



# THE ANALYST

## CAPITAL MARKETS OVERVIEW

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**DUVALL**  
COMMERCIAL REAL ESTATE INVESTMENTS

**Q1 2021**

## Recent Local Sale Transactions



Sale Date: **March 12, 2021**

### **1350 Eye St NW Washington, DC**

Sale Price: \$120,500,000 (\$301.41 PSF)

Occupancy at Sale: **78%**

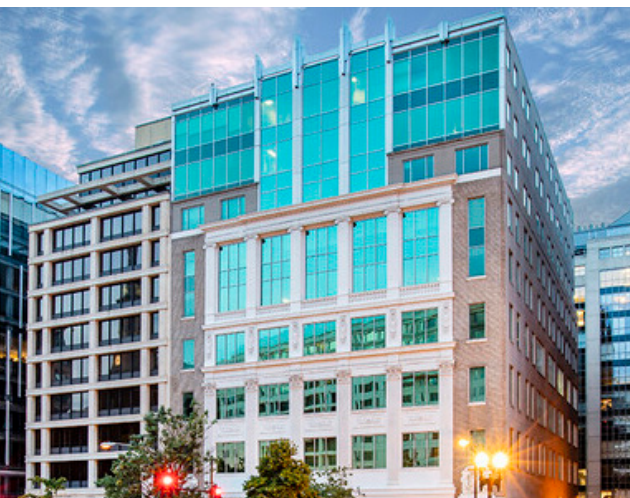
Cap Rate: **N/A**

Buyer: **MetLife Real Estate**

Seller: **EDGE Funds Advisors**

Story: On March 12, 2021, the office building located at 1350 Eye St NW in Washington, DC was sold at auction for \$120.5 million after the former owner defaulted on the \$182.5 million debt encumbered by the asset.

The building was acquired by MetLife Investment Management, which was the primary debt holder on the property. They had filed a foreclosure notice about a month prior to the auction. (CoStar)



Sale Date: **March 3, 2021**

### **The Herald 1307 New York Ave NW, Washington, DC**

Sale Price: **\$29,050,000 (\$343.09 PSF)**

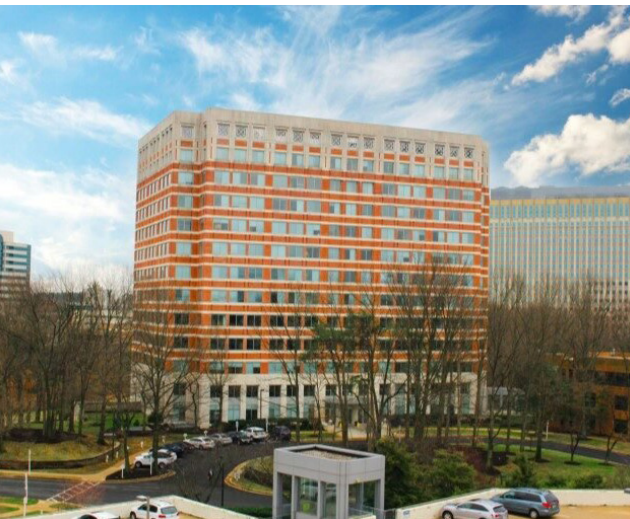
Occupancy at Sale: **0%**

Cap Rate: **N/A**

Buyer: **Invesco Advisers, LLC (70% stake)**

Seller: **Marx Realty**

Story: Investment powerhouse Invesco has acquired a 70 percent stake in The Herald, a 134,000-square-foot office building in Washington, D.C., and is teaming up with co-owner Marx Realty on a \$75 million renovation of the iconic property. (Commercial Observer)



Sale Date: **February 9, 2021**

### **Mark Center 2001 2001 N Beauregard St, Alexandria, VA**

Sale Price: **\$71,690,000 (\$298.78 PSF)**

Occupancy at Sale: **100%**

Cap Rate: **N/A**

Buyer: **Grupo Haddad US**

Seller: **G8 Capital**

Story: The 239,945-square-foot, Class A office building is located at 2001 N Beauregard St in Alexandria, VA. At the time of the sale, the 12-story building was fully leased to Systems Planning and Analysis, Inc, a defense contractor.

