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From the Kansas City Business Journal:

<https://www.bizjournals.com/kansascity/news/2017/08/18/corporate-woods-sale-group-rmc-national-interest.html>

Corporate Woods: Sale shows KC coming out of the woods to outside buyers

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The sale of Corporate Woods — the crown jewel of the Kansas City-area office park market for more than 40 years — wasn't terribly surprising.

After all, the previous owners of the 22-building, 2.2 million-square-foot asset within Overland Park's dynamic College Boulevard corridor had been trying to sell it for the past two years.

The Aug. 9 sale, reportedly in the \$300 million neighborhood, to New York- and Montreal-based investment firm Group RMC Corp. is, however, part of a surprising and welcome trend among Kansas City-area landlords, investors and commercial real estate professionals.



ADAM VOGLER

After decades of overlooking Kansas City in favor of larger gateway office markets, such as New York and San Francisco, big money is flowing into the local market from across the country and around the globe.

"One of the positives I see in this transaction is you've got a buyer who invested \$95 million in Kansas City last year," Mike Mayer, managing principal for Cushman & Wakefield's Kansas City office, said in reference to Group RMC's purchase of the 807,000-square-foot, seven-building Colony Realty Partners portfolio near College Boulevard and Metcalf Avenue. "And now they're back with a check about three times that size. Obviously, they see a lot of upside in our office market."

And Group RMC is not alone. With the tier I markets becoming overpriced, major players are broadening their focus to include Kansas City's office and other commercial real estate markets.

"In the past 18 months," Mayer said, "we've seen The Macerich Co. and Taubman (Centers Inc.) come into the market and purchase the Country Club Plaza for \$660 million. Then last month, you had Ares (Management LP) buying a majority stake in Logistics Park Kansas City, an industrial asset that was valued at over \$300 million.

"With the Corporate Woods purchase, RMC has now invested almost \$400 million in Kansas City over the last year. None of these players were in the market before, and now they've got mid-nine-figure stakes. I see that as an encouraging sign of how optimistic outside investors are about Kansas City."

No qualms about KC

Corporate Woods, which changed hands only twice before in its 42-year history, is an iconic corporate campus. Tenants enjoy wooded views and a feeling of seclusion despite being surrounded by Interstate 435, U.S. Highway 69, College Boulevard and Antioch Road.

Nevertheless, previous owners CenterSquare Investment Management and Stoltz Real Estate Partners pulled it off the market early last year after the listing firm, Holliday Fenoglio Fowler LP, failed to complete a deal with bidders, which included Group RMC.

At the time, local brokers thought that Corporate Woods' sale price would require a large outside institutional investor but that such buyers were reluctant to invest so much in a market the size of Kansas City — particularly when the assets are in a single location.

Group RMC had no such qualms about Corporate Woods, which is 92.9 percent occupied by a high-credit roster of nearly 300 tenants, the largest of which occupies only 7.3 percent of the space. Raymond Massa, who leads Group RMC along with his son, Alex, and fellow co-founder Maher Cherfan, said they continued to work toward "a private and friendly deal directly with the seller."

Massa said Group RMC jumped at the opportunity to buy "one of the most prestigious suburban office parks in the Midwest at a significant discount to replacement cost." It's estimated that reproducing Corporate Woods' office buildings, completed between 1975 and 2001, would cost \$600 million or more. Massa also cited a deal he said "will benefit from Ken Block's absolutely top-of-class (leasing and management) team."

With the new assignment, Block Real Estate Services LLC will manage more than 40 million square feet of retail, office and industrial property. BRES has assigned Brent Roberts to lead marketing and leasing efforts for Corporate Woods and COO Harry Drake to act as general manager of the park.

Drake will succeed Corporate Woods' top management official, Wes Jenson, who is remaining with Stoltz Real Estate Management. The rest of Stoltz's on-site maintenance and management team for Corporate Woods will remain in place as BRES employees.

Sold on the Midwest

"We are great believers in the Midwest, which, contrary to what so many focused on the coasts wrongly think, is in many ways 'the New America,'" Massa said. "I like to say that the last person who underestimated the Midwest — well, she lost the election."

He said the equity Group RMC deployed to acquire Corporate Woods comes from high-net-worth individuals and family offices in North America, Europe and the Middle East. But Group RMC is "a family company," he said, and the common thread among its leadership and investors "is a well-founded and deep belief in the long-term outlook of the American economy and soundness of the American system coupled with a generational perspective on investment time horizons."

Group RMC oversees more than 9 million square feet of assets representing about \$1 billion worth of value, principally in the Midwest. Asked whether it might make other acquisitions in the market, Massa said the company is "always open to growing our presence in strong, healthy markets like KC."

"We feel privileged to be invested so heavily in Overland Park and, of course, in Corporate Woods — a true jewel," he said. "We will take care of it as long-term owners should and will happily continue its many traditions," such as Jazz in the Woods and an annual Fourth of July fireworks display.

A prize in global eyes

"Sometimes, sitting here in our own town, we don't realize how we look from the outside," said Block of BRES. "But we truly are beginning to grow up in the eyes of the outside world as a much more interesting investment opportunity."

The shift started with deals like VanTrust Real Estate LLC's \$104 million sale of the Polsinelli PC headquarters tower and parking garage on the west side of the Plaza three years ago, he said. The buyer was a partnership involving Denver-based EverWest Real Estate Partners LLC and Independencia Asset Management of Chile.

"There's international money, there's REIT (real estate investment trust) money, there's all kinds of money that looks at Kansas City differently than they did five years ago," Block said. "There are a lot more eyes on Kansas City now, and this (Corporate Woods) acquisition was just an example of how big investments can be made in Kansas City where those investors can feel comfortable that they're going to get a good return, whereas in the past, maybe they didn't feel as comfortable."

Block said he suspects that the new wave of investment hitting the local market will mark the beginning of Kansas City's transformation into "maybe not a 24-hour city, like all these bigger markets where there's something happening all the time, but maybe an 18-hour city."

"And when that happens," he said, "we'll see significantly different capitalization rates on acquisitions and dispositions because you'll have a much broader spectrum of money that's going to be looking at investing in our community."

A BRIEF HISTORY OF CORPORATE WOODS

1975 — The first five office buildings are completed in Corporate Woods. The park was developed by four partners — Whitney Kerr Sr., Tom Congleton, Russell Jones and Richard Wagstaff — with backing from Metropolitan Life Insurance Co.

1987 — Corporate Woods sells to MetLife.

1996 — MetLife sells the park to Knickerbocker Properties Inc., a subsidiary of the New York State Teachers Retirement System, for \$170 million.

1998-2001 — Corporate Woods' newest office structures, the twin 246,462-square-foot towers known as Buildings 82 and 84, are completed.

2006 — After adding about 500,000 square feet of office space, Knickerbocker sells the 294-acre park for \$290 million to a partnership involving CenterSquare Investment Management (then called Urdang Capital Management) and Stoltz Real Estate Partners.

August 2015 — Sources confirm that 22 of Corporate Woods' 29 buildings are back on the market.

March 2016 — Sources report that the owners of Corporate Woods have failed to reach a sale agreement with the original high bidders — a joint venture involving the Woodbury Corp. and Copaken Brooks — and now are negotiating with a group involving Koch Industries.

April 2016 — Corporate Woods is taken off the market.

April 2017 — The *Kansas City Business Journal* reports that Group RMC Corp. has Corporate Woods under contract.

Aug. 9 — Group RMC Corp. closes on Corporate Woods for about \$300 million in an off-market deal.

Corporate Woods



Rob Roberts
Reporter
Kansas City Business Journal

