



THE ANALYST

CAPITAL MARKETS OVERVIEW

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DUVALL
COMMERCIAL REAL ESTATE INVESTMENTS

Q1 2020

Recent Local Sale Transactions



Sale Date: March 16, 2020

5454 Wisconsin Avenue, Chevy Chase, MD

Sale Price: \$160,000,000 (\$544.49 PSF)

Leased at Sale: 91.0%

Cap Rate: 5.5%

Buyer: Starwood Capital Group

Seller: Alony Hetz Properties & Investments

Story: According to the listing broker, this was a strong medical/office asset with a roster of stable tenants which put high demand on an overall well-performing asset class. The building was actively marketed beginning in July 2019. More firms will look to this area to relocate, increasing demand.



Sale Date: March 11, 2020

77 Upper Rock, Rockville, MD

Sale Price: \$34,300,000 (\$145.83 PSF)

Leased at Sale: 44.5%

Cap Rate: N/A

Buyer: Bridge Investment Group

Seller: DSC Partners

Story: Built in 2005, the 235,210-square-foot office campus is located at the interchange of Shady Grove Road and Interstate 270. 77 Upper Rock recently underwent a \$6.5 million repositioning to implement new amenities and capital improvements. Bridge Investment Group is an investor out of Salt Lake City and this is the third office asset they have acquired in Montgomery County. Reportedly, this asset was only chased by out of market investors.



Sale Date: January 7, 2020

7500 Standish Place, Rockville, MD

Sale Price: \$30,000,000 (\$263.78 PSF)

Leased at Sale: 100.0%

Cap Rate: N/A

Buyer: Boyd Watterson Asset Management

Seller: PS Business Parks, Inc

Story: The single-tenant asset comprises 113,730 square feet and was fully leased to the FDA through 2025. Boyd Watterson invests in GSA and State Government leased assets. Government leases continue to attract a lot of coupon clipping investment funds.

Life Science VC and Sale Transactions



Local VC Funding notable transactions

- i. **Immunomic Therapeutics - Rockville, MD**
Services: Developer of lysosomal-associated membrane protein (LAMP)-based vaccines designed to pioneer vaccines that transform lives.
Type: Later Stage VC
Funding: **\$10,000,000**
- ii. **eNeura - Baltimore, MD**
Services: Drug Discovery, Drug Delivery and Biotechnology
Type: Later Stage VC
Funding: **\$6,420,000**
- iii. **Glyscend - Baltimore, MD**
Services: Developer of an oral metabolic therapeutic intended to be used for the treatment of type 2 diabetes.
Type: Series A
Funding: **\$4,800,000**

(Source: Pitchbook)



National VC notable transactions

- i. **Lyell - South San Francisco, CA**
Services: Developer of cellular therapies to cure cancer.
Type: Series C
Funding: **\$493,000,000**
- ii. **EQRx - Cambridge, MA**
Services: Producer of medicines intended to making innovative medicines at lower prices for the benefit of people and society.
Type: Series A
Funding: **\$200,000,000**
- iii. **Harmony Biosciences - Plymouth Meeting, PA**
Services: Producer of medicines intended to making innovative medicines at lower prices for the benefit of people and society.
Type: Debt Financing
Funding: **\$200,000,000**
- iii. **Four large VC funds dedicated to life sciences have closed in the past month.**
Deerfield (\$840 million), joined Arch Venture Partners (\$1.46 Billion), Flagship Pioneering (\$1.1 billion) and venBio Partners (\$394 million), all of which announced new funds in the beginning of April/last week of March.

