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From the Washington Business Journal:

<https://www.bizjournals.com/washington/news/2018/05/30/for-arlingtons-fd-stonewater-the-name-of-the-real.html>

For Arlington's FD Stonewater, the name of the real estate game is 'stable' cash flow

➤ SUBSCRIBER CONTENT: May 30, 2018, 2:53pm EDT Updated: May 30, 2018, 3:03pm EDT

Arlington-based real estate firm [FD Stonewater](#) has long been known for leasing government-occupied properties in the Washington area and purchasing office portfolios that offer potential for significant reinvestment.

But over the past two years, the company has turned its attention to buying office buildings it considers "stabilized" — think properties with high-profile tenants under long-term leases that generate steady rents.

"Over the last couple of years, we have been looking at more stable cash flow investments," said [Andrew Schwartzman](#), a principal with [FD Stonewater](#). "That's the addition of a new strategy for us, whereas 10 years ago we weren't looking at stable, multitenant investment deals."

The latest example of that strategy is FD Stonewater's recent purchase of SunTrust Center I and II, a 420,000-square-foot Class A suburban office campus in Richmond, Virginia. That deal, announced Wednesday, was made with an undisclosed foreign investor formed to acquire real estate assets in the United States. Terms were not disclosed.

SunTrust Center I and II are considered stable, due largely to SunTrust Bank's Mid-Atlantic regional headquarters, the anchor tenant there, Schwartzman said. The bank occupies all of SunTrust Center I and 40 percent of SunTrust Center II. The property is currently undergoing a \$30 million renovation that will include a new lobby, fitness center and cafe. That renovation was underway before FD Stonewater bought the property from Atlanta-based Bridge Commercial Real Estate.

"That's a longer-term stabilized type of deal, where we are buying based on the strength of the cash flow," Schwartzman said. "Today, everybody seems to want to buy value-add deals. There's probably less capital today chasing stable deals in secondary markets. ... We are always looking for returns relative to the risk."

Schwartzman declined to provide specific markets, but said the company will continue to purchase stabilized properties in areas of the country such as the Midwest, Southeast and Southwest. Last year, it bought River Park 1, a 170,000-square-foot office property in Conshohocken, Pennsylvania, that is 100 percent occupied by Reimbursement Technologies, Inc.



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The SunTrust Center in Richmond is 100 percent leased. FD Stonewater, of Arlington, purchased the suburban office campus as part of its stabilized asset, secondary market strategy.

That's not to say the firm has given up on what got it here. It has a team that handles federal leasing for several third-party clients as well as build-to-suit projects, such as a recently completed Citizenship and Immigration Services facility in Nashville.

It will also continue to acquire properties that are in need of significant reinvestment, such as The Timberland Buildings office portfolio in Troy, Michigan. That property, which FD Stonewater also announced Wednesday it had purchased, is about 50 percent leased to a variety of tenants including law and engineering firms. FD Stonewater has hired Transwestern to provide property management and leasing services for the Michigan property.

FD Stonewater will invest \$12 million to renovate and reposition those buildings over two years, Schwartzman said.

"We're redesigning the buildings from a physical aesthetic perspective," Schwartzman said. "We'll be doing leasing. We'll be improving the buildings' systems and providing a lot of the capital that has not been available to these buildings for the last several years. ... We bought it for what we think was a reasonable price, and we're investing a lot more money in those buildings to reposition them and create a lot of value."

FD Stonewater recently raised money for both of the deals. According to SEC filings, the company raised \$2.4 million toward the Timberlands deal and \$1.25 million for the SunTrust Center transaction.

Katie Arcieri

Staff Reporter

Washington Business Journal

