

## Four years later, Triad office building sells for big number

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Zamir Equities has expanded its Philadelphia area footprint and has acquired the Triad building in King of Prussia for \$30.2 million.

Kairos Real Estate Partners and Artemis Real Estate Partners bought the four-story, 184,000-square-foot office building at 2200 Renaissance Blvd. in 2013 for \$8.1 million from a special servicer. At the time, the building, which was constructed in 1985, was 20 percent occupied and a long way from where it was in 2002 when Mack-Cali Realty Corp. paid \$26.3 million to buy it. Mack-Cali had given the building back to the lender roughly 10 years after its purchase.

That distressed scenario was what Kairos was looking for when it bought the building, the first it acquired as a new company. The real estate company seeks out properties that have been taken back by a lender or are in special servicing, have high vacancies, and need interior and exterior renovations.

It deployed that strategy at Triad, spending \$4 million on a series of upgrades that have become part of its signature with newly acquired properties. Kairos puts in a cafe, conference/training center and full-service fitness facility as well as incorporates newly-designed common areas and lobbies.

The strategy seems to have worked. Triad is now 96 percent leased with such tenants as Liberty Mutual Insurance Co., Genomind, Communications Media Inc., A.D. Marble & Co., Inc., RatnerPrestia, ASI Business Solutions and Telerx Marketing.

Investors have also gravitated to these properties. “I think they are looking for in-place cash flow,” said [Steve Gleason](#), who formed Kairos. “The tenant roster is extremely strong, they have strong credit and in long-term leases. They can get strong cash flow right away and have the ability to increase rents.”

As nearby submarkets such as Conshohocken and Radnor have tightened up, tenants have ventured to the next tier of submarkets in search of not only space but cheaper rents. Although rents in those secondary areas are on the rise.

Office vacancy in the Philadelphia suburbs is nearing pre-recession levels and stands at 15.9 percent with 676,200 square feet absorbed last year, according to Newmark Grubb Knight Frank year-end data. Blocks of prime space are limited and Class A vacancy declined for an eleventh straight quarter “with rental upticks in submarkets further out from the Philadelphia Central Business District, such as Horsham, Willow Grove and King of Prussia,” the report said.

Triad is an example of that. The last lease deal Gleason did at that building was at \$26 per square foot compared with \$22 a square foot when he bought the building four years ago.

Zamir, a New York real estate firm, has been steadily growing its Philadelphia footprint. At the end of 2015, it paid \$56.5 million for six office properties in Mount Laurel, N.J. The properties consisted of five buildings in the Laurel Corporate Center — 2000, 4000, 9000, 15000 and 10000 Midlantic Drive — and 1000 Bishops Gate Blvd. in Bishops Gate Corporate Center. In October 2016, it bought 1120 Executive Plaza, a 95,488-square-foot office building in Mount Laurel, N.J.

Kairos continues to seek out similar opportunities though they seem harder to come by. “It’s not for lack of trying,” Gleason said.

It bought in 2014 what is now known as Apex Fort Washington, a 400,000-square-foot complex in Fort Washington, and spent nearly \$6 million in renovations, leased it up and recently recapitalized the property. Last year, it bought 518 Township Line Road in Blue Bell, and is spending \$3 million to upgrade the building that is 27 percent occupied.

While it continues to look at properties in the suburbs, it plans to focus on buying office buildings this year in Center City.

Robert Fahey, Jerry Kranzel and Erin Hannan of CBRE Inc. represented Kairos and Artemis in the Triad transaction.