

Deal of the Week- Patience Pays (Tampa)

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Almost nine years ago, Gavin Campbell gambled big on a potentially risky deal. The Chicago real estate executive managed a private real estate investment trust that paid \$24.8 million for the 280,000 square feet of Class A office space in Tampa's One Urban Centre. It was a distressed property then with, perhaps, half of the office suites occupied.

Only Campbell, as managing director of LaSalle Investment Fund's Florida Office Property Co. Inc., laid some heavy bets on the cyclical nature of the real estate markets. About a year later, he oversaw the purchase of Two Urban Center, a sister property with 267,321 square feet of Class A office space.

The wisdom of those investments bore fruit late last month, when Florida Office Property sold the two buildings for a combined 94% increase in property value.

TIAA Real Estate Account, a publicly traded company controlled by New York's Teachers Insurance & Annuity Association of America, paid \$105.5 million for the 547,161 square feet of office space at 4850 and 4890 W. Kennedy Blvd. That's about \$192 a square foot for office space in Tampa's Westshore submarket.

The acquisition represents just a small portion of the assets controlled by the publicly traded real estate account, the New York company's first-quarter financials state. It's only about 1.92% of the total value of the real estate account's \$5.51 billion total real estate portfolio and only about 17% of the value of the 13 properties in its Florida portfolio.

In Tampa, TIAA's real estate account also owns the Pointe on Tampa Bay, a 249,773-square-foot office building at 2502 N Rocky Point Drive, and a 231,840-square-foot office building at 4200 W. Cypress St.

The deal closed last month as the Westshore office submarket surges ahead of all other Tampa area submarkets, Cushman & Wakefield of Florida Inc. reports in its most recent market survey. Overall office vacancies averaged about 12% for the six months ended June 30, a decrease of 1.3% from the first quarter this year and a decrease of 1.8% from the year ended Dec. 31.

That compares with an overall vacancy rate of 16.1% in Tampa's central business district, a 1.2% decrease from the first three months this year.

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Because of increases in Westshore occupancy rates, the commercial real estate services firm reports continued strength in the submarket's rental rates. Lease rates now average about \$20.05 a square foot, up about 25 cents over the first quarter.

"Westshore is poised to see some dramatic increases in rates," Campbell says. "Vacancies are going to be tight for a considerable period of time. Clearly, the Westshore market has tightened to a point it hasn't seen in 12 years."

With the sale of the Urban Centre properties, the Chicago company divested its holdings in the Tampa Bay market. Current market conditions became so lucrative Campbell says he couldn't resist the opportunity to market demand to sell it.

It's the same market condition the Chicago company dealt with in the recent sale of its Naples office portfolio. The firm recently sold the 77,000-square-foot Bank of America Center and the 44,000-square-foot M&I Building. Campbell says those buildings fetched around \$320 a square foot.

Now the Chicago firm, which maintains a regional headquarters office in Orlando, owns about 2.5 million square feet of office space in Fort Lauderdale, Jacksonville, Miami and Orlando.

The big challenge now for Campbell is how to reinvest the sale proceeds. He has some ideas.

"We're bullish on Florida, but we like the west coast in particular," he says.

In particular, Campbell likes Fort Myers and the Tampa Bay area markets. The company's focus remains on office properties.

"We're not in negotiations, but we're actively looking," he says.