

## \$100M of Philadelphia real estate to hit the market in 'generational offering'

Jan 27, 2020, 3:25pm EST

Philadelphia Suburban Development Corp. has put on the market dozens of Philadelphia properties valued at an estimated \$100 million and plans to deploy any funds it reaps from those sales into new development in Malvern, Lansdale and Warrington.

The King of Prussia real estate company has amassed 2 million square feet in 100 different buildings in Philadelphia over the last six decades. The potential sales involve a fraction of its overall portfolio in Philadelphia. The move to sell will enable the company to make a bold shift into office and mixed-use development in Philadelphia's western suburbs and diversify its holdings.

As part of that strategy, PSDC has put under agreement the undeveloped parcels at Atwater, a mixed-use development off Route 29 at the Pennsylvania Turnpike Interchange in Malvern. The company plans to develop 400,000 to 500,000 square feet of new office space on those sites. Between the Atwater parcels and land it already owns in Great Valley, PSDC wants to construct that office space on speculation — without any tenants signed — and expects to begin development of a 100,000-square-foot building this summer at Six Great Valley Parkway.

"We have a long-term approach to Malvern and we're going to pace ourselves," said Mark Nicoletti, co-CEO of PSDC. "We're positioning ourselves to grow over the next 50 years."

In Malvern, the company has another roughly 30 acres in East Whiteland it bought from Liberty Property Trust on which it intends to build a mixed-use development consisting of 1 million square feet of office, hotel, residential and retail space.

While Chester County is a big bet for PSDC, the company is also ramping up development in Lansdale in Montgomery County. There the company has made a long bet that has started to pay off. "Lansdale it becoming its own market," Nicoletti said.

When the development of the Pennsylvania Turnpike's Northeast Extension was taking shape in the 1960s, Nicoletti's father bought property around the Lansdale interchange. Over the last 10 years, PSDC has been developing that land with apartments, a new hotel, office and educational buildings.

In all, it has built about 500,000 square feet in new projects and another 500,000 square feet in redevelopment — and more is on the way. The company has received zoning approval from Towamencin Township for several mixed-use projects.



GOOGLE

Marcus & Millichap is marketing 301 E. Cheltenham Ave. in Philadelphia.

The turnpike has been widened between Mid-County and Lansdale, giving a boost to the area. The company owns a 150,000-square-foot shopping center at Allentown and Forty Foot roads that it plans to redevelop and add 225 new apartments.

At the corner of Sumneytown and Forty Foot, it owns 40 acres across what amounts to a three-block stretch that will have 600,000 square feet. Of that space, 150,000 square feet will be a medical office building anchored by an undisclosed health system. It will also build retail and apartments on the site. Additional hotels are also planned for the Lansdale area.

In Bucks County, it will look to develop 13 acres it bought in Warrington in front of the Shops at Valley Square, though that won't be as robust as the work it will do in Chester and Montgomery counties.

All of those plans come at a price, which has prompted PSDC to cull its portfolio. "I want to stress that we're not leaving Philadelphia but we're going strong into the Malvern market and into Lansdale," Nicoletti said.

The 44 buildings and parcels it has put up for sale represent about 25 percent of the its overall Philadelphia portfolio. They are a mix of developable land and existing structures leased to a mix of companies and organizations. Tenants include government agencies, private non-profits or other publicly-funded social service programs. Other tenants range from charter schools and health care groups to retailers such as Dunkin, H&R Block, Wells Fargo and Walgreens.

Most of these properties are in inner-city neighborhoods, of which several are on the rise. Many of the properties sit in Federal Opportunity Zones, a designation that aims to attract investment to areas that would otherwise be ignored by developers.

Michael Hinchman of Marcus & Millchap along with colleagues Sean Beuche, Lawrence Gariano and Harvey Schmidt are marketing 27 of the properties located in five different Philadelphia neighborhoods: South Philadelphia, Kensington/Allegheny, Germantown, North Broad Street and Frankford Avenue. Those buildings could sell as much as an estimated \$56.5 million.

"It's an eclectic mix of properties and a fairly unique offering," Hinchman said.

The properties provide a buyer with an opportunity to enter multiple Philadelphia neighborhoods in one big deal or for someone to acquire several properties in a single neighborhood.

"It's rare you see this amount of assets sold at the same time," Beuche said. "This is a generational offering."

Ken Mallin and Veronica Blum of MPN Realty Inc. are marketing 17 properties in West Philadelphia, along Marshall Street in Northern Liberties and Washington Avenue in South Philadelphia. This portfolio could sell for upwards of an estimated \$40 million.

"I suspect there will be a lot of interest in them," Mallin said.

Each area has a different level of growth underway, Mallin said. For example, West Philadelphia is seeing development pressure as University City gets built up. Marshall Street at Poplar Street is poised to see additional development as Post Brothers moves ahead with a large apartment project. Washington Avenue is also experiencing more activity. "It's exciting real estate in exciting areas," Mallin said.

**Natalie Kostelni**

Reporter

*Philadelphia Business Journal*

