Seyon Group Continues to Find Value in Competitive Industrial Market

BY MIKE HOBAN

In a white-hot industrial market, with a vacancy rate at an all-time low and pricing for assets soaring, Boston-based Seyon Group continuinues to expand their portfolio with both stabilized assets and value-add deals. The real estate investment firm, which focuses exclusively on the industrial sector, has had a remarkably active 2021, acquiring 13 buildings in 11 separate deals totaling $275 million in the Greater Boston CSA and Pennsylvania through early December – including many off-market acquisitions.


Bryan Blake


Andrew Iglowski

"It's been our biggest year from an acquisition standpoint, and we've done it fairly quietly," said managing partner Bryan Blake, who along with fellow Calare Properties alum Andrew Iglowski founded Seyon in 2017. Since their launch, the Seyon Group has amassed an $850 million portfolio of 51 assets totaling 6.0 million square feet in four different markets.

The firm's success in finding deals has come at a time when – despite shrinking cap rates – a wide range of investors continue to chase industrial assets. And with good reason. JLL reported a 64 percent leap in leasing demand from Q2 – from 12.7 million square feet in June to 20.8 million square feet at the end of September in Greater Boston. Not surprisingly, rents have increased by 11% over Q3 2020 (to $11.49 NNN), with an overall industrial vacancy rate of 4.5 percent, according to the Q3 Greater Boston industrial report by Newmark. During Q3 alone, $791 million in properties totaling 4.9 million square feet traded in Greater Boston, at $185 per square foot – a record high. Despite the intense demand in the Greater Boston market and a limited supply, the majority of Seyon's properties have been acquired here, including a number of off-market deals.

"We continue to find compelling opportunities within the industrial sector, and think the opportunity is still in front of us," says Blake. "There are a lot of micro-drivers in the local markets, so we'll continue to seek out those opportunities in 2022 and beyond."

While Seyon made headlines this past summer with the $85 million acquisition of the storied former Evergreen Solar facility at 112 Barnum Road in Devens, a 402,000 square foot facility that is 100

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percent leased to long-term, solid credit tenants, it is something of a deviation from the model that the firm has applied during its nearly five-year acquisition binge.

"Our philosophy is to preemptively identify real estate that we want to hold long-term, and that sort of underpins everything that we do," says Iglowski, who adds that the firm does not typically react to every marketed deal. "Instead, we identify real estate that we think will benefit from multiple demand drivers over an extended period of time – whether that be ecommerce or biotech or traditional industrial uses. All of those companies are competing for the same types of space today, so we just try to identify well-located assets that are functional in nature and let the market dictate what it becomes – whether that's a distribution center or a manufacturing building or a freezer. That type of narrow focus allows for a longer line of sight into the future."

Shortly after its founding in January of 2017, Seyon partnered with Wheelock Capital, establishing a joint venture to invest $300 million in industrial real estate in prime Northeast markets. Seyon immediately set to work, picking up three assets for $32 million – a pair of industrial buildings in the Shawmut Industrial Park in Canton and the 200,000 square foot 26 Dartmouth Rd. in Westwood – all of which were off-market deals.

And while the group has purchased a number of fully-leased, stabilized assets, including the aforementioned 112 Barnum Road, 10-20 Dan Road in Canton ($34 million) and 3 Technology Dr. in Centennial Park in Peabody (in a $30 million all-cash deal), it is Seyon's ability to uncover deals that has spurred their continued success in this hyper-competitive market. Two 2021 acquisitions exemplify the type of diligence that Seyon has employed in pursuing assets. In August, Seyon acquired 1 Puzzle Lane, a vacant 100,000 square foot Class A warehouse with 30' ceiling heights located on the Massachusetts/New Hampshire border for $9.25 million. The deal was brought to them by broker John Meador, who had previously worked at Seyon in 2017. In May, the firm purchased 65 Green Street in Foxborough, a 50,000 square foot light

1 Puzzle Lane, Newton, NH

industrial facility that was 100% leased to two tenants, both of which vacated the asset within months, for $5.8 million.

Puzzle Lane was owned by German manufacturer Ravensburger Puzzles, which was consolidating its distribution operations in Jacksonville and was disposing of their excess real estate. Green

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>
> BRYAN BLAKE
> *Managing Partner of Seyon*

Street was a sale by the owner who entered into a short-term sale leaseback agreement before consolidating his operations elsewhere. "Both were vacant or soon-to-be vacant acquisitions from corporate (users), which is one of the ways that we try to create some value on both the acquisition and the execution of the thoughtful business plan," says Iglowski. "I think those two buildings are pretty emblematic of what we try to do every day."

Iglowski says that Seyon tries to pre-emptively identify markets, submarkets or even individual buildings that they believe are a good fit for their portfolio. "Whether or not it's 'for sale' today is kind of irrelevant to us, so we try to maintain a dialogue with ownership groups, whether it's a corporation, an individual or an institutional owner. We're just knocking on doors and picking up the phone constantly until we shake a property loose. It's just taking an informed position on the market and the locations in that market where you want to be." One clear example of that strategy is their positioning in Shawmut Park, where the firm has acquired nine assets – all from different sellers.

Such a strategy requires patience, which Seyon and their investors – primarily Wheelock, Berkeley Partners and Bentall Green Oak, as well as other investors – appear to have in abundance. Seyon was in pursuit of 10-20 Dan Road for a considerable time before closing the deal in 2019, and the recently acquired 2 Technology Way in Norwood, a 76,000 square foot R&D/light manufacturing facility, involved a lengthy process from first inquiry to close (at $18.5 million) from a high net worth investor that had owned the building since 1998.

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112 Barnum Rd., Devens MA

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veloping those relationships at the asset level, because at the end of the day, real estate is still a relationship business, and it takes time to transact," says Blake. "It's about building those relationships and that trust, since the owners that we generally buy from are individuals and family trusts, along with some corporate dispositions, and building those relationships and laying that groundwork takes a long time." Blake also emphasizes that Seyon and its partners are typically long-term holders of real estate, although some assets may fall into shorter time frames, depending on the objectives of the capital partners.

As much of the industrial stock in Greater Boston is nearing obsolescence or requiring upgrades to meet the demands of the various user types, Iglowski estimates that approximately half of the buildings that they buy vacant require significant capital investment. "It's really kind of easy to buy real estate, but the execution (on repositioning) is the key to creating returns for our investors, so having that team (design professionals, construction managers, etc.) in place is of the utmost importance," he says.

With such great demand for assets, there is now 17.7 million square feet of industrial development in the pipeline (proposed, permitted, or under construction) in the Boston metro, according to Newmark. While Seyon has stayed out of ground-up development for their nearly five years of existence, the firm is open to exploring opportunities. "Ground-up development is a nice way to try to create outsized returns, but the way we're structured, being a lean shop…we're going to pick our spots very carefully on the development side. We're an investor shop, not a development shop, and if you look at the list of assets we've acquired, you can create a lot more value in the same amount of time by acquiring existing assets rather than building from the ground up." ■