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King Street Properties' Risk Pays Off Big

By [John Jordan](#) | Boston

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200 CambridgePark Drive, West Cambridge, MA

WEST CAMBRIDGE, MA—In two years, King Street Properties made a nearly \$82-million profit on its investment in 200 CambridgePark Drive here.

The Cambridge, MA-based commercial real estate developer and investment firm sold 200 Cambridge Drive for \$165.5 million to a fund advised by Morgan Stanley Real Estate Investing. King Street Properties acquired two former Pfizer properties at 200 CambridgePark Drive and 87 CambridgePark Drive in mid 2014 for \$54.5 million. The firm's purchase of the six-story 221,845-square-foot 200 CambridgePark Drive at the time was valued at \$39.75 million.

After taking ownership of the property, King Street spent more than \$44 million on building renovations on the vacant property, including lobby, tenant and base building improvements. At the time of the most recent sale, the property was 99% leased to six tenants, including anchors Celgene and Amgen.

King Street principal Stephen D. Lynch tells Globest.com that the firm retains ownership of 87 CambridgePark Drive. The 87 CambridgePark Drive building is a 100% leased two-story, 64,000-square-foot building.

“Our success with this asset confirms our confidence in the long term strength of the life science real estate market in established clusters both inside and outside of Kendall Square,” Lynch says of its disposition of 200 CambridgePark Drive. “The lab market outside of Kendall Square, which includes West Cambridge, Lexington and Waltham is now larger than the Kendall market. Furthermore certain submarkets, like West Cambridge, are experiencing 65% rent growth over the last 10 quarters and zero vacancy.”

He adds that this was a case where risk was rewarded since the firm acquired a vacant single-use building and then repositioned it for multi-tenant use.

Both Lynch and King Street Properties founder and principal Thomas Ragno say that the firm will use the proceeds of the 200 CambridgePark Drive to acquire additional existing lab buildings or properties that are suited for lab development in the lab markets in Cambridge and surrounding areas.

“Selective dispositions of leased assets such as 200 CambridgePark Drive are part of our growth strategy that enable us to expand our development activity with new projects such as 115 Hartwell Ave. in Lexington where we are constructing a 91,000-square-foot speculative building,” Ragno says. King Street broke ground in late October on the \$45.5-million life science building at 115 Hartwell Ave. at its Lexington, MA campus known as “The Hartwell Innovation Campus.”

Robert Griffin, Edward Maher and Matthew Pullen of Newmark Grubb Knight Frank represented King Street Properties in the 200 CambridgePark Drive transaction. The Griffin-led team was affiliated with Cushman & Wakefield at the start of the sales negotiations but later left C&W for Newmark Grubb Knight Frank.

In early August of 2015, King Street Properties and joint venture partner Carlyle Group of Washington, DC, acquired the 182,000-square-foot 830 Winter St., a fully-leased office-laboratory building in Waltham, MA for \$104.2 million.

Lynch characterized the purchase of 200CambridgePark Drive by Morgan Stanley Investing as “very astute” since there are only 26 Class A laboratory buildings of 200,000 square feet or more in Cambridge. In addition, 84% of all the lab space in Cambridge is owned by four firms— Alexandria Real Estate Equities, BioMed Realty Trust, MIT and Forest City.

“Lab buildings of this quality trade very rarely. So for the buyer it is a chance to own a highly desirable core asset in a market that offers long term sustainable growth,” he adds. Morgan Stanley had no comment on the purchase.

About Our Columnist



John Jordan is a veteran journalist with more than 30 years experience in newspaper and web publishing. He is a contributing writer for Real Estate Forum and GlobeSt.com johnjord@aol.com
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