

Miller Real Estate Fund spends big to buy 401 Market St.

By *Natalie Kostelni* Oct 16, 2015

A real estate investment fund based in Conshohocken has paid \$78.4 million to buy 401 Market St. in Philadelphia. Miller Real Estate Fund II bought the property, according to Montgomery County property records. The firm was established in 2014 by Miller Real Estate, an affiliate of Miller Investment Management, which buys various assets on behalf of high-net-worth individuals. The real estate fund focuses on acquiring stable, well-located commercial properties throughout the Middle Atlantic States and, based on that, 401 Market fit that criteria. Calls to executives at Miller seeking comment weren't returned.

The 11-story, 481,958-square-foot office building, also known as the Plaza, is fully leased to two main tenants, the American Bible Society and Wells Fargo & Co. though that wasn't the case too long ago. In the summer of 2014, an affiliate of Oaktree Capital Management put the property up for sale even though it was more than 20 percent vacant. It was pulled off the market when, to the building's luck, a deal with American Bible was being worked out.

The organization announced earlier this year it would relocate its headquarters from New York into nearly 100,000 square feet in the building and also consolidate offices it had in New York and the Chesterbrook Corporate Center into the building. It signed what ended up being a 25-year lease valued at \$100 million. While that took up a big block of vacant space in the building, it got another boost when Wells Fargo decided to move 250 employees into 401 Market from the Wharf at Rivertown in Chester.

Once those deals were cinched up, Oaktree decided in May to make its move and put the property back up for sale. It was expected to trade for around \$80 million, a figure it got close to. This is the second building the Miller real estate fund has acquired in Center City. In August, it bought the Sheridan building, an 111,000-square-foot structure at 125 S. 9th St. for \$8.6 million. Some may be familiar with Miller Real Estate from 2009 when they teamed up with Hayden Real Estate Investments and formed the MIM-Hayden Real Estate Fund I. It had pooled together more than \$100 million in equity and bought

Five Tower Bridge in West Conshohocken, and in the King of Prussia area CrossPoint at Valley Forge and 150 S. Warner Road, among other properties.

It has been years since the Independence Square submarket has garnered this much interest from investors and tenants seeking office properties to buy and space to lease. Kaiserman Co. put a four-building portfolio up for sale and those properties include: 400 Market St., a 12-story, 169,000-square-foot office building in which the Philadelphia Business Journal has been a longtime tenant, along with several radio stations; Constitution Place, a 13-story, 87,760-square-foot office building that houses Buddakan, Cosi, Mrs. K's and other retailers at 325 Chestnut St.; the Bourse, a 10-story, 281,000-square foot building that has both retail and office space at 111 S. Independence Mall East; and a 10-story garage at 401 Ranstead St. that has 453 parking spaces.

A Landmark Ritz theater, a deli and dry cleaner are tenants in the parking structure. Other properties that have traded include the Dow building, One Washington Square (formerly Penn Mutual Towers), Curtis Center and the Public Ledger building.