

DIVERSIFIED CAPITAL'S SPEEDY PURCHASE DEEP SIXES FORECLOSURE

By **Connie Gore**

DALLAS—In a race against the clock to close an off-market sale, the Lakewood, NJ-based Diversified Capital has snagged a neighbor to its last year's Stemmons Freeway acquisition. Now, the hard focus is on renovation and stabilization of a 128,000-sf, class B-plus structure.

Bruce Stern, vice president of business development for Diversified Capital, tells GlobeSt.com that he got the call Dec. 22 to buy the 7610 Stemmons Freeway property for roughly \$40 per sf, but the deal had to close by 5 p.m. Dec. 30. A 24-hour due diligence ended with a gentlemen's agreement, 10 minutes to spare on the deadline and a fast-tracked two-year loan through Regions Bank, which headquarters in the buyer's office building right across the street at 1111 W. Mockingbird Lane. Stern will be in town today to meet with the architect, leasing and management teams and tenants.

Stern plans to sink about \$1 million into a retooling aimed at "making this the safest building on Stemmons." Security upgrades will include gating the grounds and card-key access while interior changes will bring a full lobby makeover and newsstand-style deli.

Stern acquired the building's defaulted note and deed from a national non-recourse lender in a quick-turning deal put on the table by independent broker, Garrett Sherman of Dallas, who had learned the building was on the Jan. 4 foreclosure roster. According to the Dallas Central Appraisal District, the 23-year-old office building, assessed at \$6 million, was owned by a limited partnership from Austin.

"It needs TLC more than it does money," Stern says. "You have to intelligently invest to enhance the user experience for tenants." Diversified Capital's six-story building has 25 tenants with nine leases expiring this year and the rest with staggered terms through

2017. The largest tenant is mulling over how much, if any, of its 50,000-sf block to keep, a decision that could whittle the 91% occupancy to 52%. John Patterson with locally based Capstar Commercial Real Estate Services will continue to lease the building, holding onto the \$14-per-sf market rate. But in keeping with Stern's MO, a large vacancy could drive below-market deal-making to achieve a repositioning within a year's time.

The borderline class A office building, developed by Hines Industrial Corp., sits on a five-acre tract with 353 feet of frontage along the Stemmons Freeway service road and 995 feet along Brookriver Drive. In a quarter-mile radius, Diversified Capital now controls 625,948 sf, of which the 267,248-sf 1111 W. Mockingbird is held in a joint venture with JTL Capital of Dallas. The newest purchase, like the others, will be managed by Barnett Interests Inc. of Dallas.

Stern shored up the 7610 Stemmons Freeway acquisition with an intermediate loan from Regions Bank. "These guys were unbelievable in what they were able to achieve for us," he says. The floating-rate loan was arranged by Robert Strong, the bank's president and CEO, and senior vice presidents Christopher Martineau and Robert Blount.

"I'm hoping within a year we're going to have this stabilized," Stern says, "and then we'll look to put permanent financing on it. This is a keeper."



7610 Stemmons