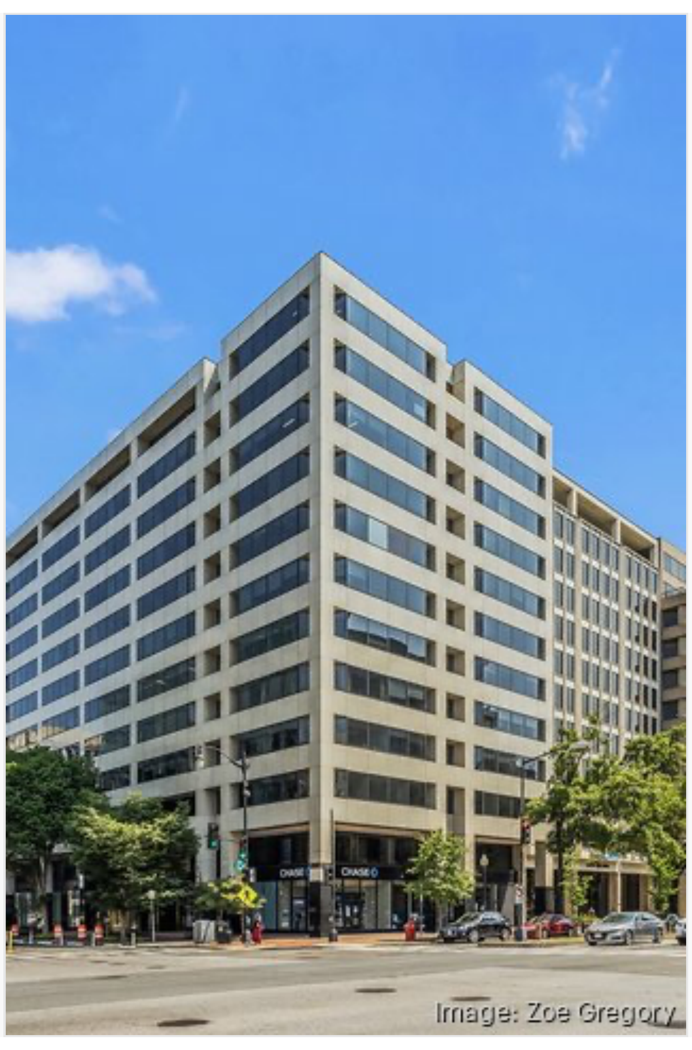
Commercial Real Estate

Garfield Investments, Broad Creek Capital paying $26M for half-vacant D.C. office tower



A joint venture of Garfield Investments and Broad Creek Capital is buying the office building overlooking Farragut Square at 1667 K St. NW.
ZOE GREGORY

By Ben Peters – Staff Reporter, Washington Business Journal
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Story Highlights

- Garfield Investments and Broad Creek Capital is buying a downtown D.C. office building for $26.2 million.
- The joint venture will invest $10 million in capital improvements including lobby renovation and rooftop amenities.
- The property is about 50% leased with existing tenants considering lease extensions or expansions.

A joint venture of Garfield Investments and Broad Creek Capital is buying a prominent downtown D.C. office building overlooking Farragut Square and is planning upgrades to help attract and retain tenants.

The team is acquiring the 194,115-square-foot office at 1667 K St. NW from Hawaii-based owner James Campbell Co. for $26.2 million, or roughly $135 per square foot, according to Garfield CEO John Mason. The sale price represents a 59% discount to the building's assessed value of $64.1 million, according to 2026 property tax records.

The sale is expected to close Wednesday.

The buyers received a $40.5 million loan from Prime Finance, Mason said. They're planning to invest $10 million in capital improvements to the 12-story property, including a full lobby renovation and transformation of the building's top floor into a dedicated tenant amenity with a conference center, lounge and rooftop terrace overlooking Farragut Square.

Mason said they're nearing a deal with an architect, who he declined to disclose, but have yet to select a general contractor. Construction is anticipated to begin this fall.

The office, built in 1983, is located a block east of the Farragut North Metro station and two blocks north of the White House.

A representative for the seller was not immediately able to comment. James Campbell Co., according to Mason, is moving to restructure its portfolio away from office and toward industrial. James Campbell Co. acquired the property in 2001 for $55.7 million, according to D.C.'s Recorder of Deeds, and renovated the building's lobby in 2005.

James Campbell Co. earlier this year retained JLL to market the office for sale, pitching it as an opportunity for redevelopment into residential or a brand new trophy office. But Mason said a value-add acquisition was the best play since the property is about 50% leased.

"This building happens to be located in what I consider sort of the absolute ground zero center of the" Central Business District, he said.

"I think we've seen, you know, continuing strength for the right assets in the right location that are properly amenitized," he added. "There's plenty of tenants out there."

Some existing tenants are looking to extend their lease or expand, while other prospects are actively touring the building, Mason said. The property had 19 tenants when it hit the market in January, including the Washington bureau of the Financial Times, law firm Keith Watters & Associates and International Bar Association. The new owners are seeking about $65 per square foot in rent.

The deal marks the joint venture's second in D.C. in the last 14 months. Garfield and Broad Creek last summer acquired the eight-story, 285,000-square foot Navy Yard office at 300 M St. SE for $28 million. That property has taken advantage of its proximity to the Washington Navy Yard to attract new tenants in the defense-technology industry.

Mason said the joint venture is in the market for additional office acquisitions in the District, with an eye on the central business district and Navy Yard. Garfield and Broad Creek views D.C. as particularly attractive because the acceleration of office-to-residential conversions is tightening the office supply, making those that remain more valuable.

"A rising tide lifts all ships," he said. "I see it as a boon to downtown Washington D.C. Absolutely. Just from a mass standpoint, you're taking inventory out."

The K Street acquisition was brokered by JLL's Andrew Weir. The buyers have retained JLL to manage the property, while leasing will be led by JLL's Seth Benhard.