



TRIAD
COMMERCIAL
PROPERTIES

R E L A T E D N E W S A R T I C L E

FLORIDA FIRM BUYS FLEX SPACE FROM HIGHWOODS

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Lloyd Whittington, The Business Journal

GREENSBORO -- A Florida-based corporation has spent \$14 million to purchase about 290,000 square feet of "flexible" office/warehouse space in Greensboro from Highwoods Properties and expects to build its Triad portfolio to 1 million square feet in the years ahead.

The Adler Group of Miami and Apollo Real Estate Advisors of New York, acting as Greensboro Flexxspace LLC, recently entered North Carolina for the first time by purchasing Highwoods' Pomona Center, Spring Garden Plaza and Westgate on Wendover developments.

The partners, under the Flexxspace brand, specialize in what is called "flex" space because it mixes office and warehouse uses.

The partners have purchased some 7.5 million square feet of space in the past two years throughout the Southeast, and are close to hitting 8 million with some pending deals, said Managing General Partner Michael Adler.

They have nothing else under contract in the Triad, but continue to scout the region, he said.

"Generally speaking, we do have at least 1 million square feet in the markets we go to," Adler said. "This (Highwoods property) is less than that, but we're very optimistic we'll be able to find acquisitions to really be able to fulfill our business plan."

Highwoods enlisted Realtors Hap Royster and Tom Townes at Triad Commercial Properties last year to market the Pomona and Spring Garden properties, and ended up negotiating with about eight potential buyers, said Matt Crawford, the vice president in charge of Highwoods' Triad division.

Adler needed more space to create a "critical mass," so Highwoods then agreed to sell Westgate on Wendover as well, he said.

A REIT sell off

Like many other real estate investment trusts, Raleigh-based Highwoods began last year selling older properties or assets that didn't fit its business strategy.

With its stock price trading well below traditional levels, Highwoods looked to property sales and joint ventures to raise money for new development and to buy back stock.

For example, Highwoods announced last week a joint venture with Germany-based Dreilander-Fonds involving five properties that would initially generate \$74 million.

Two of those properties were in the Triad, including the 90,000-square-foot RMIC building and 86,000-square-foot Champion buildings in Winston-Salem.

The properties Highwoods sold to Adler were developed in the 1980s by Smokey Bissell and purchased by Highwoods in 1995. Older and more management intensive, the complexes typically were about 10 percent vacant, Crawford said.

He added that Highwoods can better use the revenues for the sale in developing some 800,000 square feet of offices on New Garden Road and 1.1 million square feet of industrial space on Brigham Road in Greensboro.

Being flexible

By contrast, Flexxspace's strategy is to offer flexible leases and services attractive to small and entrepreneurial tenants. For example, by having almost 2,000 tenants, Flexxspace is able to negotiate better prices and terms on items such as office supplies, telephone service or copy machines than the tenants might achieve individually, Adler said.

The business parks also have conference centers and business services available in case a tenant of a park in Florida is in Greensboro for a business meeting, Adler said.

Earlier this year, Flexxspace purchased about 730,000 square feet of similar space from Highwoods in the Tampa market.

"We believe we have successfully proven that we can make these work not only for us in real estate, but they can be more economically viable for our tenant base," Adler said.

"That's what the best kind of business is about -- a win-win," he added.

The company has hired Advantis of Raleigh to manage the property, which in turn has hired Linda McCorkle away from Highwoods.

Adler has hired Weaver Grubar & Black to handle leasing of the properties, said principal Dick Grubar.

Base rental rates will likely range from \$7.50-\$11 per square foot at Pomona and Spring Garden and \$8-\$14 per square foot at Westgate on Wendover, depending on the ratio of office to warehouse space, Grubar said.

Sticking to the plan

John Reece and Jack Dunn, both partners at Carter & Associates Oncor who previously headed Highwoods' Triad division, each said that the sale is in keeping with Highwoods' strategy.

"Based on its specialization and focus, Adler will be able to add more value than we were able to at Highwoods," Dunn said. "I think they'll do fine with these properties."

The purchase is the third recent entry into the Triad by firms from outside the state, who have collectively purchased 2 million square feet in the past six months.

Florida Realty Investments purchased Lucent Technologies properties in eastern Guilford County earlier this year, while a joint venture of Angelo Gordon and Goodman Industrial Equities bought the Stroh Brewery in Winston-Salem.

Townes and Royster, who handled the transactions, attribute the broader interest to the interstate corridor, availability of trained labor, Federal Express' planned distribution hub and growth within the Southeast.

Reece said that the specific deals were likely the hook, and that the market conditions then supported the investments.

"While the perception of the strength of the Triad has improved, I think they probably saw a deal and then the market fundamentals supported those opportunities," Reece said.

"As opposed to, 'We want to be in the Triad. Let's go find a deal.'"