

WASHINGTON
BUSINESS JOURNAL

New Boston Fund acquires 111 K St. NE

By Dan Sernovitz

April 18, 2012

New Boston Fund Inc. has acquired nearly all of J Street Development's mostly vacant office condominium tower at First and K streets NE for an undisclosed price and plans to convert the for-sale units into commercial rentals, the private equity firm announced Wednesday.

J Street gathered significant interest in its 111 K St. condos when the 11-story, 90,000-square-foot building opened in 2010, but since then the District-based developer has failed to find more than [a handful of buyers](#) for units in the all-glass structure and faced [lawsuits from at least two nonprofits](#) that tried to back out of their contracts for space in the building.

In acquiring 67,000 square feet in the building, New Boston hopes to stoke a stronger interest from companies seeking to lease space there but not willing to commit to buying condo units. The effort is part of New Boston Fund's strategy of acquiring underperforming assets and creating new value in them.

"111 K Street NE will allow New Boston to offer smaller Washington tenants the quality, prominence, views and amenities of a trophy building that are typically only available to much larger tenants in the District," New Boston Fund Senior Vice President [Pat Shooltz](#) said in a statement.

The space not bought by New Boston had already been sold for condo use to the American Bus Association and to NASPA, an organization for student affairs administrators in higher education.

Jud Ryan, of Cassidy Turley Commercial Real Estate Services, represented J Street in the sale. New Boston acquired the property as part of its New Boston Fund VII and has tapped J Street to market the building to prospective tenants.

Shooltz, in an interview, commended J Street for its development of the building. With New Boston's capital, and J Street's market knowledge, he expects to lease space to smaller tenants such as law firms, associations and lobbying groups. The building's floor plate, at about 9,000 square feet, offers more options to those kinds of tenants than other buildings in the District's NoMa neighborhood.



New Boston Fund Inc. has acquired most of J Street Development's 111 K St. NE office condo building in the District's NoMa neighborhood for an undisclosed price.

J Street Chairman Bruce Baschuk said the project was the victim of bad timing. He said J Street had pre-sold more than half the building's space before construction started. But since the recession, many of those tenants no longer felt comfortable committing to owning their own space. As condos, the building was being marketed mostly to associations and nonprofits that were more vulnerable to the economic downturn, he said.

"With the economy moving in the tank, associations are not spending dollars upfront to acquire office space," Baschuk said. Given those challenges, J Street considered switching to rental space but did not have enough capital to put into making the kinds of improvements tenants would require with leased space.

Shooltz said 111 K St. is the first of what he expects will be several new Washington area acquisitions for New Boston and that the company is already evaluating other properties.

"We are delighted that we've gotten our first D.C. property, and we are looking at a couple others right now," he said.