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New Boston Fund Preps for Distress Opportunities

By Erika Morphy
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Shooltz thinks distress will finally make its way to the Mid-Atlantic in foreseeable future.

WASHINGTON, DC-Word on the street has it that the New Boston Fund is prepping to start raising capital for a new fund. Hearing the rumors, we asked Pat Shooltz, senior vice president and Regional Director of New Boston Fund's Mid-Atlantic region, about them--and he declined to discuss it. What he did do, though, was give us a forward-looking view of what New Boston Fund's plans are for the Mid-Atlantic and DC-area region.

Distress will be an area of focus, he tells GlobeSt.com. New Boston has always had a soft spot for suburban and urban value-add office, but the company--like so many other firms--had been expecting to see more distress enter the market after the crash. That will change within the next 12 to 24 months, Shooltz predicts, and New Boston will be waiting to invest when it does. "I don't believe it will reach the proportions we're seeing in the Southeast, but I do believe there will be a more verdant pipeline here in the Mid-Atlantic."

The reason is simple, he says—lenders are running out of patience waiting for the market to recover and solve the LTV and debt-service coverage issues they are having. "The hope is running out that the market will correct itself, and we believe we'll be able to find opportunities to recapitalize some of these owners." He adds that New Boston has recapitalized several buildings in past three years and "we understand how it works."

Timing, though, may be a little tricky, Shooltz acknowledges. The DC-area market has gotten very quiet, in large part because people are waiting to see what happens with the presidential election, he says. "Right now there are a lot of people 'on vacation' and they'll continue to be 'on vacation' until after the election. You won't see much activity here until after the first of the year."

Still, Shooltz says he expects, or rather hopes, the firm will close on two such acquisitions by the end of the year. He expects the average deal size will be between $40 million and $50 million. "The DC market is a market that is close to being in suspension right now, but it is a suspension that can create opportunities."