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Hertz Investment Group owns the South Pointe complex in Clinton.

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Posted by: Ted Carter in MJB FEATURE, NEWS, Real Estate & Construction June 11, 2015



300 N. Green in Greensboro, NC

By TED CARTER

Hertz Investment Group, which has become the dominant landlord in Jackson's Central Business District, has completed a \$417 million acquisition that gives it ownership of a half dozen Class A office buildings from New Orleans to Greensboro, N.C.

Hertz Investment Group acquired the 3 million square feet of office properties from Equity Commonwealth, a public Real Estate Investment Trust (REIT) that decided to exit the Southeast. Hertz followed the same pattern in becoming the big player in Jackson's office market, acquiring most of the local office properties owned by Parkway Properties, a REIT that moved its headquarters from Jackson to Orlando three years ago.

"This portfolio kind of follows what we have been doing quietly out of Jackson," said Jim Ingram, a former Parkway executive who now works out of Jackson as Hertz executive vice president and senior investment officer.

Hertz's first Jackson acquisition was Regions Plaza and the adjoining Regions building in 2005.

The new properties mark the largest acquisition in the history of the privately held Santa Monica, Calif.-based property investment company headed by Judah Hertz. In addition to Birmingham, the acquisitions give Hertz entry into the fast growing Carolinas, with the Greensboro property and a Columbia, S.C., property.



One Shell Square in New Orleans.

The acquired assets are:

- » One Shell Square, a 51-story tower with 1,256,971 square feet, New Orleans Central Business District (CBD);
- » Wells Fargo Tower, a 30-story tower with 514,893 square feet, Birmingham CBD;
- » Inverness Central, a four-building complex with 475,895 square feet, suburban Birmingham;
- » 20th Place South, a four-story office building with 125,722 square feet, suburban Birmingham;
- » Meridian, a 17-story tower with 334,075 square feet, Columbia CBD;
- » 300 N. Greene St., a 21-story tower with 324,075 square feet, Greensboro CBD.

Hertz, company chairman, said the properties represent “a significant opportunity for a number of reasons, including an acquisition price to acquire Best in Class assets significantly lower than Class A construction costs.”

The deal, Hertz said, “allowed us to enter vibrant, key cities in the Southeast and own properties with a diverse tenant mix.”

The six properties combined showed an occupancy rate of 88.8 percent as of the closing date.



Wells Fargo Tower in Birmingham, Ala.

One Shell Square, the tallest building in Louisiana, is 93.5-percent leased. Major tenants include Shell Oil, and the law firms of Adams and Reese and Liskow & Lewis.

The combined properties in Birmingham give Hertz entry into both the downtown and suburban markets.

The Wells Fargo Tower is considered a premier property in Alabama's largest city. Tenants include the regional headquarters of Well Fargo Bank as well as Burr & Forman and Baker Donelson law firms. Inverness Center and 20th Place South are home to BB&T, Southern Company and SunGard.

Columbia's Meridian is 91 percent leased. It is in the state's capital, the city's economic commercial hub and near the University of South Carolina. 300 N. Green Street, which is 83.5-percent leased, offers what Hertz says is a stunning architectural design across the Greensboro skyline.

Gary Horwitz, president of Hertz, said the investment group's primary strategy is to find "outstanding" office buildings in the central business districts of mid-sized cities. "To acquire four in one deal is extremely rare and exciting for our company," he said.

As investment chief, Ingram initiates many of Hertz's acquisitions. He said he is increasingly likely to key on buildings in mid-tier and small markets with large tenants, such as major law firms. "These big firms don't have a lot of alternatives in these small markets," he said.

Two features make a property stand out in Ingram's searches for acquisition opportunities: A diverse rent roll and a credit worthy rent roll. "If you have size and credit, we like that," he said.

Hertz' previous largest acquisition had been 1.7 million square feet of office space purchased from Parkway Properties, now based in Orlando, in April 2012. That deal included 13 properties in Jackson and two other markets.

Hertz has made several other major acquisitions over the last 12 months, including Clinton's South Pointe Business Park, a 395,920-square-foot property built as headquarters for Worldcom, a one-time Fortune 50 company, and current headquarters for the Mississippi Department of Revenue.

Other recent acquisitions include:

- Fifth Third Center, a 508,397-square-foot tower in Cleveland, Ohio
- Chestnut Place, a 218,621-square-foot building in Worcester, Mass., a suburb of Boston
- Bank of America Tower, a 696,672-square-foot, 42-story tower that is the tallest building in Jacksonville, Fla.

Ingram called this week's a big step for Hertz Investment Group's goal of owning 20 million square feet of "best in class assets."

With the new properties, Hertz's ownership stands at a little more than 18.7 million square feet in the CBD's of Jackson and 19 other U.S. cities.

Ingram, in a phone interview Tuesday, said Hertz would consider new opportunities for acquisitions in Jackson but nothing new is on the company's radar. "The joke around the office is there is nothing in Jackson for us to buy because we already own it," Ingram said, and noted Hertz owns slightly less than two million square feet of metro Jackson's eight million square feet of office space.

Properties acquired with Parkway's departure from Jackson include One Jackson Place, The Pinnacle, 111 East Capitol in the CBD and the UBS Financial Services building on Interstate 55 North and River Oaks Place on River Oaks Drive in Flowood.

Occupancies are healthy at the former Parkway buildings, according to Ingram.

"The Class A is doing well," he said, citing 96 percent occupancy at 111 East Capitol and an occupancy of 90 percent at The Pinnacle with the expected signing of a new tenant and 85 percent at One Jackson. "We have a big lease working for that one as well," Ingram added.

South Pointe is proving a solid acquisition, according to Ingram. "The Department of Revenue has a 15-year lease" there, he said. "That is a good example of why we like to buy in small markets. That is a great building with a great rent roll. It is 93 percent leased and we paid \$53 per square foot for the building. You can't do that in a big market."

Regions Plaza, which has yet to recover from the departure of Butler Snow and HORNE CPAs to Ridgeland several years ago, is only 60 percent leased. With Regions Plaza, he said, "The bad news is I have the largest contiguous block of vacant space in the city. Conversely, the good news is I have the

largest contiguous block. We are the only building (in the Jackson CBD) that can do 150,000 square feet of contiguous office space.”

Business Hertz Investment Group Mississippi NEWS 2015-06-11

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