

Constitution Square Owners Sell Last Piece of DC Project That Kick-Started NoMa's Rise

Stonebridge and Walton Street Cash Out With \$142 Million Sale of One Constitution



One Constitution Square sold after securing new leases. (CoStar)

The fourth and final office building completed at Constitution Square has sold as part of a project that more than a decade ago helped propel D.C.'s NoMa neighborhood from relative obscurity to a thriving office and apartments market.

Stonebridge and Walton Street Capital finalized a deal with Boyd Watterson Asset Management of Cleveland to sell One Constitution Square for nearly \$142 million, the fourth-most expensive office deal in the nation's capital this year. Boyd Watterson is an employee-owned asset manager that specializes in government-leased buildings, owning more than 20 properties in the D.C. area.

Bethesda-based Stonebridge and Walton Street of Chicago bought the land for its 2.7 million-square-foot, six-building complex in 2006 in the North of Massachusetts area when the neighborhood in Northeast Washington was little more than raw land and surface parking lots.

"It was an emerging market," Kent Marquis, principal with Stonebridge, told CoStar News, but at the time "there was nothing there."

The General Services Administration helped get the project off the ground in 2008 when it [signed a prelease](#) to take 520,000 square feet at Two Constitution Square for the new offices of the Department of Justice. In 2015, the GSA agreed to one of the largest leases in its history when it [leased all 839,000 square feet](#) across Three and Four Constitution Square again for the Justice Department, bringing the total number of DOJ employees at Constitution Square to nearly 5,000. The site also includes a 643-unit apartment building with a 50,000-square-foot Harris Teeter grocery store and a Hilton Garden Inn hotel.

NoMa is one of several D.C. neighborhoods that has undergone rapid changes over the past decade, with new development increasing the area's office supply by 33% this cycle, according to CoStar's latest market report.

The government has been [one of the biggest drivers of activity in NoMa](#). The Federal Energy Regulatory Commission, the Department of Education, the Securities and Exchange Commission, the Internal Revenue Service and Customs and Border Protection all have offices in the neighborhood, and the D.C. government also uses space there for the D.C. Housing Authority headquarters.

The influx of jobs and the arrival of the nearby Union Market gourmet food hall in 2015 has driven apartment construction, with more than 2,200 apartments in the pipeline.

The timing was right for a day. Walton Street is a private equity firm with "high octane money" that doesn't lend itself to long-term ownership, Marquis said, noting the goal is to buy, stabilize and sell.

The venture sold Two Constitution Square in 2010 to Northwestern Mutual for \$305 million and, in 2016, sold Three Constitution Square and the then-proposed Four Constitution building to MetLife and Norges Bank for [a little more than \\$168 million](#).

Though One Constitution Square was built alongside Two Constitution in 2010, the property "wasn't a saleable asset because we went spec on it," said Marquis, meaning the building was emptied so it could be offered to a new tenant. The 12-story, 338,645-square-foot building was fully leased for a time as federal swing space before all tenants cleared out.

Several recent commitments, including a headquarters lease with the Peace Corps [for roughly half the building](#), put Stonebridge and Walton in a position to finally put the property on the market.

Stonebridge took a specific buyer approach, said Marquis. "We wanted to retain management," he said, noting the company only marketed the property to specific buyers that Stonebridge knew would keep the company on to manage the building. Stonebridge now manages all four office buildings at Constitution Square.

Stonebridge plans to put proceeds from the sale of One Constitution Square into the company's future projects, which include the \$300 million Avocet Tower in downtown Bethesda, Maryland, and the \$400 million Carlyle Crossing mixed-use development in Alexandria, Virginia. "We've got so much in the pipeline right now," said Marquis, "the money is well-earmarked for deployment."

In addition to the Peace Corps, One Constitution Square at [1275 First St. NE](#) is fully leased to the Department of Justice and the DC Department of Parks and Recreation, which opened its headquarters in the building earlier this month. The property is also home to several street-level retailers including Potbelly, Peet's Coffee and TD Bank.

For the Record

Bill Collins, Shaun Weinberg and Drew Flood of Cushman & Wakefield brokered the sale for Stonebridge and Walton Street Capital.

Please see CoStar COMPS #4887898 for more information on the transaction.