

Suburban Philadelphia Market Flash Report

New Zoning Prompts Private Investment and Development in Fort Washington Office Park



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The adoption curve that is typically talked about in the context of new technology will apply readily to commercial real estate investment and development in Fort Washington.



Upper Dublin Township's adoption of the Greater Fort Washington ("GFW") zoning ordinance in May expands the permitted uses within the former Employment Center District to allow for multifamily residential and mixed-use real estate, to supplement the existing office, commercial, institutional, light industrial and recreational uses. The new zoning district poises the Fort Washington Office Park to become a vibrant, mixed-use district that creates a vital "Live-Work-Play" environment.

"The new zoning is going to enhance the Park's appeal among apartment renters and businesses ranging from office users to restaurants."

Patrick Brady is a principal with **Avison Young** in West Conshohocken. "We predict a virtuous cycle: increased amenities drawing more residents and businesses to relocate in this live-work-play neighborhood. This leads to increased demands for space, and developers racing to create new product to fill that need. The next decade will see repositioning of lower quality office buildings to new and improved uses, spanning all types."

Jim Pasquarella, a senior vice president with the **Avison Young's** Capital Markets Group, works with private capital investors who own property throughout the Park. "The GFW zoning code is brand new, but some of our region's leading developers have tracked and helped support

township officials in crafting and refining some of its finer points. This code was the result of a solid process wherein public officials solicited ample input from experts and varied perspectives."

At Upper Dublin Township's request, the **Delaware Valley Smart Growth Alliance** conducted a juried review of the draft zoning ordinance. "This was the first zoning ordinance review by DVSGA's multidisciplinary panel of real estate, planning and land use professionals, which customarily evaluates proposed real estate projects," said **Graham Copeland**, who oversees economic development for the Township. "Their experts' recommendations were included in the extensive feedback that we gathered from the public and private sectors, resulting in a zoning code designed to stimulate new development and investment while balancing various community interests," said Copeland.

"I grew up in this township and have traveled through the park daily for decades," said Pasquarella. "I'm excited for what this new zoning code enables. With the promise of a vibrant mix of land uses, this code will be transformative, spurring significant private capital investment that will be rewarded by an improved local economy and increased property values." The Township sourced a fiscal impact study by Urban Partners that projects

that 2,000 jobs will be added to the Park because of this zoning change. The study also projects that commercial property values will increase by more than \$40 million. "Time will tell, but that projected value increase estimate strikes me as conservative," adds Pasquarella.

The Fort Washington Business

Alliance works actively with property owners and tenants within the Park. Its president, **Glenn Griffin**, highlights that another indication of Township's deep commitment to the Park is evident in its new library building at 520 Virginia. "The current redevelopment of 520 Virginia Drive into the Upper Dublin Public Library and Community Center will further enhance the live-work-play concept for the Park." He details that the building will feature a 300-seat amphitheater, for which there has been discussion from "Day One" that its availability for rental use will be a valuable amenity for area businesses and civic groups.

"The Fort Washington Business Alliance believes the change in zoning from EC to the new Greater Fort Washington zoning ordinance is a significant step forward in the transformation of this unique asset," reports Griffin. "Very few locations in the regional area bring together major highway linkages and regional rail accessibility situated in a highly regarded suburban community, as does the Fort Washington Office Park. The FWBA looks forward to the mixed-use residential developments proposed for Park which will complement the existing office and related uses."

Early Adopters

Active developers are already making moves. **Equus Capital Partners** has proposed a mixed-use development at 1125 Virginia Drive, consisting of 200 apartment units, 32 townhomes, and

5,000 sq. ft. of retail on the 16-acre site of the former ADP facility.

Alliance HP just purchased the Solar Center at 500 Virginia Drive in June of 2019. They paid \$8,100,000 for the 368,000 square foot property on 37 acres, which was 45% leased at sale. Alliance plans to redevelop the building to include mixed-use features.

There is evidence that the Park's central location and already improving office market fundamentals spurred strong investment activity even before this latest zoning change. It follows a number of high-profile successes in the Park. One prime example is **Kairos Real Estate Partners'** redevelopment of the Apex Fort Washington office park, transforming the 400,000 square foot office campus at 600-602 Office Center Drive from 71 % occupancy at acquisition in December 2014. They have since stabilized the building at close to 94% occupancy, securing lease agreements with high quality corporate tenants such as **Nutrisystem, Allstate** and **Lincoln Investment**. In February 2017, Kairos sold a majority interest in the Apex office park to **Zeke Capital** for a 7.25% cap rate.

LifeTime Fitness took note of the Park's central location and promising future redevelopment. Built in 2017, the 115,000 square foot facility at 375 Commerce Drive serves as a prime example of new mixed-use development as part of the Township's "live-work-play" environment. The property offers a significant amenity to the business and residential communities, and a fiscal stimulus for the Township, generating additional tax

revenues of over \$600,000 annually.

Another recent example is **Toll Brothers'** pending HQ move to the Fort Washington Technology Center, a 680,000 square foot, class A office building at 1140 Virginia Drive. **Tony Brady**, principal and president of the building's owner **Somerset Properties**, shares, "Toll Brothers will move 900 of its employees into 163,000 square feet of state-of-the-art office space that has been completely renovated as part of our \$10 million capital upgrade program at 1140 Virginia Drive. Not only does the building provide them with close proximity to interstate highway and public transit systems, but the newly added restaurant options and numerous recreational activities offer its employees a location that is both convenient and befitting for a Fortune 500 company." **Somerset Properties** and **Intercontinental Development** both own sizeable portfolios of office buildings in the Park. Intercontinental's 475 Virginia Drive consists of a 63,000 square foot office building acquired in 2016 for \$2,800,000 which went from fully vacant at sale to full occupancy in just over two years. These developers have been active in the Park during the past decade on account of its excellent location. Leasing velocity has been strong, with over 350,000 square feet of leasing transactions since the start of 2018.

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Pasquarella predicts that the success of these early projects and investments by the active developers who catalyzed the Park's renewal is going to catch the attention of the rest of the marketplace. "The adoption curve that is typically talked about in the context of new technology will apply readily to commercial real estate investment and development in Fort Washington. The model allows us to predict with certainty that the next positive benefit coming to the Park will be investment focus among the pragmatic and conservative investors that constitute the majority."

In Tandem Public Sector Investments

These private sector investments are in tandem with \$60 million of municipal and state funding that is being reinvested into the Fort Washington Office Park. Improvements include two flood retardant systems to manage storm water, the addition of a PA Turnpike slip ramp into the Office Park, roadway redesign and resurfacing, bridge reconstruction, and a cross-county trail system that will connect to the Fort Washington SEPTA train station.

Innovating (Again)

Courtesy of its central location along the Pennsylvania Turnpike and its tradition of innovative land use controls, Upper Dublin Township is incorporating mixed-use development for the 21st century. Its origins as an industrial park in the 1950's, one of the first of its kind in the nation, and one of our region's largest still to this day, represents one of the lasting 20th century innovations in commercial real estate. This might indeed be our region's first zoning allowance for increased density by designing for the pending adoption of autonomous vehicles.

According to **Jeffrey Albert**, an attorney and former member of the Upper Dublin Planning Commission, "there is a good chance that Pennsylvania enacts legislation for autonomous vehicles within the next year. The Township is forward-thinking in putting the regulatory framework in place for developers and property owners by the time such laws come into play."

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