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<https://www.bizjournals.com/washington/news/2019/11/07/exclusive-skyline-office-complex-sells-for-215-m.html>

## Exclusive: Aging Baileys Crossroads complex being primed for revitalization

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A New York-based commercial real estate firm has acquired the aging Skyline office complex in Baileys Crossroads for about \$215 million with plans to revitalize the 1970s-era property Vornado Realty Trust (NYSE: VNO) relinquished ownership of nearly three years ago.

Somera Road Inc. closed on the acquisition last week and plans a series of common area improvements and other campus upgrades to the Leesburg Pike property in the near term. Further out, the company plans to seek approval from Fairfax County to convert three office buildings in the center of the campus into multifamily.

Ian Ross, managing principal at Somera and previously managing director at New York real estate investment firm Triangle Capital Group, said he believes the eight-building property, which includes a mix of office and retail, has significant potential to thrive under the right repositioning. It stands to benefit from conversion into more of a mixed-use feel with residential complementing the office and retail, anchored by a Target store, Sport & Health fitness center and other restaurants.

"I think everybody recognizes the need to bring vitality back to this center and really bring multifamily back into the marketplace," he said. "When we look at what works in communities like Skyline today across the nation, it's really important to have a healthy ecosystem of live, work and play."

It's Somera's first D.C.-area acquisition, but the firm has had its eye on the region for some time. It draws on local market knowledge from its vice president of development, Joe LeMense Jr., who previously worked for Arlington-based The Shooshan Co. and D.C.-based Douglas Development Corp. The company, formed less than four years ago, has amassed a portfolio of about 11 million square feet spread over 40 markets and two dozen states. Among them, it is working with the Pittsburgh Redevelopment Authority on the redevelopment of a former steel mill, and it acquired another struggling office asset, PNC Plaza in Louisville, as a Skyline-like value-add opportunity.

New York-based real estate investment trust Vornado (NYSE: VNO) grappled with high vacancies at the complex, leading to its decision to stop paying debt service on the highly leveraged property. Only about a decade ago, Skyline was the second-highest assessed commercial property in Fairfax County at nearly \$680.7 million, but its taxable assessment has fallen to just shy of \$298.8 million, per the county's most recent Comprehensive Annual Financial Report.

CWCapital, a special servicer retained by the various noteholders that held the debt on the property, retained Cushman & Wakefield to market it for sale. The brokerage began by marketing the property's 26-story, nearly fully leased One Skyline Tower but then broadened the offering to include the whole campus. That includes four other buildings that will be retained as office and renovated and three in between them with higher vacancies that Somera is eyeing for conversion to residential.

Somera emerged as the winning bidder in June. About 100 potential bidders from across the globe signed confidentiality agreements as part of that process, hailing from countries including Germany and Saudi Arabia, Cushman & Wakefield Vice Chairman Dave Doros said.

Somera has partnered with Highland Square Holdings and The Wolff Co. on the multifamily conversions of Skyline 1, 2, and 3, at 5201, 5203 and 5205 Leesburg Pike. It has also retained OTJ Architects to renovate one of the office buildings, the 426,000-square-foot Skyline 7 at 5275 Leesburg Pike. It has also retained CBRE to handle property management and leasing.



FILE PHOTO

New York-based commercial real estate firm Somera Road has acquired the Skyline office complex in Baileys Crossroads for about \$215 million.

The acquisition is likely to be the first of many for Somera, which typically seeks to leverage its presence in markets to seek out other opportunities, Ross said.

"When we plant our flag, we take pride in how we work, how we behave, we do what we say were going to once we've planted a flag in a market," Ross said.

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