

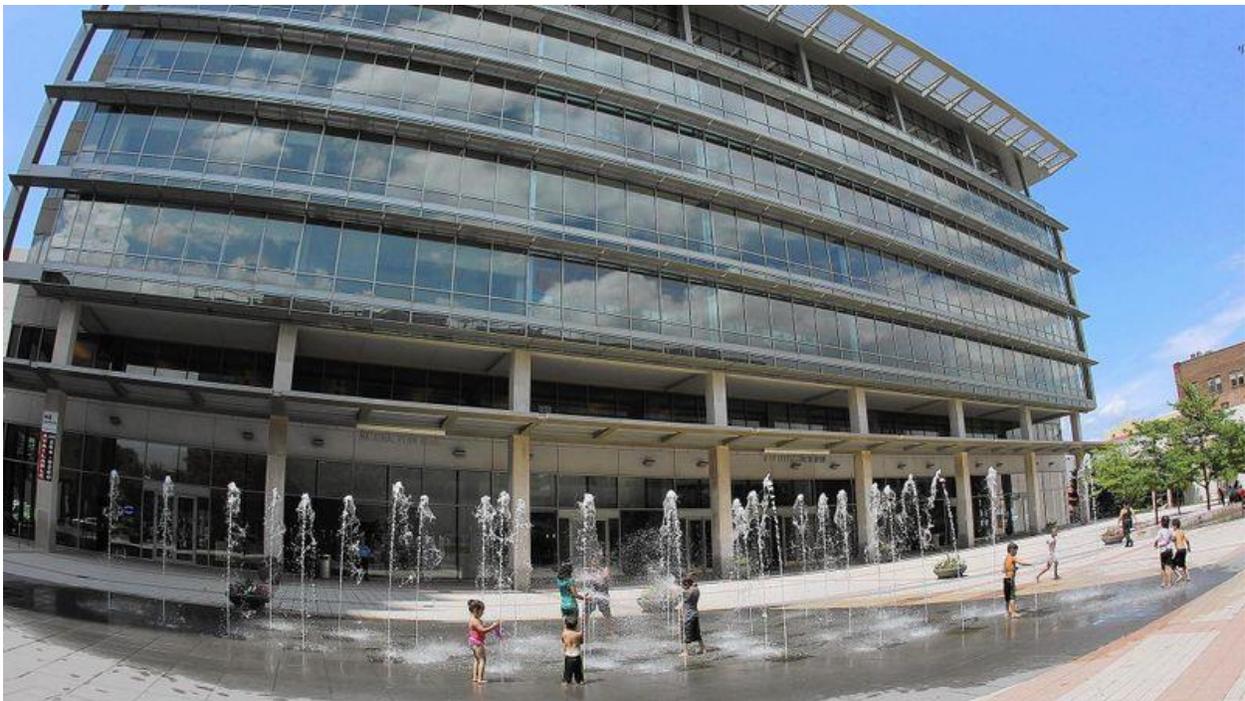
THE MORNING CALL

PPL Plaza is 'hands down the best office space in the market,' new building owner says



By JON HARRIS

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Built in 2003, the LEED Gold-certified PPL Plaza, which has a public gathering space in front of the structure at Ninth and Hamilton streets, is now in the hands of Somera Road Inc., a New York commercial real estate investment firm.

Since Ian Ross founded Somera Road Inc. in 2014, the New York commercial real estate investment firm has done over 50 deals, totaling more than \$1 billion and representing about 11 million square feet of space across nearly 40 U.S. cities.

The firm's most recent acquisition: PPL Plaza in downtown Allentown, a property Somera officially added to its portfolio after submitting the top bid of \$16 million at a **sheriff's sale last month**.

The office building at 835 W. Hamilton St. and accompanying parking garage at 940 W. Linden St., essentially stuck in neutral for two years while foreclosure proceedings played out, fit into Somera's focus on distressed, value-add properties in secondary markets that are in need of a fresh start. While the building only has a few tenants, Ross attributed the low occupancy rate to the prior ownership group being overburdened with debt after buying the property for more than \$90 million in 2006.

But now, he told The Morning Call on Monday, the property is owned at the right price, giving Somera the ability to offer prospective tenants compelling rent pricing and capitalize on the nationwide trend of suburban office tenants returning to urban cores. With a brighter financial outlook, Ross believes PPL Plaza — due for a rebranding soon — has **features that speak for themselves**, namely an LEED Gold certification, a rooftop garden space, and architecture that leads Ross to say, "They just don't build buildings this way anymore."

Ian Ross, founder and managing principal of Somera Road Inc. Somera, a New York commercial real estate investment firm, now owns PPL Plaza.

"It's hands down the nicest architectural construction product that we own in our portfolio," said Ross, Somera's managing principal. "Going back to the value proposition, we'll be able to provide what's hands down the best office space in the market at a fraction of the cost of new construction. One thing we love about our position here is we can provide better product at a lower price than our competitors, and we're excited to see that next big company come to Allentown and excited to compete to be a space provider for them."

Ross spoke to The Morning Call about the building's condition, the property's tenant prospects — the building was in the running for ADP before the **payroll processor selected Five City Center** last year — and a Kansas City project that

Somera carried out that has some similarities to PPL Plaza. Here are excerpts from the conversation:

Q: In court documents, the property's receiver mentioned the Plaza received interest from Blue Cross and Buckeye Partners as potential tenants. Are those deals still alive or are there companies interested in the building now that the foreclosure is over?

