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Las Olas

Lender files action against Las Olas Centre

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450 E. Las Olas

The commercial lending crisis has caught up with Las Olas Centre, one of downtown Fort Lauderdale's marquis office properties — which set a record at the height of the real estate boom as the priciest in South Florida.

Wachovia Bank and an affiliate have filed a foreclosure suit against the twin-building property, claiming BF Las Olas has defaulted on two loans totaling $219.4 million. BF Las Olas is a subsidiary of BentleyForbes, a Los Angeles-based commercial real estate investment company.

Las Olas Centre, which is 95 percent occupied, features a number of big-name tenants, including Huizenga Holdings, the investment company of former Miami Dolphins owner H. Wayne Huizenga; the Broward office of the Adorno & Yoss law firm; and the financial services firm Smith Barney.

"BentleyForbes is outraged by Wachovia's suit," attorney Stephen B. Meister, of Meister Seelig & Fein, who represents BentleyForbes, said in a written statement.

He said Wachovia "urged BentleyForbes' to acquire the Las Olas Centre with temporary financing ... which all parties knew was to be repaid out of the IPO proceeds" from a planned stock offering by the property owner.

But with the economic downturn and the credit crisis, the initial public offering was a non-starter.

"When the IPO market fell apart, Wachovia failed to move forward with IPO; yet Wachovia now seeks to strip BentleyForbes of their equity and hard work," Meister said in the statement. "BentleyForbes intends to defend Wachovia's unwarranted suit in the most aggressive way, and further to hold Wachovia responsible for the vast damages their predatory conduct is causing BentleyForbes."

Craig Rasile, a partner in the Miami office of Hunton & Williams, who represents Wachovia said Wachovia hoped to avoid a foreclosure suit, but negotiations with BF failed.

"[The bank] was willing to do a deal with the borrowers to avoid litigation, but we just couldn't reach an agreement," he said. "Now the value of the building is going down, way down, below the amount of the debt so the bank got frustrated."

In July 2007, BF Las Olas and related companies paid $230.9 million, or $492 per square foot, for the property, setting a record for the most expensive office deal based on price per square foot. The previous South Florida high was $465 per square foot set in January 2007 with the sale of 555 Washington Ave. in Miami Beach.

The taxable value of the Las Olas Centre buildings is $153.89 million, according to the Broward County property appraiser.

Wachovia provided financing for nearly 95 percent of the deal with a senior loan and a mezzanine loan, according to the lawsuit filed in Broward Circuit Court on Aug. 18.

LAS OLAS CENTRE AT A GLANCE

Tower 1: 15 floors, 209,746 square feet of office, 240,000-square-foot parking garage

Address: 450 Las Olas Blvd., Fort Lauderdale

Year completed: 1996

Tower 2: 19 floors, 259,453 square feet of office

Address: 350 Las Olas Blvd.

Year completed: 1999

Occupancy: 95 percent

Major tenants: Adorno & Yoss, Huizenga Holdings, Smith Barney, Samba Room restaurant, Wachovia, SAI Advisors

Lenders: Wachovia Bank, Wachovia Investment Holdings

Borrowers: BF BLB and related companies, as subsidiaries of Los Angeles-based BentleyForbes

2007 sale price: $230.9 million
Debt: $219.4 million

The loans came due in January 2008 and Wachovia extended the maturity date several times. The final deadline was April 2009.

BF paid interest on the loans until June 2009, according to the lawsuit. The lender said BF owes $170 million on the senior mortgage, including $166 million in principal and $3.1 million in accrued interest. It also said BF owes $49.4 million in the mezzanine loan, including $48.49 million in principal and $618,993 in accrued interest.

Because the property is worth far less than what BF owes, one option may be to file for Chapter 11 bankruptcy protection. That would put the foreclosure action on hold and give BF a chance to restructure the debt.

“We are expecting that the owners might file bankruptcy to stop the foreclosure,” Rasile said.

A Wachovia spokesman declined comment.

One real estate executive said the foreclosure action reflects the state of the industry and not the state of Las Olas Centre.

“They are two of the highest-quality Class A office buildings in all of South Florida,” said Jonathan Kingsley, managing director and executive vice president of Grubb & Ellis. “The challenge is that they were purchased at a time when values were very escalated for all classes of real estate in South Florida.”

When BF purchased Las Olas Centre in 2007, lenders and borrowers expected rental rates and property values to continue rising, as they had done earlier in the decade during the real estate boom. The credit crisis and recession reversed that trend.

“Although they have very good leasing success with retention and bringing new tenants into the buildings, the market value for lease rates did not support the value for which the property was purchased by BentleyForbes some years ago,” Kingsley said. “As a result, there is probably a disalignment between the debt service cover ratio and the value of the real estate in today’s market.”

BF failed to refinance, to find an equity partner or to sell the property last year, according to Jay Caplin, who helped broker the sale of Las Olas Centre in 2007.

BentleyForbes president and chief David Cobb told the Review several times in 2008 the loans were not in danger of going into foreclosure.

Caplin said more commercial properties face the fate of Las Olas Centre.

“A lot of buildings are worth less than the debt and the lenders have extended the expiration terms — some extended to this year and some extended to next year — but at some point there is a day of reckoning where the lender wants to be paid off.”

Caplin, managing principal of Steelbridge Capital in Miami, was with Cushman & Wakefield when he brokered the Las Olas Centre deal. He said Steelbridge, which is looking to acquire bargain-priced properties, said Las Olas Centre would be a candidate at the right price. “This property is inside of our purview,” he said.