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Kelleher of New Boston Fund speaks at Nov. 2nd SIOR breakfast

December 13, 2007 - Spotlights

The New England SIOR Chapter held its final 2007 Featured Landlord breakfast reception at the Newton Marriott on November 2nd. Approximately 35 SIORs and guests attended this popular venue. James Kelleher, chief investment officer of The New Boston Fund, discussed the company's expansive real estate investment opportunities along the east coast.

Mark Stevens, chapter president, thanked Ned Leeming and Jim Boudrot for organizing this breakfast event as well as all the breakfast events during 2007. Jim Kelleher was then introduced and he summarized the New Boston Fund's portfolio. Currently, New Boston Fund is developing a 7th fund for real estate investments with \$350 million equity. There are 12 million s/f under ownership totaling approximately \$3.6 billion in activity. The first fund was created in 1993 and now the 7th fund is being comprised with high net worth investors. The company has a 50-year track record with \$100 million of general partners. The firm started as a local Boston firm and has since expanded into Connecticut, Washington, D.C. region, Richmond, Mid-Atlantic region and Florida. They will buy or develop multifamily, warehouse, office and industrial properties. They have 2.5 million s/f in Massachusetts alone with a 92% vacancy rate. They have targeted a 15% rate of return on the 7th fund. The fund is targeted to include about 30% land development. The overall target for all the funds is 15-20% gross average annual return on equity and they try to achieve that return by owning a diversified product portfolio. The portfolio size is approximately 35-40 assets. The minimum property price they will chase is \$5 million and the maximum is \$70 million.

With cap rates falling in the last three years, they have seen their property values rise but Kelleher believes that the next three years will be challenging. They will have to focus on increasing NOI for true growth rather than falling cap rates. They like to buy to reposition, upgrade or ground-up development. Teams have been developed to serve each market that they are entrenched. The last three years in Florida, the residential market was hot but now it's not so they will focus on other types of real estate such as warehouse. Kelleher has noticed a seller's denial on price valuation decrease and a shift in the market between buyers and sellers. He prefers good cash flow and some risk protection. They try to achieve this protection with partner recapitalization.

The New Boston Funds also focus on:

- 1.â€€,Purchasing excess corporate facilities, sale/leasebacks or buying at steep discounts to replacement costs.
- 2.â€€,Buying low basis acquisitions and repositioning class C buildings to class B buildings.
- 3.â€€,Preferred Equity deals to provide insulation from markets that are overheated.
- 4.â€€,Development deals in which they have 26 partners that helps mitigate risk and makes up 30% of their portfolio.
- 5.â€€,Build-to-suits such as the Jordan's Furniture project in Taunton.

Kelleher offered some case studies in Richmond, Va.; Florida; New Haven, Rocky Hill, Conn. that included office, multifamily and industrial.

We thank the New Boston Fund as the sponsor and would like to thank Mark Stevens for his fine job as the 2007 Chapter president as well as Jim Boudrot and Ned Leeming for organizing these events. The Chapter appreciates the extra added-value these individuals have given to the SIOR members.

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