Lawyers Enjoyed Real Boost in 2012

BY MIKE HOBAN

BOSTON — They say a rising tide lifts all boats, and that seemed to be the case for the real estate practices of law firms regionally in 2012 as the CRE market continued to rebound. Firms say they saw momentum crest higher in both acquisition and lending work as the year progressed from a sluggish start to a very busy year end. Attorneys attributed some of the robust fourth quarter action to the pending capital gains increase, but acknowledged that historically low interest rates and a more competitive lending environment were also factors.

LAW FIRMS

"2012 got off to a bit of a soft start, and it was hard to get deals done in the first part of the year, but then the second half picked up and was really strong," reports Saul Ewing partner Sally E. Michael. "We saw a lot more transactions and there were many, many more acquisitions and financings that came together in the second half."

SALLY E. MICHAEL

SHERYL C. STARR

In addition to closing on an $18.5 million, 91-unit multifamily portfolio in Allston and West Roxbury for the Hamilton Co. in October, Michaels and Saul Ewing assisted Woburn-based KS Partners in the $65 million acquisition of an eight-building, 620,000-sf office portfolio in Rocky Hill, CT, from the New Boston Fund. And earlier in the year, Saul Ewing partners Jim Shulman and Don Lussier assisted RJ Kelly in picking up the Providence trophy GTECH Center office tower for $51.5 million.

Michael says some of the momentum her office is experiencing is due to the merger in July 2011 when her former firm (Dionne & Gass) became the Boston office for Saul Ewing. "There are opportunities that we have now that we might not have had before," she affirms, including work they are currently doing for STAG Industrial (via a connection at the Baltimore office) and RioCan, Canada's largest real estate investment trust, which focuses exclusively on retail.

Michael also credits the lending environment for a lot of the business. "Because rates were so low throughout the course of the year, it encouraged our clients to go back and refinance properties," she explains, adding, "We also saw a lot of CMBS loans, which we had not seen in a while." Her firm did CMBS loans with JPMorgan, Barclays, and Cantor (the nation's third largest CMBS lender), and arranged financings through various lending institutions of note regionally (Brookline Bank, Cambridge Savings Bank and Sovereign among the more active) and also did business with the Connecticut-based People's United Bank, Rockville Bank and the Savings Institute. "The Connecticut banks are becoming more regional and the Boston banks are also spreading out," reports Michaels. "They had great rates and wonderful lending programs and our clients did really well financing and refinancing with a number of those local regional banks.

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> PAUL L. FELDMAN

Mintz Levin partner Eric J. Freeman conveys that his firm enjoyed a torrid fourth quarter to close out a solid year, particularly with fund clients. "The last quarter of last year we were extraordinarily busy, and were at or over capacity in terms of hourly billing," he recounts. "Maybe some of it was because at year end there were concerns about the capital gains tax, but at the same time it was just a very active quarter."

Much of its activity was driven by "the 2007-2008 five year debt turning," with a lot of real estate owners refinancing those arrangements, but Freeman says the firm was busy on the acquisition front as well. Mintz Levin assisted an affiliate of Colony Realty Partners in acquiring a seven-property industrial portfolio located outside of St. Louis, MO from Prologis; and helped an unnamed fund client in more than 25 separate sales of office, multifamily and industrial properties—where sale prices ranged from $15 million to $70 million—and represented the same client in more than 15 term loan financings with CMBS, insurance company and other balance sheet lenders.

Also enjoying an event-filled campaign was Bernkopf Goodman, according to partner Sheryl C. Starr. "I thought the whole year was really

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ERIC J. FREEMAN

KENNETH M. GOLDBERG

good, it just picked up steam from the beginning to the end," she relays. "I think the whole (market) was spurred largely by readily available financing. We had historically low interest rates—at least for good sponsors—and a lot of lenders are still doing non-recourse or partial recourse lending, so I think that made everything hot."

BG assisted in a number of acquisitions across all property types, but was especially active in the multifamily arena. Starr represented a pair of Chestnut Hill Realty Corp related entities in the $84.5M purchase of 581 apartment units at Edgewater Terrace and Edgewater Village in Framingham (along with partner Kenneth M. Goldberg); a $12 million financing for construction of a new 27-unit condominium project (Hammond Pond Place) on Hammond Pond Parkway in Chestnut Hill, by Glenland Road LLC from Brookline Bank; and a $49.3 million first mortgage financing of Norwest Woods, a 406 unit apartment property located in Norwood, by Norwest Woods LLC, another Chestnut Hill Realty Corp. related entity. Those funds came from Berkadia Commercial Mortgage.

