

## Shifting investment focus

By Greg Bordonaro

January 21, 2013



New Boston Fund — once a major holder of Greater Hartford office space — has considerably shrunk its investments in Connecticut corporate office buildings as the firm shifts its focus to residential real estate and distressed office properties in the south.

In October, New Boston Fund sold one its largest remaining office complexes in Connecticut: the 620,000 square foot Corporate Ridge office complex in Rocky Hill which fetched \$65 million from Boston's KS Partners.

The deal represented the largest suburban portfolio sale in Greater Hartford since 2000. It also shrank New Boston Fund's Connecticut office space holdings to 360,000 square feet, just a sliver of the more than 2.3 million square feet of Greater Hartford office space New Boston Fund owned in 2004.

The firm also recently sold its 162,900 square foot office building at 80 Lamberton Rd. in Windsor for \$7.65 million. It still also owns about 400,000

square feet of industrial properties in the state.

Gary Hofstetter, New Boston Fund's senior vice president and regional director in the Northeast, said the firm decided about seven years ago to diversify its portfolio both geographically and asset wise, getting its feet wet in residential property investment and in some cases pulling back on office investments in Connecticut and New England.

More recently, the firm, which originally started in Boston and then expanded into the Indianapolis and Hartford markets, has concentrated most of its commercial office building purchases in the south, buying distressed assets with above average vacancy rates or that are in need of a facelift.

Such purchases fit well with the firm's opportunistic buying strategy, Hofstetter said. They've been particularly active in North Carolina, Atlanta, and Florida.

"We are more of an opportunistic investor," Hofstetter said. "We like to buy buildings where we can add value."

Hofstetter said New Boston Fund's shrinking Connecticut office portfolio is not necessarily a sign of the firm pulling out of the market. Instead, New Boston's strategy is largely shaped by the individual funds they raise from institutional investors and high net worth individuals.

Each fund, Hofstetter explained, typically has a different focus in terms of geographic location and asset class and type, and has a seven to 10-year lifespan before properties begin to get sold off.

About seven years ago, New Boston Fund raised money for a fund that focused largely on residential real estate, Hofstetter said, which led the firm to buy several multifamily residential complexes in Middletown, Southington, Waterbury and Wolcott.

New Boston Fund now owns 650 apartment units in Connecticut, including the ground-up Seaside Village condo development in Niantic.

"We did start primarily as an office investment firm, but we shifted toward residential properties," Hofstetter said.

New Boston Fund has also been placing more bets in the south, where the market has been weaker. That allows the fund to play to its strength of investing in distressed properties. New Boston Fund hasn't been involved in many New England deals recently because the northeast market has been stronger than in other parts of the country, Hofstetter explained. That means pricing here is higher and more competitive.

New Boston Fund got its start in the Connecticut market in 1996 when it bought the office building at 200 Great Pond Rd. in Windsor for \$8.2 million. It sold that 142,000-square-foot property about six years later for \$12.4 million. New Boston Fund also owned The Exchange, a 250,195 square foot office complex in Farmington, which it acquired in 1997 for \$11.9 million.

But it wasn't just in the suburbs where New Boston Fund made a name for itself. The firm made some major bets in downtown Hartford as well.

That included purchases of 280 Trumbull St. and the blue glass faced 100 Pearl St. office building in heart of the central business district.

The 28-story, 673,000 square foot office tower at 280 Trumbull St. was bought by New Boston Fund in 2000 and sold in 2004 to Grunberg Realty for \$65 million.

New Boston Fund bought 100 Pearl St. in 1999 for \$32.8 million and sold it in 2008 to New Jersey's The Silverman Group for \$18 million.

Since, then however, New Boston Fund has not been active in downtown.

Hofstetter said many of the Greater Hartford commercial office buildings were purchased under older funds that matured and the assets were sold off. He said the firm is currently not looking to invest in the Capital City despite several significant properties being on the sales block.

Hofstetter said New Boston Fund has largely been a net seller of real estate recently, mainly because of pricing and the fact that their active fund is reaching maturity.