The buyer was an affiliate of Mexico City-based investment firm Grupo Haddad. This was the company's second acquisition in the DC area as they closed on the purchase of another office building in Prince George's County, Maryland in January 2021. (CoStar)

## Life Science VC and Sale Transactions



### Life Science VC and Sale Transactions

- i. **Delfi Diagnostics** - Baltimore, MD  
Services: Cancer Treatment  
Type: Early Stage VC, Series A  
Funding: **\$100,000,000**
- ii. **Intergalactic Therapeutics** - Baltimore, MD  
Services: N/A  
Type: Early Stage VC, Series B  
Funding: **\$90,000,000**
- iii. **ValenzaBio** - Bethesda, MD  
Services: : Cell and Gene Therapy  
Type: Early Stage VC, Series A  
Funding: **\$79,370,000**



### National VC notable transactions

- i. **EQRx** - Cambridge, MA  
Services: Biotechnology  
Type: Early Stage VC, Series B  
Funding: **\$570,000,000**
- ii. **ElevateBio** - Cambridge, MA  
Services: Cell and Gene Therapy  
Type: Later Stage VC, Series C  
Funding: **\$525,000,000**
- iii. **Insitro** - San Francisco, CA  
Services: Cancer Treatment  
Type: Later Stage VC, Series C  
Funding: **\$400,000,000**



### Local Life Science Related Sales

- i. **9601, 9603 Medical Center Drive** - It is rumored that Alexandria Real Estate Equities is the purchaser of the Johns Hopkins Campus buildings on Medical Center Drive. Hopkins announced in 2019 that they were closing their Montgomery County graduate program and consolidating operations to their Baltimore campus. They received multiple offers north of \$200 PSF on the existing buildings, which
- ii. **NCI Building - JBG selling to USAA** - Newly constructed lab building for National Cancer Institute (NCI), 66,000 SF on Medical Center Dr, was developed for NCI by JBG Smith. Building is expected to sell to USAA Real Estate, who owns nearby existing NCI building at 9609 Medical Center Drive.

- iii. **Blackstone buys Brookfield Lab buildings in Baltimore - Spins out to Ventas at 4.8% cap rate -**  
Blackstone's perpetual life sciences investment strategy finalized its \$3.4 billion deal to purchase a portfolio of 2.3 million square feet of laboratory office buildings from a Brookfield Asset Management Inc. real estate fund. Simultaneously, Blackstone agreed to sell a pair of life science properties affiliated with Johns Hopkins to healthcare real estate investment trust Ventas Inc. The Baltimore buildings were reportedly purchased at a 4.8% cap rate (over \$605 psf).

## THE ANALYST'S Opinion

The life science market has been one of the lone bright spots in real estate during the pandemic. In the Washington DC Metro Area, Novavax made a lot of news taking all of 700 Quince Orchard, planning a development on the adjacent parking lot and leasing space at 704 Quince Orchard. Many other companies are out in the market looking for new space to accommodate expansion. The limiting factor that is going to be holding the market back is the lack of available space to occupy.

The recent story regarding the Autolus headquarters on Medical Center Drive is a great example of the power of available space. London-based Autolus signed a full building lease on a 85,000 sf build-to-suit. After the building was delivered, Autolus had a change in plans and decided not to move forward with their expansion plans. ARE now had a completely vacant, Class A lab building. This didn't last for long. TCR2, a Boston based company, signed a new lease for the entire building.

Research Triangle Park has been having tremendous success attracting life science companies to their cluster. A big part of this is due to their availability of R&D spaces. There is over 1,000,000 sf under construction in the RTP region, much of which is being completed speculatively. A healthy market has some level of vacancy. That vacancy allows for local, organic growth, and allows the market to compete for companies from out of town.

Some groups are delivering manufacturing space north of the primary biotech clusters, and these spaces are proving to be very successful, most being leased before delivery. However, we need more blocks of space delivered in order to attract new companies and to allow existing companies to grow.

The Maryland market, unfortunately, does not have enough vacancy to grow. Who will deliver vacancy with speculatively built product or conversions?

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