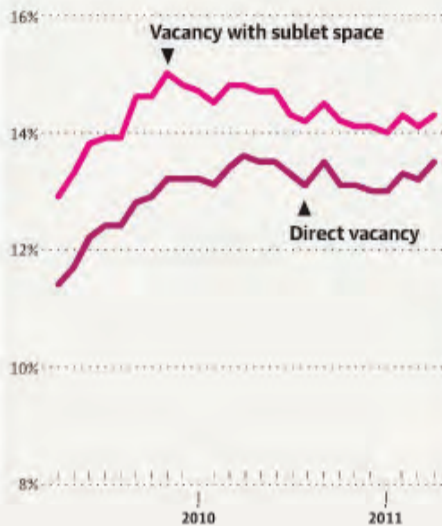


Commercial Real Estate

Delta market trends

Maryland office vacancies

Vacancy rates for the suburban Maryland market increased 1.4 percent in April. Available space in Prince George's County jumped 2.5 percent, and Montgomery County's office vacancy rate increased by 1.1 percent. Frederick was the only county to see an decrease in available space.



Submarket movers and shakers

	Space available*	1-month change
▲ Kensington/Wheaton	344,527 s.f.	+133.3%
▲ Greenbelt	763,058 s.f.	+22.2%
▲ N. Silver Spring/ Rt. 29	205,630 s.f.	+13.1%
▼ North Rockville	1,796,784 s.f.	-3.8%
▼ Beltsville/Calverton/ Coll. Pk.	875,289 s.f.	-4.1%
▼ Rockville	1,211,029 s.f.	-7.2%

* Includes sublet space. Source: Delta Associates, a research affiliate of Transwestern, based on its proprietary analysis of CoStar Group Inc. data. Delta can be reached at 703-836-5700.

Notable sales and leases

The Foulger-Pratt Cos. of Rockville and joint venture partner **DLJ Real Estate Capital Partners** bought 1,106 residential units in Cheverly and Forestville for \$90.1 million, including rehab and closing costs. The apartments, known as the United Investors portfolio, are 95 percent leased. **Transwestern** brokered the deal. This is the first time the portfolio has changed hands. The Miller family, the sellers, built the apartment communities in the early 1960s. The acquired properties were Cheverly Terrace (366 units), Hanson Arms (189 units), Pennbrooke Terrace (404 units) and Valleybrook Apartments (147 units).

The three-story **Anne Arundel Medical Center** in Bowie traded for \$10.4 million, which is \$2.2 million more than its previous sales price in 2006. **LaSalle Investment Management** purchased the 36,260-square-foot medical center, at 4175 North Hanson Court, for cash and assumption of existing debt. Jim Kornick, Matthew Clinebell and Chip Ryan of **NorthMarq** brokered the sale for the seller, Bethesda-based **Guardian Realty Investors LLC**, which bought the building in 2006 for \$8.2 million.

An affiliate of **Roehbling Investment Co.** in New Jersey acquired Clinton Gardens, a 40,000-square-foot neighborhood retail center in Prince George's County, for \$14 million. Mike Gorsage, a principal of **HR Retail**, marketed the center on behalf of its previous owner, **Next Realty**.



More offshore money flowing into District

By Sarah Krouse

Two Asian financial institutions are making their premieres in D.C.'s commercial real estate market, further diversifying the mix of foreign capital flowing into the city's competitive investment sales market.

The latest entrants are South Korea-based Samsung Life Insurance Co. Ltd. and the Singapore-based subsidiary of Chinese institution United Overseas Bank Ltd.

United Overseas Bank refinanced 1130 Connecticut Ave. NW in mid-May with a seven-year, \$61 million loan for owners Penzance Management LLC and Greenstreet Real Estate Partners LP.

Samsung has tapped Deutsche Bank subsidiary RREEF to invest about \$444 million in D.C. and other gateway cities such as New York, Boston and San Francisco, along with Paris, Frankfurt, Munich and London. No deals have been made here yet.

D.C. is the second most popular city in the world for foreign investments right now,

according to the Association of Foreign Investors in Real Estate. Offshore investors are looking to invest \$40 billion to \$50 billion in the U.S. this year, according to Jones Lang LaSalle Inc.'s International Capital Group.

Three of the 19 building sales thus far this year in downtown D.C. have been by foreign buyers, according to Jones Lang LaSalle data. That compares with four foreign buyers all of last year and three each in '09, '08 and '07.

The actual foreign presence in the market is even stronger, investment sales experts say, because Jones Lang's numbers don't include refinancing deals such as UOB's loan to Penzance and Greenstreet.

They also don't reflect the Qatari Investment Authority's \$700 million investment in Hines/Archstone's CityCenterDC project or the foreign money flowing into large investment funds run by institutions.

Refinancing is becoming an easier way for foreign funds to enter the D.C. market as fierce competition for downtown buildings forces building acquisition prices higher and cap rates lower, said Steve Collins, managing

director of the Americas for Jones Lang LaSalle's International Capital Group.

Cap rates determine an investor's potential return after taking the purchase price and operating expenses into account; lower cap rates generally reflect a higher sales price.

"From an equity side, it's hard for an international investor to be a first-time buyer," Collins said. "On the lending side, there are fewer moving parts. The borrower has already bought the building and you can lock it down in a neat little box."

Investing money in U.S. real estate is attractive to foreign buyers because "they can see how they'll get it out," Collins said. "It might get a lower yield, but they are comfortable with a steady yield."

Offshore investors are also starting to put money in funds to invest in apartment properties nationally, said Alan Davis, managing director of Holladay Fenoglio Fowler LP who specializes in multifamily investments.

UDR Inc. bought the Portico at Silver Spring Metro in a joint venture with Kuwait Finance House in May 2010, but no other similar deal has been done locally to date.

"There's a lot more foreign capital in that sector these days than there has been historically," Davis said. "Most of these investors look for trophy office, retail and hotel properties, and they've started to realize that apartments have performed better than most other asset types."

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CSIS breaks ground on new HQ

By Sarah Krouse

The Center for Strategic and International Studies broke ground on its \$100 million headquarters at 1616 Rhode Island Ave. NW, more than two years after announcing the project.

The public policy group's 130,000-square-foot building, designed by Hickok Cole Architects Inc., is expected to deliver in the fall of 2013. Hitt Contracting Inc. is constructing it.

CSIC, which currently leases space at 1800 K St. NW, tapped Jones Lang LaSalle Inc. in 2006 to help it plan for a new location that

could accommodate more conference and office space for visitors. The organization bought the 15,394-square-foot parcel in 2007 for \$31.4 million, the project was announced in October 2008.

Jones Lang's Greg Lubar, Ellen Herman, John Gibb, Patti Restrepo, Mason Osborn and Andrew Jones worked on the project.

"Jones Lang LaSalle's strategy will reduce CSIS's occupancy costs over the long term while providing a state-of-the-art headquarters for its staff and visitors," Gibb said.

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The new \$100 million CSIS headquarters on Rhode Island Avenue NW. Courtesy Hickok Cole Architects