

The Real Reporter

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Cape Lodge Fever



Faraway Inn, Nantucket MA

CAPE COD — Undeterred by the global pandemic, Cape and Island's hotel business has returned and flourished over the past two years, and more recently through the summer and fall of 2022. As a bi-product, investors small and large spied opportunities in what had typically been a market held by local investors, taking a long-position, in an often inactive market.

The region has seen an explosion of real estate deals recently; more than \$400 million in closings were recorded at the Barnstable Registry of Deeds between January 2020 and December 2022, amassing 40 property swaps in excess of 2,300 rooms - far surpassing the sales volume of pre-pandemic periods.

According to the Massachusetts Office of Travel & Tourism, the Cape has approximately 250-275 hotel and motel properties, and

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Shoppers Back as Greater Boston Retail Resurgence Underway

BY MIKE HOBAN

Boston — Just a few years ago, brick-and-mortar retail appeared to be preparing for its swan song. The steady growth in e-commerce, accelerated by the shift in consumer behavior driven by the pandemic, propelled a record 12,200 U.S. store closures in 2022 - emptying 159 million square feet of retail space, according to Fortune

magazine. As it turns out, reports of in-store retail's death have been greatly exaggerated.

After two years of dealing with COVID-induced isolation, people longing for human connection broke free from their laptops, got out of their homes and headed back into stores and restaurants to fuel what has truly been a Boston retail resurgence.

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Ann Ehrhart



Jim Koury

\$2.9B CMBS Office Loans Maturing

BY DAVID ARTHUR



BOSTON — Got office space? Plenty here to spare. Office availability rate has ballooned to 20% in the Boston MSA, the largest increase in the last 30 years. Compounding downward pressure on an already unstable office market is the \$2.9 Billion in CMBS office loans coming

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Guarded Optimism From Local Lenders Into '23

Boston — Never say never but it would be hard-pressed to find any lender willing to stake the claim that commercial mortgage rates would return to their historical lows in the 2% and 3%. Given the steady rapid mortgage rise, there is an atmosphere of ambiguity amongst local lenders heading into an unfamiliar economic stance.



continued page 53 One Hollis, Wellesley MA

Cape Lodge Fever

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around 12,000 guest rooms, equating to 15 percent of the market having been turned over in under three years. The property trades do not include AirBnB, VRBO, and HomeAway accommodations, or guest houses and bed-and-breakfasts with fewer than 6 rooms.

For most of the past half-century, the lodging industry in the fifteen towns on Cape Cod, Martha's Vineyard and Nantucket has consisted of mostly small inns, motels, and a few upscale hotels, run as your typical "Mom & Pop" operation, where typically a couple from New England purchased a guesthouse or motel and ran it for a generation, then sold it to finance their retirement.

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The available supply of rooms has been stagnant for decades due somewhat to the lack of suitable land upon which to build but mostly the result of year-round residents becoming increasingly reluctant to allow the construction of any residential projects of significant size.

What changed during COVID was a deeper pool of available buyers, according to John Ciluzzi, owner of Premier Properties, a Cape Cod commercial and residential real estate firm. "The Cape & Islands were beneficiaries of a migration from metropolitan markets all over the US, with people making a lifestyle decision to move to a coastal location, and then they were looking to do something."

Mathematically the market can be split into three price ranges: properties worth \$2-3 million and under, those in



Wequassett Inn, Harwich MA



Admiral's Landing, Provincetown MA

the \$3-6 million range, and those worth \$6-plus million. Cape and The Island's lodging has seen sales activity in all ranges - from the \$2 million swap of the Inn at Cook Street in Provincetown to the \$38.5 million purchase of the Faraway Nantucket, and dozens of deals done at all price points in between. But the blockbuster deal was this past summer's \$102 million trade of the 120-key Wequassett Resort and Golf Club in Harwich to EOS Investors of New York City.

EOS says Cape Cod appealed to its portfolio of boutique five-star stays because it has many of the same features they see across leisure markets throughout the Northeast and Mid-Atlantic.

"We had previously made investments in Kennebunkport, Maine as well as Rehoboth Beach and Bethany Beach, Delaware. Those features are derived by virtue of Cape Cod being a well-established destination with attractive supply and

demand dynamics," according to Tom Burns, Managing Director of Acquisitions for EOS Investors.

Those dynamics, says Burns, heavily favor existing products. "On the supply side, the best oceanfront land was developed long ago and the remaining land for development/redevelopment is most attractive for residential improvements. These factors have been in place for decades, which have led to de minimis full-service hotel construction."

