

# PHILADELPHIA BUSINESS JOURNAL

## Buyer drops \$89.5M on suburban office property

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CrossPoint at Valley Forge hit the market just right.

An investor has snapped up CrossPoint at Valley Forge for \$89.5 million a year after it underwent a total renovation and was fully leased up.

KBS Real Estate Investment Trust III bought the 272,360-square-foot office building from a partnership consisting of the Davis Cos. of Boston and Hayden Real Estate of West Conshohocken, Pa.

This is the second acquisition KBS has made in this suburban Philadelphia office submarket. In February 2014, the Newport Beach, Calif., real estate company paid \$64 million for 1000 Continental Drive, a 205,424-square-foot building less than a mile away.

The CrossPoint transaction comes on the heels of a small spate of other suburban office property sales that is expected to continue.

Last week, Brookwood Financial Partners bought a 29-building office portfolio for \$183 million and an undisclosed local partnership bought a three-building complex at 1170, 1180 and 1190 Devon Park Drive in King of Prussia, Pa., that totals 250,185 square feet for \$63.5 million.

CrossPoint, however, stands apart from those deals. It is a bit of a case study – the seller caught the market as it was coming out of recession and while there was apparent pent up demand for well-located, amenity-rich office space.

The Hayden-Davis partnership bought the near-vacant property in 2011 by acquiring what had been a \$44 million first mortgage at about a \$15 million discount. By mid-2012, the

venture launched a \$30 million total gut and re-construction of the two office buildings at 530 and 580 E. Swedesford Road in Wayne, Pa. They had been constructed in 1974 and were well past their prime.

The project not only included tearing the structures down to the steel but connecting the two, four-story buildings to create room for a new fitness center, conference center and café. The connector enlarged the square footage of each floor and space was also taken to create a total of 44 covered parking spots. D2 Solutions was the architect.

The work paid off.

"CrossPoint is the most successful leasing project we've ever done in the Philadelphia suburbs," said Jeff Mack of Newmark Grubb Knight Frank in a statement. Aside from Mack, Mike Margolis, Dave Dolan, Brett Segal were involved in the transaction.

It attracted such companies as Teleflex Inc., Rovi Corp., Medecision, Lewis Brisbois and Principal Financial, among others.

The project also did what Jonathan Davis, CEO of Davis, said "set a new standard of excellence for the market." The success of CrossPoint sent a signal to the market that tenants would gravitate to well-located properties that have fresh designs and a lot of on-site amenities. Other suburban developers have followed suit and rolled out similar strategies at their buildings.

The location has also been key to its success. It's near major highways but still in proximity to Radnor, Pa., and Conshohocken, Pa., without having to pay the steep rents those submarkets charge.

"We believe that the property's central location near a growing amenity base will have a positive impact on the tenants of CrossPoint at Valley Forge," said Marc DeLuca, KBS regional president, in a statement. "We also believe that this node on the Wayne/King of Prussia border is becoming an incredibly attractive live, work, and play community that will contribute to the path of growth for the property."