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From the Philadelphia Business Journal:

<https://www.bizjournals.com/philadelphia/news/2022/08/31/could-a-recession-save-the-office-market-it-could.html>

## **A recession could be great for the Philadelphia office market, according to one local CEO**

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Would a recession be just the thing the office market, landlords and central business districts need to get things back to — or at least close to — pre-pandemic levels of occupancy?

“If a recession were to occur, that balance between employee and employer could result in employers asking employees to come back into the office, and that would be great for



SARAH MILLER PHOTOGRAPHY/COURTESY OF CENTERSQUARE

the office market,” said Todd Briddell, CEO of CenterSquare Investment Management, which is based in Plymouth Meeting. “A recession could be a net positive for the office market, which is a little perverse.”

Todd Briddell, CEO of CenterSquare Investment Management

Briddell isn't the only one who thinks this. Others have quietly murmured that a recession might be the way companies can flex their muscle and force employees to return to the office on a more regular basis. That said, Briddell acknowledged the labor market has proven it can maintain high levels of productivity while many employees have worked from home or maintained hybrid, flexible arrangements. Employers getting workers back to the office full-time or most of the time will need some coaxing.

“We need to earn the commute times,” he said. “I think Philadelphia needs substantial investment in infrastructure, especially in roads, to alleviate congestion and long commute times.”

Aside from the potential impact of a recession, Briddell shared his thoughts on how the firm's focus on investing in infrastructure worked out, what investments CenterSquare is looking at these days, and where the firm is headed:

**CenterSquare established about five years ago a vehicle to invest in companies that own or develop infrastructure. How did that go?**

We were early in developing that strategy. Ultimately, the investor market wasn't as ready to adopt it as we had hoped. We moved on from that. We had great performance but I think we were just early. I think the market will ultimately catch up.

**Any additional thoughts on the office sector?**

Office is a massive challenge. There appears to be leasing activity but a lot of that leasing activity appears to be downsizing. With the pandemic, you could see the immediate impact on hotels but not on office cash flows but knew it was going to be painful in three to seven year as leases burned and tenants evaluated work-from-home policies. No market seems to be immune at this point.

**What are your thoughts on industrial?**

It doesn't appear to have any cracks just yet. It may get tested if we go into a recession.

**Where are you turning your investment attention these days?**

We have been doing a lot of development in build-to-rent. That has been very successful for us. We have also been focusing on essential service retail. We're buying unanchored, extraordinarily well-located retail, typically in a smaller format. You have a Starbucks located next to a Verizon next to Tony's Pizza located at an intersection with high traffic counts and great visibility. These are convenient retail assets people visit multiple times a week. The average tenant is 2,300 to 2,400 square feet and occupancy is 96% and 97%.

**Investors are chasing carwashes. Is that a category you are interested in?**

No, but I question what's going to happen to auto dealer assets with news coming out of California that by 2035 they will have eliminated sales of all gasoline vehicles.

## **Any other areas of interest?**

We have made investments in two large private operating platforms that have included a cold storage operator and life sciences. They fit into a lot of the metrics we look for.

*Note: CenterSquare in 2020 made a \$158 million investment in IQHQ, a life sciences real estate development company. The funds were part of a \$1.7 billion raise to support IQHQ's development pipeline in life sciences markets across the country. And, this past spring, CenterSquare invested in a \$1.9 billion equity raise for Lineage Logistics, a cold storage developer.*

## **How's CenterSquare these days?**

We're celebrating our 35th year and have our highest level of assets under management at \$16 billion. This is no overnight success but a steady beat through hard work and our culture. What is fascinating from my perspective is we are a global investor and what I see for our firm is steady growth deriving primarily from investment thematics. As we are looking for investments we look at what are the big themes driving the market from a global perspective. If we continue to be good at identifying the right thematics and thinking about demographic trends — where people want to work, live and entertain themselves — if we get all those right, we will be a success.

### **Natalie Kostelni**

Reporter

*Philadelphia Business Journal*

