Fulcrum Gets Results in MA, RI Trades; Savvy Seller 'On the Hunt' for New Deals

March 17, 2021 — By Joe Clements

60 Stergis Way, Dedham MA

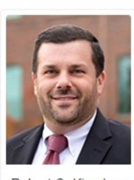
DEDHAM—There is an aura of deja vu along Interstate 95 here at the teeming juncture of Route One and 60 miles south off Exit 6A in Coventry, Rhode Island, as Fulcrum Real Estate Partners has divested two warehouses following its 60 Stergis Way sale, a $3.83 million exchange negotiated through exclusive broker 128 CRE barely two months after the Rhode Island building yielded $2.55 million during 2020's waning moments, that transaction handled in-house by founding principals Robert C. Kirschner and Richard E. Putprush.

Secured a few months after Fulcrum's autumn 2014 launch, both buildings were bought in the same order and in similar rapid-fire fashion as their trades five years hence, Putprush relays regarding June 2015's buy of the 35,000-sf Coventry asset for $1.6 million and another $2.2 million spent in July on the 20,000-sf Dedham property. "It looks like we drew it up that way," Putprush chuckles of the compressed time-frames while stressing the choreography was mere happenstance.

What the Needham-based firm had astutely "drawn up" were business plans to stabliize each property and harvest the assets reaping IRRs as initially pitched to equity partners. Each endeavor "surpassed" pro forma targets, Putprush tells Real Reporter while declining to give specific metrics.

Fulcrum selected the non-descript assets via guidance from street-level advisors about leasing prospects and market trends buttressed with their own experience eclipsing a half century combined in the New England CRE trenches, tenures enabling them to identify special elements of each opportunity.

The Fulcrum focus is between $2 million and $10 million but it could expand towards $15 million "for the right situation," Kirschner outlines of a platform favoring industrial and office product whereas "ground zero" is Route 128 and adjacent communities. Geographic and state lines were crossed right away with Fulcrum's Coventry agreement for the fallow DHL Freight facility included in a $2 billion block of similar assets which the Arizona REIT who bought it deemed an outlier and not sufficient "to warrant their attention," a situation leading to Fulcrum's purchase "well below replacement cost" at $45.75 per sf. Its December sale fetched $73 per sf.


Robert C. Kirschner

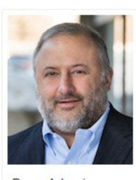

Richard E. Putprush

Besides the low basis going in, Kirschner says Fulcrum was enticed by the asset's modern mien versus rival properties, with 60 Centre of New England Blvd. coming on line in 1998 boasting clear heights to 23 feet and endowed with a cross-dock distribution system, a rarity adored by sophisticated logistics users. Another CRE advisor further informed Fulcrum that users in Rhode Island's improving industrial market were circulating the property and waiting for a new owner to arrive.

The insight immediately paid off in snagging a 21,600-sf lease from Ryan Herco Flow Solutions—a 10-year deal with renewal options to 2045—while the remainder was filled by NASDAQ-traded SolarCity, a residential solar systems concern backed by Elon Musk. Annual rent bumps of 1.5 percent over the initial term were written into each lease, SolarCity's extending to only four seasons.

Flash forward to autumn 2020 when Cushman & Wakefield RI affiliate Hayes & Sherry slaked Fulcrum's thirst for a replacement tenant with a Red Bull soft drink distributor to replace SolarCity, a deal validating confidence in the building's ability to withstand difficult conditions, like, say, the occasional global pandemic that might come churning down I-95.


Jeremy A. Fried

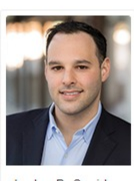

Doug Adamian


Adam T. Meixner

"Battle-tested" from surviving turmoil during past economic slumps, Fulcrum's leaders admit Covid-19 ramped the complexity level to new heights. Juggling a pair of building sales—and meantime "on a tear" modernizing its 24,000-sf Scituate medical office building—things got "a bit crazy" at times, Putprush says of the varied negotiations running from 2020's busy ending into the opening frame of 2021 in praising all hands on deck for navigating the tempest in the collective undertakings.

"Doing a major lease renewal and closing on two sales in the middle of a pandemic was certainly challenging," Putprush acknowledges while joining Kirschner in a shout out to Trilogy Law principal Fran Mastroianni for crafting the renewal last autumn with 60 Stergis Way tenant SiteOne that set the stage for its sale.

"Many thanks to Fran and everyone at Trilogy Law for their expertise and guidance through our critical lease execution," Fulcrum conveyed in a press release after inking that contract.


Jordan B. Sneider


Tyler Capecci

The firm also lauded 128 CRE for an "impressively thorough" sales campaign. "They know their market inside and out, they understood what we had put together plus how valuable it could become down the road . . . and they found people who shared that view," Putprush says of the latest closing, adding, "We were very happy with Jeremy Freid and his whole team." That squad includes Freid, SIOR; plus Senior Partners Doug Adamian and Adam T. Meixner, Senior Advisor Jordan B. Sneider and Advisor Tyler Capecci.

Freid offers kudos to Fulcrum for creating "a tantalizing combination" that blends current cash flow with future yield created in the community's re-zoning of 22 acres including Stergis Way which Fulcrum maintains could double rental rates should retail conversions occur. "It's happening already," Freid reports of nearby properties repositioned surrounding the imposing Legacy Place lifestyle center that has fomented the momentum. Said by some market watchers to have a taste for retail, 60 Stergis Way buyer Copley Investments declined comment about its motivations in making the all-cash purchase.

