



American Health Care Association

Regions: Washington, DC

Service(s) Provided: Building Sale, Tenant Representation, Lease vs. Buy, Strategic Planning, Consulting, Landlord Representation

Size: 10,000 SF; 30,000 SF and 115,000 SF

Challenge

The American Health Care Association (AHCA) is a non-profit federation of affiliate state health organizations, together representing more than 13,500 non-profit and for-profit nursing facility, assisted living, developmentally-disabled, and subacute care providers that care for approximately one million elderly and disabled individuals each day.

AHCA owns 1201 L Street, NW as its headquarters building, occupying approximately 75% of the 30,000 square foot building for its own use. AHCA had been receiving multiple unsolicited offers from developers to purchase the building, as it is underutilized with the ability to build up to 115,000 square feet on the site. Additionally AHCA's longtime, full-floor tenant was expiring in May 2018 with a significant amount of rental income at risk.

AHCA required help in evaluating the short and long-term implications of owning the asset and the market implications of selling the building or holding on to it.

Solutions

AHCA hired the team of Doug Damron and Chris Lucey at Newmark in the summer of 2016 to provide a strategic real estate plan analysis whether to sell the building and relocate. An exhaustive analysis of twelve (12) scenarios were evaluated in detail including staying in place and conducting a renovation of the building as well as lease, sale and development scenarios in all three local submarkets (DC, Maryland and Virginia).

Although the sale and relocation scenarios were compelling from a financial perspective, AHCA's Board ultimately decided to hold on to the asset and renovate it. The building continued to meet the operational needs of AHCA's staff and it was viewed as a long-term appreciating investment asset for the organization. However, the potential of the full-floor tenant vacating was troubling, as the loss of that revenue would make owning less desirable.

In September 2017, the existing tenant notified AHCA it would be vacating upon its lease expiration as it had outgrown the space. Newmark immediately began an aggressive marketing campaign to find a new tenant. Newmark secured its first tour of the property the same week of notice and converted that prospect into a fully executed letter of intent one month later. This resulted in no down time or loss of income for AHCA and favorable lease terms, stabilizing the asset for the long-term.



1201 L Street, NW