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The Real Deal: \$94M JoCo sale could have fetched more

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A portfolio containing five office towers and two mixed-use buildings in Overland Park sold for \$94 million, Chicago-based commercial real estate dealmaker Holliday Fenoglio Fowler LP announced Sept. 16.

Given their crème de la crème location near College Boulevard and Metcalf Avenue, the buildings could have fetched even more than the \$116.50 per square foot that Group RMC Corp. agreed to pay.

But the seller, Colony Realty Partners, “really hadn’t spent any money on those buildings,” said Jeff Kembel, a senior vice president with Jones Lang LaSalle. “They were pretty much the same as when they bought them.”

Built between 1984 and 1989 and totaling 806,864 square feet, the Colony portfolio included the 15-story office tower known as the “Darth Vader” building at 7101 College Blvd. and Commerce Plaza I and II, the seven- and nine-story office buildings at 7300 and 7400 W. 110th St. Collectively, those buildings are 96 percent leased.

Rounding out the portfolio was the four-building mixed-use Financial Plaza complex, which is 86 percent leased. It includes the seven- and 10-story office buildings at 6800 and 6900 College Blvd. It also includes two single-story mixed-use structures at 6700 College and 11005-11095 Metcalf.

“Both of those (mixed-use buildings) are kind of underutilized properties,” Kembel said. “They could probably take both of those down and do something with more square footage to better utilize those sites.”

But Greg Swetnam, director of office brokerage for Kessinger/Hunter & Co. LC, said Group RMC’s best bet is to simply update the acquisitions to drive rate.

“You’ve got Lighton Tower (7500 College Blvd.) over there pushing the limit,” Swetnam said. “They’re at a \$25.50 (per square foot) ask and are probably getting \$24 or \$24.50, and Lighton Tower has no structured parking and isn’t much newer. (It was built in 1991).

“Darth Vader, Commerce Plaza and Financial Plaza all have covered parking, but they’re only asking \$22.50 and getting \$21 or \$21.25 on Commerce Plaza and Darth Vader. You’d think they’d be getting at least the same rent (as Lighton Tower) if the properties were up to speed. But when you walk in those projects, they



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7101 Tower, also known as the “Darth Vader” building, is a 15-story, 228,660-square-foot office building at 7101 College Blvd. in Overland Park. It was built in 1986.

look 1980s. Consequently, because Colony wasn't getting the rates, they didn't get the price they might have."

Swetnam pointed at the nearby Renaissance III office building at 7045 College Blvd. as an example of what a spiffed-up Colony portfolio might have fetched. Occupied by Zurich American Insurance Co. and Intouch Solutions Inc., it sold last year for \$42 million, or \$180 a foot.

Tim Schaffer, president of Area Real Estate Advisors, said the Colony portfolio represents 9 percent of the College Boulevard office market, "so what the new owner chooses to do with those assets will have an impact on the overall market."

"This transaction represents a continuing trend of new first-time buyers of Kansas City office assets," he added.

Group RMC, which also made an run at Overland Park's Corporate Woods office park last year, is led by father and son Ray and Alex Massa, Canadian investors who acquire undervalued office properties in secondary and tertiary U.S. markets.

Block Real Estate Services, which has managed and leased the Colony portfolio for 10 years, will continue in that capacity for the new owners and has hired former CBRE broker Brent Roberts to lead that effort. BRES also assisted HFF in marketing the portfolio for Colony.

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