(Source: Pitchbook)

 **Local Life Science Related Sales**

i. Bridge purchases 77 Upper Rock, signs Aurinia Pharmaceuticals - In March 2020, Bridge Investment Group purchased the 235,210 square foot, class A office building in the I-270 corridor. In the same month, Aurinia Pharmaceuticals announced that it had signed a lease to occupy 30,000 square foot, where it would to house its new U.S. commercial center of operations. (Globe Street)

 **Macro Life Science Real Estate**

- i. **Hobbs Brook Management buys Lexington building** - Hobbs Brook Management, a player in the Boston life sciences market, paid \$112 million, or about \$598 a square foot, for the five-story, 187,000 square-foot property completed in 1962. Tenants include a bevy of biotech and pharmaceutical companies. The transaction is part of a trend that has seen more movement into the suburbs in Boston. (Boston Real Estate Times)
- ii. **Hong Kong group purchases One Winthrop Square** - Nan Fung Life Sciences Real Estate acquired One Winthrop Square, a 116K SF office building in downtown Boston, for \$75M, the company announced Tuesday. The building's previous owner, MAPFRE Insurance, bought the building in 2015 for \$55M. "We look forward to bringing more unique opportunities for life science businesses to grow in the City of Boston and working with the city to continue supporting this important industry," Nan Fung Life Sciences Real Estate CEO Matthew Powers said in a statement. (Bisnow)
- iii. **Alexandria, Boston Properties Team Up on Major Bay Area Biotech Campus** - Alexandria Real Estate Equities and developer Boston Properties embark on a 1.7 million-square-foot life science campus in South San Francisco. The new Bay Area space, to be created through a newly formed joint venture, comes after steady development in the greater Boston area, where Foundation Medicine signed a 64,000-square-foot lease in the Seaport last year. (CoStar)

Macroeconomic

Interest Rate Forecasts

As of April 7th, the one year treasury stood at 0.168% - down from 2.418% this time last year. The Fed has slashed rates, and these low rates are going to be the new reality for some time. Banks may take some time to adapt. They have liquidity, but are nervous entering an uncertain market and will be reluctant to lend in the short term. As the COVID-19 health crisis begins to subside, expect interest rates to be extremely low as banks will have liquidity and rates from the Fed will remain at historic lows.

Stock Market / Bond Market

Due to COVID-19, the stock market took a beating in Q1. In recent weeks, it has shown signs of recovery. At the end of Q1, the S&P 500 was 2,584 points down from a record high of 3,386 on February 19th. It reached a low of 2,237 on March 23rd. Hospitality and retail have taken a significant hit. Most major stock market evaluators are skeptical that this rebound is real and are suggesting waiting to see how the pandemic evolves.

THE ANALYST'S Opinion

In our Q3 2019 report, we mentioned that the economy was likely to chug along and continue its slow and steady growth unless a major shock to the economy occurred. Well, the major shock happened and it has really changed the outlook of our economy. The stock market took major hits and the economy as a whole is likely to enter into an official recession in Q2. Record number of unemployment claims have been submitted and most Americans are being advised not to leave their homes. The question is - when can people return to work and our normal way of life? If the economy can begin to reopen in the next 8-12 weeks, it is possible that we will be able to get back to normal fairly quickly. However, I think that is wildly optimistic. China is reportedly seeing a second spread of the virus. If we reopen society while thousands of Americans are still contagious with the virus, we risk starting over again with a new outbreak. The only thing that can pull us out of this is a public health miracle. We need a massive increase in testing, proven treatments for the virus and a vaccine. I have faith that these things will occur but not by June or July. I think that we are in the Social Distancing era from now through the end of summer. This means unemployment will continue to get worse, more companies will close their doors and the stock market will continue to slide.

However, inside the biotech market specifically, there is cause for optimism. Whenever our society focuses its attention and resources to solving a great problem, many innovations are found. I expect processes for developing vaccines to improve. Per the above funding news, it is clear that VC appetite for life science companies is increasing. Also, there could be a halo effect of positive public opinions for these companies due to their tremendous efforts solving this public health crisis. Life science companies will be coming out of this better than most companies in other industry sectors. The likely loser in the life science sector is growing companies who are looking for a next round of funding in the beginning of 2021 or end of 2020. It may be hard for them to participate in the road show that is often necessary to find new investors. This is a small subset of the overall life science market.

[Click here to view the Q4 2019 Capital Market Report.](#)

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