

Counter Capital Acquires Philly Mixed-Use Asset

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The deal marks the recently-formed partnership's first acquisition

Counter Capital Management has acquired 1501 Locust Street in Philadelphia's Rittenhouse Square neighborhood for \$19.1 million, Commercial Observer has learned.

Barclays Capital provided a \$14.1 million loan in the off-market transaction, in which Philly-based Pearl Properties was the seller.

The deal marks Counter Capital's first acquisition since its formation in March. The platform—a joint venture between Christian Dalzell's Dalzell Capital Partners and Mukang Cho's Morning Calm Management—is focused on creating high-quality portfolios in urban markets, such as Center City Philadelphia. The purchase of 1501 Locust Street significantly advances Counter's investment strategy, the founders told CO.

"[1501 Locust Street] is so different from anything else we own; it's a different caliber. So, this was a very exciting closing," Dalzell said. "We're now starting to envision the expansion of what we're doing here in Philly into multiple markets. We have the capacity and the expertise level."

The 10-story property was constructed in 1947 as an office building before being converted into a luxury multifamily property in 2010. It comprises 29 apartment units plus three commercial units totaling 5,000 square feet. The building will soon undergo capital and operational improvements, including unit upgrades and state-of-the-art keyless entries.

Center City is the largest job center in the Philly MSA due to its high concentration of employers in the education, health and life science industries. The building sits on the northwest corner of 15th and Locust Streets, directly above a PATCO transit line station and in walking distance to a number of retailers, restaurants and arts and entertainment venues.



“This real estate is irreplaceable,” Cho said of the marquee asset. “There will always be demand for an asset like this just purely on the basis of its location, and there are aspects of the common areas we will activate for the ease and enjoyment of tenants. So it’s an A+ location, but with elements of a value-add opportunity. It’s a tremendous first deal for us.”

“We were able to negotiate a good price on awesome property, and were able to hit the return hurdles that we strive to achieve for our investors,” Dalzell added. “We’re focused on buying assets in dense urban centers that have accelerated household growth and dynamic demographics. This hit all the boxes, and of all the properties we’ve purchased, raising equity for this transaction was by far the easiest. That speaks to the quality to the real estate.”

Since Cho and Dalzell joined forces roughly 90 days ago, “we’ve been working together to improve our existing assets,” Dalzell said. “We want to have an efficient and accretive platform that is self-sufficient and can bear the weight of a growing portfolio.”

The partnership was borne out of “synergy and complementary skill set,” Cho said. “We both have very institutional backgrounds, but at the core we’re entrepreneurial. We were united by a shared desire to create value for investors day in and day out— that’s not a passion that occurs every day.”

With the acquisition of 1501 Locust Street, Counter Capital now owns and operates eight multifamily and mixed-use properties in Philadelphia, tightly clustered in and around Center City. The firm is currently exploring ways to activate underutilized space within its properties to maximize and expand their productivity. As such, it’s in the process of launching Counter Culture—a co-working and event-hosting concept—with Robert Perry, the owner of Philadelphia’s street art museum and trendy restaurant Tattooed Mom.

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