 million purchase of 5 Courthouse Ln. in Chelmsford with financing of \$1.2 million. Other groups active in funding 504 loans included Bay Colony Development Corp., Granite State Development Corp. and SEED.



CATHERINE MINNERLY



OVAR OSVOLD

The larger set, of course, has more powerful tools at its disposal, including cash reserves that can be deployed to buy at whim. In another blockbuster move, Boston Scientific announced a plan to sell its Natick headquarters and relocate to a site in Marlborough after Natick neighbor MathWorks proposed buying the Boston Scientific complex, a deal expected to be final-



240 FORBES BLVD., MANSFIELD MA

ized in late March. Seen as a cost-efficiency move by the seller, the process was fomented by an expanding MathWorks coveting its neighbor's property. The high-flying software company has previously demonstrated a predilection for owning its facilities, having acquired many properties surrounding its once-tiny venue in the area. R.W. Holmes is representing MathWorks in that process; President Garry Holmes declined comment.

In yet another key user deal, software company Meditech paid \$19.8 million for One Constitution Way in Foxborough, a vacant 208,000-sf office building acquired from REIT Management. Eastdil Secured and CBRE/New

England principal David L. Pergola negotiated that transaction between the two parties, but did not respond to inquiries, reportedly at the behest of the buyer. Regardless, it proved to be one of the most significant trades of 2012 for the submarket.

Meditech had planned to build a property in Freetown, but that \$65 million plan was abandoned in favor of the Foxborough option. Commonwealth REIT had bought the asset 10 years ago for \$30 million. Developed in 1988 by Cabot, Cabot & Forbes, the four-story structure most recently housed OneBeacon Insurance until that firm moved to Route 128 five years ago. ♦

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