

AEW, Woodmont Eye Industrial Plays

Woodmont Properties, a New Jersey development firm, has lined up **AEW Capital** as its equity partner for a joint venture that plans to buy \$250 million of value-added and opportunistic industrial properties near East Coast ports this year.

Working through advisor **Cushman & Wakefield**, Woodmont talked to two dozen potential partners — a sign that many institutional investors feel they are underweighted in the industrial sector. It narrowed the field down to six finalists before striking an agreement with the Boston fund shop.

Woodmont initially planned to focus only on value-added properties. But it decided to join forces with AEW primarily because the duo agreed that higher-risk plays provide the potential for outsized returns. So the joint venture's scope was broadened to include properties that need significant physical improvements or repositioning. The partners also agreed to consider ground-up development. The joint venture's return target is 15-18%.

AEW and Woodmont will initially kick in \$100 million of equity on a 90-10 basis. If the strategy proves successful, the partners could add capital down the road. AEW is investing via its \$424 million AEW Capital Partners 6 fund, which is overseen by managing director **Marc Davidson**. Woodmont, based in Chatham, is operating via its Woodmont Industrial affiliate,

which was formed last year. The unit is headed by managing principal **Gene Preston**, who previously worked at San Francisco-based **Prologis**.

The partnership is hoping to capitalize on the pending Panama Canal expansion, which is expected to dramatically boost the volume of goods flowing through East Coast ports after 2014. It will focus on properties that serve the seaports of New York/New Jersey, Baltimore, Washington and Miami, as well as the inland distribution centers, or "dry ports," of the Lehigh Valley and Harrisburg areas of Pennsylvania.

The goal is to buy more than 7 million square feet of industrial space with the initial capital. Investments of at least \$10 million will be pursued. The joint venture will leverage the initial capital to produce \$250 million of investment power.

The partnership was scheduled to close on its first acquisition this week: a vacant 730,000-sf building in Clinton, N.J. The price could not be learned, but the property, called the I-78 Logistics Center, was shopped at \$38/sf, or \$28 million, by a bank that seized it from an overleveraged owner. The joint venture plans to increase the number of loading docks and upgrade the lighting, fire protection and heating systems.

Woodmont Properties develops and invests across a broad range of asset classes. Its portfolio is primarily in New Jersey, although it is expanding its presence into New York and Pennsylvania. ❖