A: We're actively engaged with a handful of prospective tenants that are compelled by the live-work-play environment that can be created in downtown Allentown, especially with the parking ratio that we're able to provide at our building. There's a great value proposition here, I think especially as compared to the suburbs. A lot of these suburban users are saying, "Not only is this not the environment that I want to be in out in the suburbs for my newer generation workforce, but if I move down there into the downtown, I can have the right environment at a cheaper price."

With regard to potential tenants, there's really no good reason that this building should be empty. I think it's the worst-kept secret that ADP was strongly considering, and was actually at the finish line, of taking over this entire building. We weren't really involved at that time, but I think the unfortunate truth there was tenants don't like potential disruption. They were concerned that the prior ownership didn't have the capital and the positioning, with regards to the capital structure, to be able to hold onto this asset long term. And I think there probably were concerns about an ongoing foreclosure battle, ongoing receivership, potential bankruptcy, and no tenant wanted to take that risk. But outside of those risks, which are clearly neutered at this point now that you have a sophisticated, low-capitalized owner that owns at the right basis, I think ADP absolutely loved the building.

Somera Road also owns the parking garage at 940 W. Linden St., where PPL has typically leased spaces. (JON HARRIS / The Morning Call)

Q: The Plaza was built in 2003. Are there certain parts you want to refresh?

A: When we look at our portfolio around the country, that's a lot of times what we're doing. We're fixing distressed buildings. [Senior Associate] Basel [Bataineh] and I were in the market a couple days last week, and we were actively looking for ways to spend money improving the asset. The truth of the matter is: This building is in pristine, mint condition. The mechanical engineering, the plumbing, the building's systems, everything is in perfect shape, even the rooftop garden still looks great. With regard to some of the aesthetic features in the lobby, we might do some upgrades there, but the design has stayed extremely well and the building shows great. For better or worse, there's not a lot for us to do.

Q: How do you envision the property? Because when you look at development in downtown Allentown, a lot of the construction has been down the road closer to PPL Center. If the Plaza gets full, can it help that end of the district?

A: I think the PPL Tower is really the anchor of downtown, and I think our building is inside of that anchor. I think you'll continue to see these four, five blocks infill inside of those anchors, and I think we're on the right side of that building, if that makes sense.

A view of PPL Plaza from the corner of Ninth and Hamilton streets, in front of the former Holiday Inn. (JON HARRIS / The Morning Call)

Q: Do you think you'll be hitting the market about the right time? Because City Center Investment Corp. has ADP taking 10 floors of the 13-story Five City Center being built at Eighth and Hamilton street, and then will need to build more office space.

A: Absolutely. With regards to our value proposition and our ability to provide space at highly compelling rates, I think we're in a great position to attract the next large user to this building. There's certainly no longer any noise around

distressed ownership or anything of that sort. It's an incredible asset, in great shape. I don't want to knock any competition, but we can provide better space at a lower price. I think we're certainly in the market at the right time, and we're excited about seeing the next great company come to downtown Allentown.

Q: Is there a specific type of tenant you believe will be drawn to the building?

A: I think because of how well designed this building was, it offers itself up to a variety of tenants, whether that's a single user that wants the entire building or whether that's single-floor users. The building can be very easily multitenanted. Furthermore, because of the efficiencies of the floor plate, the floor also chops up really well, so if you wanted to look at two, three or four users per floor, we could certainly do that, as well. Again, we often have these problems in smaller floor-plate buildings or older vintage buildings — this is not that. This building was designed to perfectly fit a user, from 5,000 square feet to 250,000 square feet. I think it really leaves us very open to the kind of companies that can fit in here.

PPL Plaza, at 835 W. Hamilton St., only has a few tenants, a brief lineup that includes a BB&T bank branch, Bon Appetit Cafe and PPL Gold Credit Union. PPL Electric Utilities also leases space on the third floor. (JON HARRIS / The Morning Call)

Q: When you look at your portfolio, is there a similar property that would serve as a good blueprint for what you plan to do to the Plaza?

A: There's a building in Kansas City that we acquired in 2016 called the 3Y building, at 300 Wyandotte and the River Market. We bought that building, also architecturally significant, very similar in style, a lot smaller in scale. It's about 100,000 square feet, all steel and glass, beautiful building that was only about 10 years old that was designed by HOK Architects, which actually

occupied a majority of the building. In a similar situation, the building was overleveraged with too much debt and acquired by a tenant-in-common group at too high of a purchase price, where come renewal, HOK — the firm had renamed to Populous — Populous couldn't get a compelling enough rate as compared to alternative options in the market.

We ended up acquiring that [mortgage] note, taking title of the property and, as of today, we are now 100% leased at the asset, fully occupied with multiple tenants and an average lease term of about eight years. It's been a great success story taking that building from entirely vacant to entirely occupied.

Morning Call reporter Jon Harris can be reached at 610-820-6779 or at jon.harris@mcall.com

Jon Harris

CONTACT

Jon Harris joined The Morning Call in May 2015. He previously spent two years at the Press & Sun-Bulletin in Binghamton, N.Y., covering upstate New York's casino expansion, Lockheed Martin and BAE Systems. Harris, a western New York native, graduated from Syracuse University in May 2013 and lives in Allentown.