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Jackson Oats Shaw/GE Acquire Northeast Portfolio

Joint Venture Grabs Apollo Portfolio with Plans to Flip Properties



Jackson Oats Shaw Corporate Real Estate and General Electric have acquired five Northeast submarket office/flex parks that include 23 buildings from a joint venture between Apollo Real Estate Investors and Parthenon Realty, but don't look for the JOS/GE joint venture to hold the properties for long.

In the \$62 million, 1.1 million-square-foot transaction, Jackson Oats Shaw acquired Medlock Oaks, Bay Colony and Colony Center near Peachtree Industrial Boulevard and Oakbrook Place and Five Oaks near the Interstate 85/Indian Trail interchange.

Medlock Oaks' five buildings total 173,827 square feet, and the park is 64% leased. Bay Colony's four buildings total 183,479 square feet, and the development is 60% leased. Colony Center's six buildings total 218,952 square feet, and the property is 81% leased. Five Oaks' three buildings total 175,133 square feet at 51% leased. Finally, Oakbrook Place's five buildings total 354,494 square feet, and the flex park is 74% leased. Overall, the 90-acre portfolio is 72% office and 68% leased.

David Meline and Stewart Calhoun at Cushman & Wakefield represented the sellers, while Scott Jackson, CEO of Jackson Oats Shaw, represented the buyers. Jeff Shaw, president of JOS, will lead the leasing effort for the portfolio.

Now, JOS begins the lease-up process, but the primary goal of the joint venture is to flip the properties to tenants/users interested in owning the buildings they occupy, and possibly taking advantage of additional income from other tenants, in essence getting free rent or even getting paid to occupy the building. The joint venture already has five of the 23 buildings under letters of intent, Jackson said.

Jackson also pointed out that it can be cheaper to buy a property than lease it -- especially considering the joint-venture's \$56 per square foot basis -- and an acquisition is certainly less expensive than new construction.

"Almost everyone wants to own real estate, especially when it costs less to own than lease," Jackson said. "Also, we've found that tenants do not want to buy into a condo building. They want their own stand-alone building and land. With the deductions involved and potential for price appreciation, real estate investment looks very attractive."

One source familiar with the transaction noted that flex deals can be complex, but flipping the properties offers a couple of advantages. First, many flex-property tenants want to buy the buildings they occupy and often value the property differently than typical real estate investors. Second, buying a portfolio this size enables the JOS/GE joint venture to spin off properties to smaller investors looking to buy single buildings with strong cash flow.