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Columbia, Allianz Form Strategic Partnership

Each company is contributing one or more unencumbered assets to the JV. Besides New York City and San Francisco, the firms are eyeing Boston and Washington.

by Scott Baltic | Jul 10, 2017

In a deal valued at roughly \$1.3 billion, Columbia Property Trust Inc. and Allianz Real Estate have formed a joint venture to acquire and manage Class A office properties in select U.S. gateway markets, the two companies announced late last week.

COMPANY OFFERINGS

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Columbia contributed two properties in the San Francisco Bay area: University Circle, a three-building, 451,000-square-foot office complex in Palo Alto valued at \$540 million, and 333 Market St., a 657,000-square-foot office tower in the Financial District valued at \$500 million. Columbia had acquired the assets in 2005 and 2012, respectively.

Allianz contributed 114 Fifth Ave., a 352,000-square-foot office building in Manhattan valued at \$220 million and which Allianz has owned since 2015 along with its 1 percent partner, L&L Holding Co. The landmark 19-story office building is in the Flatiron District of Midtown South and recently underwent a \$45 million investment in infrastructure and other renovations. Tenants in the fully leased Manhattan property include Mashable, MasterCard, Gizmodo, First Look Media and Capital One, a Columbia spokesperson told *Commercial Property Executive*.

As a result of these transactions, Allianz now owns a 22.5 percent interest in the Bay Area properties, and Columbia owns the remaining 77.5 percent and will continue to oversee property management and leasing at those two properties. At 114 Fifth Ave., Columbia and Allianz each own 49.5 percent, while L&L retains its general partnership stake and will continue as the property management and leasing agent.

WHAT'S NEXT?



Nelson Mills, president & CEO, Columbia Property Trust

Allianz is committed to buying 45 percent of the California properties within the next 12 months, Gary Phillips, head of real estate equity investments and acquisitions at Allianz Real Estate of America, told *CPE*. This is happening in

tranches, with the first 22.5 percent already invested, and has the effect of self-funding the venture for Columbia.

The JV is likely to focus on Boston, New York, Washington and the Bay Area for future acquisitions, Phillips added.

"Our joint venture with Allianz is the right vehicle for increasing scale within our core markets," Nelson Mills, Columbia's president & CEO, said in a prepared statement. *"This partnership allows us to increase market presence without issuing stock or raising leverage Additionally, with these transactions, we realize a portion of the substantial value we have created within our portfolio."*

"Our investment in this joint venture achieved our immediate goal of acquiring premier office assets in core locations on the West Coast," added Christoph Donner, CEO of Allianz Real Estate of America. *"Over the long term, the opportunity to further diversify and expand our national geographic exposure in the U.S. office sector, and to form a strategic partnership with Columbia Property Trust is a win-win situation."*



Christoph Donner, CEO, Allianz Real Estate of America