

Real Estate

Las Olas City Centre in mezzanine auction

Friday, April 9, 2010

Wells Fargo Bank is auctioning off the mezzanine loan of the entity that owns the landmark Las Olas Centre office complex in downtown Fort Lauderdale.

The bank filed a foreclosure lawsuit in August against building owner BF Las Olas and BentleyForbes Holdings over a \$166 million first mortgage covering the Class A office buildings at 350 and 450 Las Olas Blvd. While that case remains pending, the bank has sped up the repossession process by filing a foreclosure on the ownership interest in BF Las Olas secured by Wells Fargo's \$49.4 million mezzanine loan.

This Uniform Commercial Code (UCC) foreclosure is handled outside of the judicial system. The auction's winning bidder, whether it's the bank or a private group, would assume control of BF Las Olas, which holds title to the property. However, the first mortgage and all other financial obligations tied to the property would remain.

Jones Lang LaSalle is handling the April 26 auction.

A UCC auction is generally done with the winning bidder planning to cut a deal with the first mortgage holder or refinance the property, said Potomac, Md.-based attorney Marty Schaffer, an expert in UCC actions.

A UCC auction is difficult for a developer to challenge, Schaffer said. As long as the lender follows proper procedure, it can usually go through without a hitch, he said.

New York-based attorney Stephen B. Meister, who represents Los Angeles-based BentleyForbes, declined comment.

According to Jones Lang LaSalle, the 468,814-square-foot Las Olas Centre is 92 percent leased to 32 tenants, including Wachovia Bank, Morgan Stanley, Citigroup, KPMG and Huizenga Holdings.

In 2007, Las Olas Centre sold for \$230.9 million – a then-South Florida record \$492 a square foot. Ninety-three percent of that purchase price came from the lenders.

Jay Caplin, managing principal of Miami-based real estate brokerage Steelbridge Capital, said he represented the seller in the deal. Like many deals struck at the height of the market, the acquisition price was high and it carried a tremendous amount of debt, he said. With the first mortgage set to mature in April 2009, BentleyForbes was forced to refinance or sell the building.

Even though the occupancy rate at Las Olas Centre has remained high, many office building purchases during the peak assumed rental rates would rise, Caplin said. However, they have declined or stayed flat.

Still, Caplin said Las Olas Centre is one of the most prominent properties in Fort Lauderdale and is very desirable – at the right price. The price of acquisition could include a bid at the UCC auction, plus the costs of refinancing the first mortgage.