

CASE STUDY

TWO GATEWAY CENTER

Newark, New Jersey



AMERICAN LANDMARK
PROPERTIES

Situation

Two Gateway Center is a 18-story Class A office property in Newark, New Jersey totaling 800,000 square feet. In the early 2000s, Newark was viewed as a risky marketplace with a highly negative image.

Challenge/Opportunity

In 2002, the building's largest tenant—Prudential Insurance—occupied more than 50 percent of the building on a lease that was expiring within five years, creating significant uncertainty and risk for the property's owner.

American Landmark Properties learned of the building's potential availability as an "off-market" deal or acquisition through its well-connected real estate network on the East Coast and immediately deployed its team to analyze the market and investment opportunity. With its network of national real estate partners and investors, American Landmark Properties quickly determined that Two Gateway Center was an undervalued property needing upgrades throughout the building.

American Landmark Properties Solution

Two Gateway Center was purchased by American Landmark Properties in 2002 shortly after learning of the opportunity for \$99,900,000. The property's acquisition supported the company's philosophy to seek and acquire value-add and opportunistic mid-cap office, industrial and multi-family properties.

This compressed acquisition time-line was due to the "off-market" nature of the purchase and required swift action at the risk of losing the opportunity. The company's streamlined management structure was critical to its success and timely decision-making.

The American Landmark Properties team determined that Newark's location and economical alternative to Manhattan's significant rental premium made Two Gateway Center an attractive alternative for large corporate users.

The ownership team immediately embarked on a proactive management plan to upgrade the property, enhance management services and lower operating expenses. The upgrades included a new multi-million-dollar main lobby renovation that dramatically improved the property's image. Other improvements included new restrooms, corridors and common area amenities. Simultaneously with the improvements to the building, American Landmark Properties embarked on an aggressive marketing and tenant retention campaign which resulted in leasing the property to 100% occupancy. This hands-on ownership approach was instrumental in securing new tenants and the long-term lease extension with Prudential Insurance for 400,000 square feet. At the same time, operating expenses were reduced by 20%.



Results

As a result of the successful lease-up, the property was refinanced at the end of the third year of ownership, allowing investors to recoup approximately 90% of their original equity investment. In 2008, the property was sold for approximately 150% of the original purchase price, reflecting the increased value generated by American Landmark Properties.

Asset Class: Class A Office

IRR: 62.6%

Total Equity: \$26,120,000

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