

Property Types Office

Eola Capital Snags Interests in 7.6MSF Office Portfolio

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The grip of the credit crunch is reportedly loosening for hopeful real estate buyers, and investors with cash on hand are mining the market for deals, but it is a rare occasion that a transaction involving the general partnership interests in a multi-million-square-foot portfolio transpires these days. Orlando-based Eola Capital, however, recently solidified such a deal, acquiring the general partnership interests in a 7.6 million square-foot office portfolio from Miami-based America's Capital Partners.

The assets are valued at an aggregate \$1.1 billion, including debt encumbrances.

"We didn't actually buy real estate, we purchased partnership interests, select partnership interests," Jim Gray, director of acquisitions for Eola, told CPE. The percentage of Eola's ownership take in the deal is different for each property involved in the portfolio, which encompasses 22 buildings including the approximately 1 million-square-foot office segment of the premier 57-story Two Liberty Place office and residential high-rise in Philadelphia. Rockville I-IV, a 750,000-square-foot office complex in the suburban Washington, D.C. town of Rockville, Md., is also included.

Gray speculates that the average occupancy level for the portfolio is somewhere in the neighborhood of 80 percent, a figure he expects will begin to climb next year. "We feel like the office market is at or near the bottom," he said. "Companies are going to have to add employees for occupancy levels to increase, and until the economy starts to recover, we won't see that. But downsizing has already happened in most cases, so we're looking at 2010 to start a slow recovery."

For Eola, the transaction allows the company to increase its office space holdings nearly twofold to 16.1 million square feet, enhance its total of invested capital under management by \$400 million, and establish a presence in Philadelphia and the Washington, D.C., area.

As for ACP, while the real estate investment concern released control of most of its assets, it is not out of the game by any means. The transaction reduces its portfolio from 11.4 million square feet to a still respectable 3.8 million square feet, and still leaves it with a partial interest in the Philadelphia and Rockville properties.

Overall, the transaction is a unique one, not only for its structure, but also for its origins; it's a post-management buyout of sorts. The deal was reportedly orchestrated by former ACP president and co-founder Rudy Touzet, who will also acquire an interest in Eola Capital and become the company's CEO.

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