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From the Orlando Business Journal:

<https://www.bizjournals.com/orlando/news/2022/03/30/buyer-lender-talk-gai-building-purchase-office.html>

Behind the deal: How the GAI Building sale came about amid an uncertain office market

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Jen Pollock's commercial lending team is being cautious when it comes to financing purchases of office properties due to the uncertain outlook for office real estate.

So what stood out about New Jersey-based Denholtz Properties' \$32.5 million purchase of the downtown-adjacent GAI Building that led her and her team to finance the deal as its sole lender?

Familiarity — and some due diligence, said the Ameris Bank senior vice president. "We knew the building well, we knew the developer [downtown developer Craig Ustler] well and we really liked the buyer. We were cautious and thorough with investing with Denholtz in this particular quality asset."

Pollock added that the building's tenants — which include GAI Consultants and Stax, the Orlando-based firm which recently reached "unicorn" status in being valued at \$1 billion — are strong,



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The GAI Building is highly visible from the East-West Expressway, adjacent Orlando's central business district and within Thornton Park.

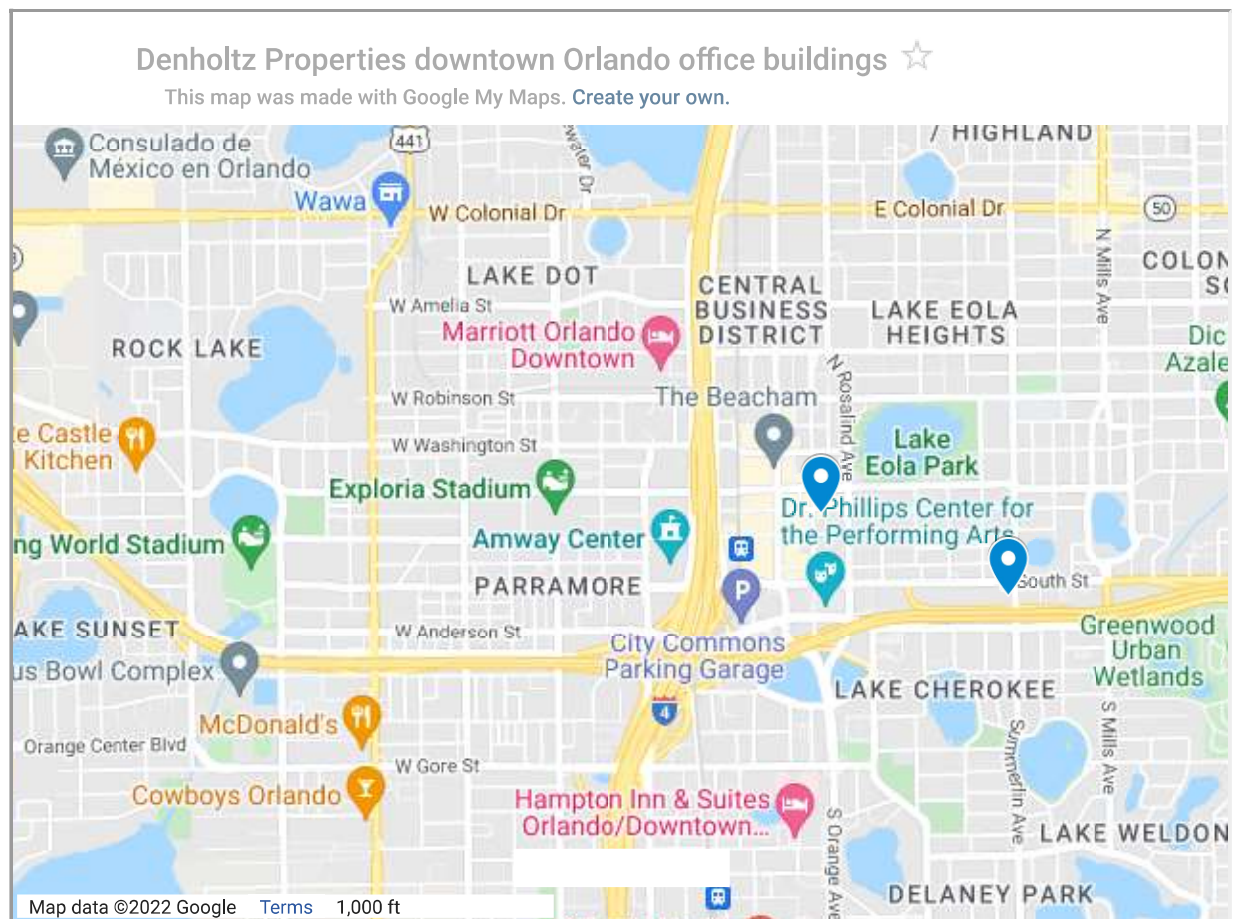
as is her bank's impression of Denholtz Properties, which continues to invest in Central Florida.

Stephen Cassidy is the president of Denholtz Properties, which recently announced an infill industrial venture fund that will feature Orlando and Tampa as among its top target. He told *OBJ* the firm remains invested in Central Florida — and in office space.

"I am very bullish on the office market and really excited to pursue the right spaces at the right time," Cassidy said. "The idea is putting our chips in the spaces we think the world is moving to, and Orlando is primary amongst those places."

Cassidy explained that Denholtz views the newly acquired GAI Building at 618 E. South St. as a complement to the office building at 100 E. Pine St. it bought in 2015 for \$7.3 million.

That building is within walking distance of the GAI Building, but more firmly in the heart of Orlando's central business district. Meanwhile, the GAI Building is in downtown neighborhood Thornton Park and at the intersection of Summerlin Avenue and South Street, with high visibility from State Road 408.



The former is more than 40 years old and has had renovations since Denholtz's purchase, while the latter was built in 2011 and is LEED-certified.

Pollock explained that Ameris Bank — which is based in Atlanta and has full-service locations in Florida, Georgia, North Carolina, South Carolina and Alabama —also is involved with Denholtz's financing of the Pine Street building, with Cassidy characterizing it as a blanket loan for the two nearby properties.

"The GAI Building was a very strategic purchase in that it paired well with an office building we already had ownership of ... we have two very complementary buildings," Cassidy said.

An indicator?

Jeré Matheny, a senior associate at Orlando-based real estate firm First Capital Property Group Inc. who is not involved with the GAI Building deal, suggests it may a good bellwether for the downtown market, noting the building never formally hit the market — something Ustler confirmed to *OBJ* in an email message last week.

"That tells me that there are groups out there saying 'please go find us an opportunity,' " Matheny said. "Some of these buildings aren't even making it to the marketplace because deals are getting done prior to owners actually deciding to fully list the real estate asset — and that says folks are bullish on the market."

Matheny also said the sales price of the 106,966-square-foot GAI Building — about \$303 per square foot — also may function as a positive indicator. "You're starting to see deals in Orlando that are comparable to some other major markets," he said, specifically citing the price per square foot. "That definitely bodes well for where we're at and where we're headed."

By the numbers

Both of Denholtz Properties' downtown office properties — the GAI Building and 100 E. Pine St. — fall within the downtown Orlando office submarket.

The submarket has an average asking rent of \$28.02 per square foot, compared to Central Florida's average of \$25.96, according to CoStar Group. The submarket's average office vacancy rate remains high at 11%, though net absorption for the past 12 months

has been positive at 310,000 square feet. Metro Orlando has an average office space vacancy rate of 7.9%.

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