

## Beacon Fund Shopping DC Offices

**Beacon Capital Partners** is about to market a Washington office building that is valued at about \$130 million.

Beacon's second value-added fund is preparing to shop the 289,000-square-foot property, located at 2445 M Street NW. Beacon acquired the building last year from **Deka Immobilien Fonds** for \$84.5 million, or \$292/sf. A \$130 million sales price would translate into \$450/sf.

Meanwhile, the buzz is that the Beacon fund is the winning bidder for the 412,000-sf building at 1615 L Street NW. Beacon offered about \$124 million, or \$300/sf.

The moves come just a few weeks after the Boston company sold a portfolio to **Wells Real Estate** of Atlanta for \$350 million. The three-building package consisted of 1201-1225 Eye Street NW and 400 Virginia Avenue SW in Washington, and 4250 North Fairfax Drive in Fairfax, Va.

The nine-story building going up for sale at 2445 M Street, dubbed One Westin Center, is nearly fully occupied. Law firm **Wilmer Cutler Pickering** had a 282,000-sf lease through 2007 at about \$46.50/sf. But, through an agreement with Beacon, it recently vacated about half of its space, which was promptly leased for 15 years by the **Advisory Board** at a triple-net rent of about \$35/sf (the equivalent of \$49.50/sf full-service). The nine-story property, built in 1986, includes an underground garage for about 200 cars. **Cassidy & Pinkard** has the listing.

The building that Beacon apparently just won, at 1615 L Street, is being offered by **Galaxy Investments**, a commingled fund managed by **Cambridge Development** of Herndon, Va., and **Halle Cos.** of Silver Spring, Md. The sale is being co-brokered by **Cassidy & Pinkard** and **Lehman Brothers**.

Galaxy bought the 13-story property last year from **MGP Properties** of Rockville, Md., for \$112.5 million, or \$273/sf. The occupancy rate fell to 85% after the recent departure of two law firms: **Weil Gotshal** and **Tucker Flyer**. Over the past year, Galaxy has rented space to law firms **Haynes & Boone** and **Paul Weiss**, as well the **Wilderness Society**, a nonprofit firm. Those leases, totaling 66,000 sf, carry rents of \$36.50/sf and up, plus electricity costs. Asking rents on available space range up to \$42/sf. The reflective-glass building, which has a six-story atrium, was constructed in 1984.

Beacon launched its \$740 million second fund in mid-2002 and recently began raising \$800 million of equity for its third fund. The vehicles seek a leveraged return of 18%. ♦

## Buyers Emerge for Office Stakes

**Equity Office Properties** has agreed to sell a majority stake in a Boston office building to German fund operator **Kan Am**, and is in talks to sell a majority stake in a Washington office portfolio to **Teachers Insurance**.

The sales, which could total about \$390 million, are part of an effort by the giant Chicago REIT to free up equity, perhaps with an eye toward acquisitions next year.

**Kan Am** is buying a stake of about 75% in the 917,000-square-foot building at 225 Franklin Street in Boston. It will pay about \$350/sf, or \$240 million, for the stake, which values the property at about \$320 million.

**Teachers** is in talks to buy a 75% stake in the 653,000-sf Washington portfolio. The insurer is expected to pay roughly \$300/sf, or \$147 million — which would value the portfolio at nearly \$200 million. **Teachers** is expected to sign a letter of intent later this month. **Eastdil Realty** has the listing.

The portfolio consists of:

- 1620 L Street NW (156,000 sf). Occupancy rate: 100%, although 17% of the leases roll over next year.
- 1111 19th Street NW (252,000 sf). Occupancy rate: 92%.
- 1333 H Street NW (245,000 sf). Occupancy rate: 72%.

The building at 225 Franklin Street in Boston was originally part of a nine-building nationwide portfolio in which **Equity Office** offered a majority stake. The REIT ultimately struck a separate deal for 225 Franklin with **Kan Am**.

**Teachers** is reportedly buying roughly 80% stakes in at least seven of the remaining properties, whose combined value is estimated at \$600 million, but details remain scant. **J.P. Morgan Chase** is marketing the nationwide portfolio, but it's not clear whether it is handling the Boston transaction.

The Franklin Street tower, located in the financial district, is 94% occupied, with leases on 4% of the space expiring next year. Asking rents are \$42-\$46/sf. Tenants include law firm **Fish & Richardson**, **State Street Bank** and **Deutsche Bank**. **State Street's** lease extends for another 12 years, but the bank is vacating the space to occupy a new headquarters building elsewhere in the city. »

**Kan Am** manages open- and closed-end funds. It could be planning to conduct the acquisition through its closed-end fund, **Kan Am/Westwind USA**. ♦

## Berwind Shops Offices Near Boston

A **Berwind Property** joint venture is seeking \$44 million for a suburban Boston office complex.

The 285,000-square-foot Lexington Corporate Center is about 80% occupied, predominantly by technology firms. Rents average around \$21/sf, which is in line with the market rate.

The offering is viewed as a long-term value play, given the weak leasing market in Boston's suburbs. But there are signs that demand for space is starting to pick up.

The four-building property is located at 10 Maguire Road in Lexington, about 17 miles northwest of Boston. It is near State Routes 2 and 225, as well as U.S. Route 3.

Philadelphia-based **Berwind**, which operates opportunity funds, teamed up with **Nordic Properties** of Burlington, Mass., to develop the complex in 1998.

**Trammell Crow** has the listing. For more information, call **Jim McCaffrey** at 617-757-2526. ♦