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Real Estate

Center City Developer adds to his portfolio

Fresh from picking up the prized Packard Building last spring, Philadelphia developer Alex Schwartz recently added two more acquisitions to his growing list of Center City properties.

Schwartz, who also owns the Land Title Building on South Broad Street, dropped \$3 million each on the Medical Arts Building at 1601 Walnut St. and the Medical Towers at 251 S. 17th St. Both are class B office space with rents between \$16 and \$20 a square foot. "They're great buildings and they fit into my portfolio," said Schwartz.

Both are about 100,000 sq. ft.; Schwartz intends to keep the buildings as office space with short and long term leases. Doctors offices and other professional practices occupy most of the space; the occupancy rate of both buildings is about 70 percent. Medical Arts stands at 15 stories while Medical Towers has 30.

In his latest acquisition, Schwartz again sought the guidance of local broker Ken Mallin, the president of Mallin Panchelli Wentworth Realty, who said the deal was in the works for a couple of months.



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Mallin helped bring Schwartz to the table in the Packard Building purchase which cost him and a small group of investors \$5 million, or roughly half of what the building was listed for.

Though not landmarks, Mallin called Schwartz's latest acquisitions "typical, nice Center City office buildings."

They were previously owned by two limited partnerships, Artmed for Medical Arts and Towmed for the Towers.

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Real Estate Quarterly

Hotel deal craters, Packard Building sold to locals

The Packard Building, an architectural gem in Center City, has been sold to local developer Alex Schwartz and a small group of investors.

Schwartz bought the building for \$5 million (contingent upon certain unknown terms) after a New York investment company's plans for a hotel fell through. That company, Affirmative Equities, Inc., and its \$30 million plans for renovating the structure at the 15th and Chestnut streets drew protests from preservationists, who argued that to accommodate a planned parking garage would alter the facade of the historically significant building too much.

Now plans for parking in the building, which was built in 1924, are almost certainly dead. Schwartz said he will renovate the building, but isn't sure whether he'll build offices or convert the place into an apartment house, or some combination of the two. A hotel is not in the picture.

By all accounts, Schwartz got a nice deal. The building's owner, General Electric Capital Corp., the real estate investment unit of General Electric Co., posted a sale price of \$10 million on the property last year. It signed an agreement of sale with Affirmative Equities in early September for more than \$8 million.

After Affirmative's deal went negative, Schwartz, who also recently purchased the Land Title Building on South Broad Street, stepped in and came away with what

he calls "a diamond in the rough that needs a lot of polishing".

"It was an asset [G.E. Capital] wanted to clear from their books," said Jack McGowan, a vice president for GMH Realty in King of Prussia, the firm that represented GE Capital in the sale. "It needs something of a metamorphosis - it is in need of a lot of work, and that just isn't their program. They figured it was better with a local user."

Schwartz was brought to the table with the help of local broker Ken Mallin, president of Mallin Panchelli Wentworth Realty.

"Initially when the other deal was put under contract, everyone was interested," Mallin said. "This time, GE wanted someone who would settle. They were willing to give him a good price."

The 25-story building has about 360,000 square feet of usable space in its current condition. The 25th floor houses the site's systems.

"I know apartments are hot right now and I do plan on doing some apartments and office space over there, but I don't know the ratio yet," Schwartz said. "My intention as that I don't want to do anything to destroy the integrity of the building. I'm in the process of interviewing architects. After I've spoken with them, I'll have a clearer indication of what my intentions are."

Constructed of limestone and brick, the Packard

Building features brass bas relief features on its facade along with a tree-story iron base facing Chestnut Street. Executive penthouse offices in the building are framed by stone columns.

Designed by architects Versus T. Ritter and Howell Lewis Shay, the building was named after financier and insurance magnate Charles S.W. Packard. When it was built it became one of Center City's first skyscrapers. For a time, it was home to the Pennsylvania Company for Insurance on Lives and Granting Annuities.

Schwartz would be eligible for federal historic preservation credits if he renovates the building.

If he converts it to apartment use, Schwartz will also receive a big tax break from the city. Any escalation in the Packard's value would not be taxed for 10 years, the result of a 1997 abatement measure designated to spur apartment conversion. The abatement can be used on any percentage of a former office building converted for apartment use, allowing for mixed use while still qualifying for the break.

The Packard Building's last major tenant, the law firm of Wolf, Block, Schorr & Solis-Cohen, will vacate July 4, Schwartz said. The firm is moving to 1650 Arch St.

G.E. Capital owns two other Center City office buildings and one facility on Market Street in University City. McGowan said that the company hasn't decided what to do with those holdings.