But it wasn't all multifamily, as BG closed deals on office, hotels, retail centers and a single tenant car dealership property in Danvers. Starr says lenders are beginning to get more creative, and pointed to a deal that was originated by East Boston Savings Bank for the $25.2 million first leasehold mortgage loan to Watch City Ventures PH1 LLC, for the historic rehabilitation of the 177,000 sf Waltham Watch Factory into commercial office space and related amenities. "There were historic tax credits and ground lease financing . . . it was an interesting deal and the lender had to be a little creative," Starr explains.

Over at Davis Malm & D'Agostine, managing partner Paul L. Feldman conveyed that business picked up dramatically in "the last quarter of 2012 and into the first two months of this year. We're definitely seeing an uptick in all types of real estate transactions, not only in financing." Among the deals in the final quarter were construction financing arrangements for a self-storage facility at 920 E. First St. in South Boston and the new Bernardi dealership in Natick, plus a substantial lease transaction for Teladyne at Fort Devens. And in a well-publicized deal, Feldman and Davis Malm executed a two-year option agreement to buy 30 acres of land in Massachusetts to build a gambling resort for Wynn Resorts Ltd. ◆

MULTIFAMILY FINANCING

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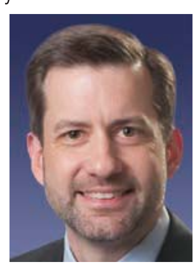
into $130 million of business despite not joining the firm until the second quarter. "It was great," Kelly tells the Real Reporter in crediting the Butler/St. John influence for perking up the volume. Universal Management, the buyer of Stoney Brook Village in Millis, was provided $17.8 million after paying $21 million for that 202-unit complex, funding delivered by CBRE Multifamily Capital Inc. Another major deal was the $60 million CBRE Capital Markets Inc. provided on Station 250, the high-end apartment community bought by Archstone in August for $94.5 million, as detailed in the main multifamily investment sales story. "It's all about being part of an integrated capital markets solution," says Kelly, a notion shared by Butler who praises the arrival of his new partner. "We're happy to have John on board," he says. "It's a real value add to our clients who can be looking at sales opportunities but also have a refinance opportunity if they decide they want to go in that direction. We can now provide that to them and a whole range of other services in the bigger platform."

CBRE/NE did until 2011 have mortgage banking veteran Paul Donahue in Kelly's role, and having since moved on to Centerline Capital Group, Donahue was also busy in 2012 assisting clients in his post there as Managing Director. Perhaps Centerline's most memorable deal regionally for the year was securing a 10-year interest only loan through Freddie Mac on behalf of Princeton Properties. Donahue and colleague Hayley Suminski got the $108.2 million loan that covers 1,615 units in 14 Massachusetts and New Hampshire multifamily properties despite what Donahue noted at the time was a trend against interest-only instruments in the wake of serious abuse in the 2000s, plus the sheer size of the request.



DONALD KING

ANDREW GNAZZO

Lowell-based Princeton's reputation as an owners and operator of more than 6,000 units helped the cause, Donahue told the Real Reporter in December after cementing the commitment. "The properties are located in markets with solid real estate fundamentals with a strong demand for multifamily housing, and have experienced strong occupancy rates," adds Donahue. "These factors made this a solid deal for Centerline." The borrower offered a similar outlook. "We are extremely pleased with the refinancing execution provided by Centerline's very experienced team," Princeton CFO Howard S. Reef said in a statement, adding that the terms and lower interest rates "provide great benefits to our company."

Goedecke & Co. embarked on several rescue missions in 2012 to help pluck clients out of a sea of overleveraged loans thrust on Bay State shores by Anglo Irish Bank during that lender's rampage in the 2000s that became a red tide of losses for the institution and put many borrowers in a difficult light when loans were taken over by the Lone Star Funds. The Texas-based group beguiled many top property owners, including Irish nationals John McGrail and William Hearn, plus Equity Industrial Partners of Needham. The good news in last year was the first two did find solutions through Goedecke that enabled them to refinance and/or repurchase properties under Lone Star's control.

As detailed in prior Real Reporter issues at the time, McGrail's Mayo Group and Hearn were given another shot thanks to Cantor Commercial Real Estate Lending, which funneled $32 million to McGrail covering 366 units, while Hearn was loaned $9.6 million that enabled him to buy back 198 units in three Lynn properties for $10.6 million after Lone Star had attemped to take them over. Hearn credited both Goedecke principal Shawn Herlihy and Casner & Edwards law firm for getting him out of that dire situation. "I feel very good that we have positioned ourselves quite well for the future," Hearn told the Real Reporter, a view shared by McGrail for his firm that is based in South Boston and owns both commercial and multifamily buildings."John is back," Herlihy emphasized when the entire $36 million package was announced . "This is the beginning of a very exciting phase for the Mayo Group," McGrail added in a statement. The properties covered are in Boston and Lynn. ◆