Fulcrum had also prepared alternative endings envisioning bigger returns should the boilerplate plans waver in either instance or circumstances enable a speculative expansion or repositioning deemed worth the increased risk and time. "We had decisions to make," Putprush recounts of pondering whether to remain in control versus selling. The 128 CRE effort yielded motivated buyers as Fulcrum put their own feelers out on the Coventry opportunity. In the end, the firm took the two bids in their hands rather than rolling the dice on a bigger payout in Dedham or in Rhode Island where 3.5 acres at 70 Centre of New England Blvd. that came with the existing building could support another 35,000 sf.

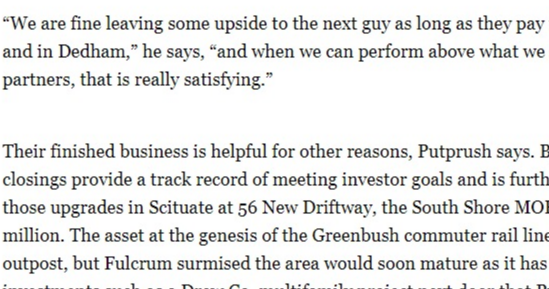
The Dedham warehouse tenant, a wholesale landscaping supply company previously owned by John Deere Co., was enthralled by the venue which has proven its most profitable among dozens of comparable operations, a key element being proximity to the tony residential market stretching from Dover to Weston which has seen a pandemic-related boom of gardening from captive homeowners.

With its lease set to expire in 2023, SiteOne sought to restructure its lease long-term at current market rents and add a trio of three-year renewals. Fulcrum countered with a five-year proposal, also at market rates for an industrial arena that has seen dramatic spikes since the mid-2010s. "I think the buyer could see its awesome upside, too, because the return we got was recognition of the value there right now from the lease renewal, but down the road as well." Putprush says of the sale.

Fulcrum similarly passed on the more ambitious Rhode Island concept, and is not looking back there, either. "First, we are not developers," Kirschner explains while sagely observing that, "and it never hurts to take a profit."

"We are fine leaving some upside to the next guy as long as they pay for that, which they did here and in Dedham," he says, "and when we can perform above what we said we would do for our partners, that is really satisfying."

Their finished business is helpful for other reasons, Putprush says. By "coming full circle," the closings provide a track record of meeting investor goals and is further enabling the firm to finish those upgrades in Scituate at 56 New Driftway, the South Shore MOB acquired in 2017 for $3.8 million. The asset at the genesis of the Greenbush commuter rail line into Boston had been an outpost, but Fulcrum surmised the area would soon mature as it has in generating nearby investments such as a Drew Co. multifamily project next door that Putprush says should further support health and wellness tenants in the Fulcrum building that has only 4,300 sf of space remaining.


60 Centre of New England Blvd., Coventry RI

With the full plate of the past three months cleared, Kirschner and Putprush are hardly resting on their laurels, or resting in any way, with their firm already beating the bushes for replacement assets. "We are on the hunt" searching for a fresh round of properties, Kirschner declares. "We are looking in every nook and cranny." That extends beyond Route 128, he notes, with prospects already considered westward to Springfield and up into southern New Hampshire.

Putprush expresses similar excitement about the coming season. Interestingly, office has taken a wobbly step back since the pandemic arrived after having ruled suburban Boston over the past decade as the premier investment sector. Covid-fueled uncertainty over rental rates, a growing sublease inventory and peripatetic tenant sentiments are making it harder to source capital, but Fulcrum is "keeping an open mind" on that arena, Putprush says, noting there is a train of thought that a hybrid office model might emerge and favor inner suburban and Route 128 addresses closer to bedroom communities, including smaller properties in their bite-sized pricing range where institutional capital does not roam.

Kirschner and Putprush also seem eager to enter the fray when there is a measure of disruption at hand that could force some opportunities to arise. Both had prior employers who benefited famously from down-market investments including Kirschner for homegrown opportunity groups New Boston Fund, Charles River Realty Investors and National Development and Putprush at Copley Real Estate Advisors and Cushman & Wakefield. Other catalysts exist, too, according to Kirschner.

"You've got record low interest rates in this hot industrial market that we know really well, so it just seems like the stars are aligned for us to be right back out there," he says, concurring his firm's recent closings have helped propel the effort. "Our investors continuing to work with us and new partners looking to come aboard gives us great momentum and energy as we look for new properties that tell a story like we saw" in Dedham and Rhode Island. ■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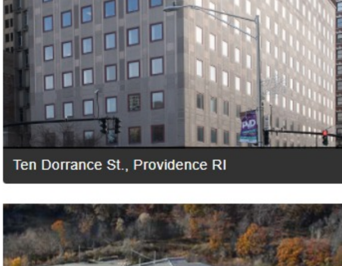
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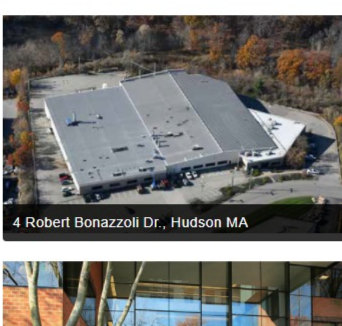
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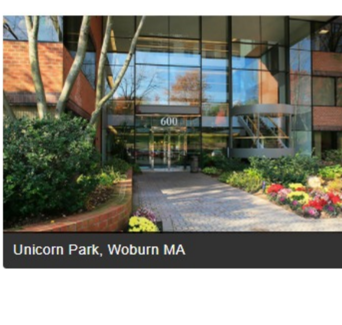
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