

WASHINGTON BUSINESS JOURNAL

EXCLUSIVE REPORTS

From the November 5, 2004 print edition

Real Estate

Sticker prices surge with trophy sales

Tim Mazzucca
Staff Reporter

Washington real estate is synonymous with dollar signs as the region's economy continues to thrive and other investment vehicles can't match the return of D.C.'s office buildings.

The most recent case in point: The Gallup Building, 901 F St. NW, two blocks west of MCI Center, has sold for \$56 million, or \$493 a square foot, the second-highest price per square foot in the region this year.

"It's a trophy asset with a lot of character," says John Norjen, senior vice president of real estate brokerage firm CB Richard Ellis.

In the deal, Norjen and colleague Bill Prutting Jr. represented the seller, a partnership between Infrastructure Capital Group and Northridge Capital.

New York-based Binswanger/CBB acted as the buyer on behalf of foreign investors, sources say.

Spaulding & Slye represented the seller.

The building was developed in 2000, connecting a new eight-story office tower to the Masonic Temple, which was built in 1868 and recently restored. The Gallup Organization, Fannie Mae and Northrop Grumman are major tenants in the fully leased building.

At 113,000 square feet, the Gallup Building's comparatively small size contributed to the hefty square-foot price because more investors were able to make a play for it.

The 204,000-square-foot Acacia Building at 51 Louisiana Ave. NW fetched the highest per-square-foot figure this year. It sold for \$600 a square foot and included rights to double the rentable space.

"It's not surprising or a shock to see prices at \$490 or \$500 a [square] foot," says Tyler Blue, senior vice president at Bethesda-based real estate financing firm Walker & Dunlop (www.walkeranddunlop.com).

And prices won't fall anytime soon: Rumors are swirling that 1001 Pennsylvania Ave. NW will sell for more than \$500 a square foot, and 1900 K St. NW will go for more than \$600 per square foot, sources say.

"These deals are so tight on the buy side," Blue says. "But investors notice that real estate, as an asset class, has outperformed other classes over the last four years."

With the expectation that interest rates will rise, brokers don't expect sales to slow significantly. Instead, underwriting terms will only get more competitive.

"It's a result of the recognition that downtown Washington is one of the most stable office markets fundamentally with low interest rates, tremendous job growth," Norjen says.

out-of-town money made the winning bid three times.

e-mail: tmazzucca@bizjournals.com phone: 703/312-8347

© 2004 American City Business Journals Inc.

→ [Web reprint information](#)

All contents of this site © American City Business Journals Inc. All rights reserved.