

CASE STUDY

WILLIS TOWER

(Formerly known as Sears Tower)
Chicago, Illinois



AMERICAN LANDMARK
PROPERTIES

Situation

Constructed in 1973 and named for its largest tenant, the 110-story Sears Tower was the tallest building in the world, a title it held for nearly 25 years. The Sears Tower featured 3,750,000 square feet of premier office, retail and restaurant space in addition to an observation deck and a rooftop antenna farm with over 52 broadcast users.

After the 9/11 attack on the World Trade Center in New York, the building's then owner experienced a marked decrease in the desire for office space in the tallest building in the United States. This resulted in the property reverting to the lender, via a deed in lieu of foreclosure, further stigmatizing the building.

Challenge/Opportunity

In 2004, the property was purchased for \$840 million, with occupancy at its lowest level in decades. American Landmark Properties and its principals were co-managing members of the ownership group and were involved in every aspect of renovating, rebranding, operating and managing this world-class property.

The new ownership group saw an opportunity to acquire one of the truly iconic buildings in the world with a unique chance to restore the structure to its original world-famous status through a rebranding of the Tower and a physical and operational make-over, financed by a recapitalization.

American Landmark Properties Solution

Following the acquisition of the property, the new owners implemented a plan to rebrand the Tower, highlighting its prime location in the CBD and its state-of-the-art systems and security. Investing more than \$15 million in building and systems improvements, the owners completed a major renovation of the building's lobby, retail space, restaurants and observation deck. In 2009, the building was renamed Willis Tower as part of a leasing agreement with Willis Group Holdings, a London-based insurance brokerage firm and major new tenant. The result of these improvements was the leasing of nearly two million square feet of new office and retail leases, including the world headquarters for United Airlines.

During its 11+ years of ownership and operation of the building, American Landmark Properties committed nearly \$150 million to capital investments.

In addition to the rebranding of the property and stabilization of the office space in the Tower, American Landmark Properties spearheaded the redevelopment and repositioning of the Skydeck, the world-renowned observation deck located on the building's 103rd floor. Among other improvements, American Landmark Properties introduced "The Ledge." The Ledge is an engineering marvel comprised of four cantilevered glass boxes that allow visitors to "walk on air" 103 stories above the ground. Following the redevelopment, the Skydeck saw an increase from approximately one million visitors to nearly 1.6 million and operational revenue increasing from approximately \$10 million to more than \$33 million. This added revenue created approximately \$365 million in value from the time of acquisition. The redesigned Skydeck remains one of Chicago's top tourist attractions.



Results

In 2015, the Willis Tower sale to Blackstone Group represented the highest price paid for a U.S. office tower outside of New York City.

Asset Class: Class A Office
Return on Equity: 15.2%
Holding Period: 11+ years
Total Equity: \$50,526,000

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