

## Marx Realty **Stepping Up Office Acquisitions**

Marx Realty is gearing up to be a bigger player in the office market.

The old-line New York firm plans to buy \$1 billion of offices this year. It's scouting deals of up to \$250 million in New York, Washington and Atlanta. As part of the push, Marx wants to add one or two acquisitions pros to its staff.

The shop would hold the investments in a new vehicle dubbed Marx Value Add Heritage Fund. The open-end fund, which has no initial equity target, would be backed mostly by the company's capital, but also outside investors. Marx could purchase buildings outright, or via joint ventures with institutional investors.

Marx hired Craig Deitelzweig as chief executive in August 2017. At the time, the firm owned mostly older office and retail buildings nationwide. Deitelzweig, who moved over from Building and Land Technology, said he first set out to trim holdings in markets where Marx no longer planned to focus, and reposition properties in markets where he saw opportunity.

For example, Marx is investing \$20 million to transform a former Atlanta department store into modern offices. In Manhattan, it just finished investing \$45 million to reposition the 35-story office building at 155 East 44th Street, a few blocks from Grand Central Terminal. That project created a full-floor amenity space with a lounge, kitchen, conference area and terrace. Marx also renamed the building 10 Grand Central. The repositioning helped boost occupancy to 87% from 78%, and net operating income increased by \$2 million in one year. It's projected to double in four years, Deitelzweig said.

"Our approach is different than our competitors in how we embrace hospitality and office in a true way," he added. "At 10 Grand Central, for example, we have a uniformed doorman opening wood entry doors. The lobby has its own scent, like you'd find in a high-end hotel. 'Experiential office' is what we are calling it, and we're able to meaningfully grow net operating income and rent by being unique in this regard."

As Marx steps up acquisitions, Deitelzweig said it will look for Class-B buildings that can be repositioned to attract tenants seeking more-modern space.

"Our goal is to turn a property into what we call 'trophy A-minus,'" he said. "We could be across the street from a true trophy, but what the potential tenant will find in our building . . . is a lower rental rate and a better experience for its employees and guests."

Since Deitelzweig joined, Marx hasn't purchased anything in Atlanta, but is actively looking in the city's Midtown and West Midtown submarkets. In Manhattan, it bought 135 and 161 Bowery (totaling some 50,000 square feet) for \$48 million via an off-market deal in July. In a September deal, it paid \$21.2 million for the 21,000-sf office and retail building at 819 Seventh Avenue NW in Washington. It plans to reposition that property, adding floors and a rooftop terrace.

The two acquisition positions Deitelzweig is looking to fill would be based in New York, reporting to managing director Paul DiCarlo. Candidates should have 2-7 years of experience.

Before his three-year stint at Building and Land of Stamford, Conn., Deitelzweig worked at Rockrose Development of New York, Investcorp of Bahrain, Ruben Cos. of New York and law firm Skadden Arps.

Marx, founded in 1915 by Joseph Marx, was acquired in 2006 by Merchants' National Properties, which now operates under the Marx brand. Overall, the company owns 67 properties in 17 states, totaling 6.7 million sf. It also owns five development sites that could accommodate some 2.3 million sf of commercial space.