EOS has been bullish on Cape Cod, buying a quintet of properties in Yarmouth for more than \$80 million, branded as The Red Jacket Resorts by its prior owners, The Davenport Companies. (EOS also picked up Davenport's Red Jacket Mountain View Resort in New Hampshire's Mount Washington Valley for \$7 million in the deal.)

On a far smaller scale, investors have continued on page 51



Brasswood Inn, Provincetown MA



Snug Cottage Inn, Provincetown MA

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found success in towns such as Chatham. The Chatham Highlander was purchased by Oceanview Holdings LLC in February 2020 - just at the start of the pandemic - for \$2.3 million. The owner invested in improvements and then sold the same property for \$7.7 million in June 2022, just two years later, to Procacianti Companies, which had in turn just

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There is a historic resiliency on the Cape, as activity is expected to continue unabated. The 22-room Dockside Inn on Martha’s Vineyard was sold just days ago for \$4.7 million and on December 8th the aforementioned Linchris Properties closed on its purchase of the 260-key Cape Codder Resort & Spa in Hyannis for \$47 million.

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closed on its \$18 million purchase of the Chatham Wayside Inn. Oceanview then turned around and purchased the Chatham Seafarer for \$3.8 million in a 1031 exchange.



Ashley Manor, Barnstable MA

On Nantucket and Martha’s Vineyard, there were fewer deals but the ones that transacted were larger in size, and often traded to local investors. Last December, Blue Flag Partners of Boston purchased the 94-room Beachside on Nantucket for \$38 million, adding to its growing portfolio of properties on the Islands. Vaios Theodorakos, the owner of Framingham-based VTT Property Management, purchased the Nantucket Inn in October 2021 for \$30 million. Theodorakos owns several other properties on the island, and is a summer resident of ‘The Little Grey Lady.’

Nowhere has the lodging market flourished more than in Provincetown, on the tip of Cape Cod, a seaside community home to just 3,500 full-time residents - but a summertime daytime population

of anywhere between 20,000 and 60,000 people. More than a quarter of Provincetown’s housing stock is made up of short-term rentals, which include guest houses and inns, and also Airbnbs and VRBOs.

Just about every “name” property in Provincetown changed hands during the past three years, from the exclusive Crowne Pointe and Brass Key hotels (in a package deal to Linchris Properties of Plymouth) to the iconic Land’s End Inn; and including non-hotel properties such as the boisterous Crown & Anchor entertainment complex and the historic Governor Bradford restaurant, which had been controlled by the same legacy for 50 years.

In a way, the purchases are passion projects, meaning the new owners act-

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Cape Lodge Fever

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ed on emotion as well as financials when deciding to buy. Land's End Inn was sold to a couple running a foundation whose stated mission is to support the LGBTQIA and local artist communities while the Crown & Anchor was sold to a couple, one of whom is a Moderna executive and the other a singer/producer who regularly takes the stage at local venues.

Although the Cape and Islands real estate market has proven its buoyancy, inflation remains a concern as many see a recession on the horizon. Vacation is, by definition, a “leisure activity”, and Americans are known to cut back on those expenditures first when money is tight. But here on the Cape, there are high expectations.

However, Ciluzzi, at Premier has run the numbers and remains optimistic. “For the long-term investor (10 years or longer), this [economy] is a short-term situation; the investor can buy and then refinance. We pay attention to hotels and 2023 reservations are looking strong in the region.”

There is a historic resiliency on the Cape, as activity is expected to continue unabated. The 22-room Dockside Inn on Martha's Vineyard was sold just days ago for \$4.7 million and on December 8th the aforementioned Linchris Properties closed on its purchase of the 260-key Cape Codder Resort & Spa in Hyannis for \$47 million; an astounding yield, considering the property last sold in 2000 for \$7.5 million.

Investment opportunities continue to present themselves on Cape. Recently listed is the nine-room A Little Room in Orleans (\$5.5 million), the 19-unit La Plaza del Sol in Mashpee (\$1.95 million), and the 26-key Jonathan Edwards Motel in Dennis (\$3.2 million); all come with owner accommodations.

It is an active investment market by all accounts, and the forecast calls for the continuation of lodging properties to be put up for sale til and through 2022-'23. Yet investors will need to be ready to pay top dollar on the Cape and Islands because demand has not waned for vacationers looking to flock surf-side, and owners will continue to seek record yields alongside quaint ocean towns. ■



Inn at Cook Street, Provincetown MA



Seafarer Inn, Chatham MA



Joshua Paine House, Provincetown MA