

## GlobeSt.com EXCLUSIVE: 267,248-SF Sale Sets Up Swift Repositioning

By Connie Gore

DALLAS-Taking its second deed in Dallas, the New Jersey-based Diversified Capital Inc. is ready to deal on the 32% vacancy in the 267,248-sf 1111 W. Mockingbird Lane. The new owner, planning a significant renovation, says the plan includes an invitation-only power luncheon with 35 of the city's top office brokers, who will get \$500 apiece just for showing up.

The class B-plus office building quietly sold about a month ago to Diversified Capital of Lakewood, NJ and JTL Capital of Dallas, a first-time teaming that leveraged the deal with a loan of nearly \$6.9 million from Southern National Bank of Texas. Wallace Reid, managing director in Houston for Holliday Fenoglio Fowler LP, arranged the 80% loan-to-value financing with a 4.5-year term and 5% fixed-rate interest.

The JV bought the holding from GMAC Commercial Mortgage Corp., the servicing agent for LaSalle Bank of San Francisco, which foreclosed on the asset in December 2002. Bruce Stern, vice president of business development for Diversified Capital, tells GlobeSt.com that he was tracking the deal since the foreclosure after a local broker, Garrett Sherman, tipped him off. To cut to the quick, GMAC brought 1111 W. Mockingbird to market, got a contract and then it fell out in February. Stern was waiting to pick up the punt.

An aggressive repositioning begins next week when Stern comes to town to interview three design firms to game out the renovation. "We want to put some serious money into this," he says of a 30-year-old office building renovated six years ago. "All we need to do now is renew the grandeur of this building to what it was 15 to 20 years ago when it was in its heyday." Stern's whirlwind visit will include a side trip to Fort Worth to check out some buildings on the sales block.

The 15-story 1111 W. Mockingbird sits on 6.4 acres, one-quarter mile from Diversified Capital's Empire Center at 8435 Stemmons Freeway. "The only reason we felt confident in buying this building is because we had intimate knowledge of the submarket," Stern says. That and a new partner with "deep market knowledge and a stellar reputation" helped firm up the decision to tackle a distressed property in a down office market.

"I like the attitude of Dallas," Stern stresses. "It's a real can-do kind of place. I think the market's bottomed out, but I wouldn't be wise enough to say it's turned."

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Stern says the price he paid builds in room to win deals. Kathy Permenter with Grubb & Ellis Co., holding the leasing assignment, just reeled in a 1,213-sf law firm, Jaber & Associates, from a nearby building and readied the suite in two weeks for an Aug. 1 move-in. An 11,000-sf expansion lease went out yesterday to a longtime tenant, one of 18 in the landmark building, positioned at point of three major arteries.

The building has four contiguous floors wide open. The quoted rent is \$14 per sf to \$14.50 per sf plus electricity. "I own it cheap enough that we can make a compelling deal," Stern says.

The powerbrokers' luncheon will be set up for the fall. "I want them to understand that I'm in Dallas and I want to do deals," Stern stresses, adding perks will include a pledge for 100% of the commission at the signing.

"Our feeling is this property has been in transition," Stern assesses. "The property was in trouble and nobody was paying attention to it." The transaction cast included GMAC asset manager David Homsher, independent broker Sherman on the buy side and Scot C. Farber and Darrell L. Betts, senior vice presidents for Grubb & Ellis Co. in Dallas and Houston, respectively, on the seller's side of the table.

The same week that 1111 W. Mockingbird closed, Diversified Capital also bought a 180,000-sf office building at 24 Commerce St. in Newark, NJ and a 120,000-sf structure at 1300 Atlantic Ave. in Atlantic City, NJ. Stern says the triple win will have the focus for now, but it's not going to stop this year's shopping.