With Tysons sale, another piece of pre-recession CMBS debt resolved

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Westport Capital Partners LLC has bought government consultant LMI's former Tysons headquarters building for about $24 million, or roughly $83 per square foot — almost 70 percent less than what the building last traded for in 2006.

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Westport Capital Partners acquired 2000 Corporate Ridge Road in Tysons for about $24 million, roughly 30 percent less than what it traded for in 2006.

The Wilton, Connecticut-based Westport has retained Wingate Hughes Architects and plans to spend between $7 million and $10 million on renovations intended to reposition 20000 Corporate Ridge Road for new tenants. Westport was advised by Vienna-based **Cambridge** on its acquisition of the 1980s-era office building, which was foreclosed on in 2015 and has been mostly vacant since LMI moved to its new headquarters at Tysons Overlook.

"It is well located, obviously offers superior visibility, and we feel the building needs a little tender loving care," Cambridge CEO Randy Jaegle said. "I think that they, along with us, felt there was a good opportunity to seize a very high-quality asset in an improving market, that being Tysons Corner, and it represents one of the few opportunities for large blocks of office space in the Tysons-Dulles corridor."

The plot line might sound familiar. It played out last month with the sale of 6116 Executive Blvd. in Rockville for $9.5 million, or less than $44 per square foot, and more than 88 percent less than what it sold for in 2005. There, as with what was formerly known as Tysons Executive Plaza I, its new owner plans to invest spend millions on improvements and renovations with the hope of bringing the tenants, and their rental income, back.

The buildings have something else in common. They were both used to secure millions of dollars in commercial real estate debt taken out before the recession and bundled into packages known as commercial mortgage-backed securities, or CMBS.

The last of that pre-recession debt — about $4.1 billion is tied to D.C. area properties — is set to mature between now and the end of 2018, according to New York-based CMBS market tracker **Trepp**. Some of that will get repaid, but about 37 percent of it has been transferred to special servicers like **C-III Capital Partners** to resolve issues such as the loss of an anchor tenant and the dramatic drop in cash flow those properties generate by consequence.

I examine that issue in greater detail in Friday's print edition. I decided to take a look at the problem after a pair of prominent foreclosure auctions in December and January. That included Vornado Realty Trust's Skyline campus in Baileys Crossroads and Republic Properties Corp.'s Portals I in Southwest D.C. Other properties have reverted to their debtholders with far less media coverage, either through foreclosure or deed in lieu of it.

Well-located, well-leased properties aren't so much the problem as are older buildings with higher vacancy rates, not close to a Metrorail station, in need of substantial repairs, or in parts of the region where demand for office space is significantly depressed. The upshot to all of that, at least a potential upshot, is that new owners at substantially discounted buy-ins will be on stronger financial footing to reinvest and re-lease the vacant space to new tenants — once, that is, the special servicers overseeing the real estate decide it's time to bring it back to the market.

Jaegle said Westport plans to add the kinds of amenities 2000 Corporate Ridge needs to attract new tenants, including a planned state-of-the-art amenity center, fitness facility, and multiple conference rooms. Cambridge has been retained to handle asset management for the property, with Cushman & Wakefield as the listing agent. Construction's slated to start soon with the aim of finishing up by the end of the year.

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