

# Development company adds division to own, manage property

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Poe Companies LLC has formed a new division to buy commercial properties with distressed ownership, and the division has purchased its first property, Executive Park office complex in St. Matthews.

Through a subsidiary, Poe Executive Office Park LLC, the company purchased the seven-building office park last week for \$4.3 million, using \$1.5 million raised from investors and a loan from Stock Yards Bank & Trust Co. for the balance, said Poe Companies president and CEO Steve Poe.

The investors will receive an 8 percent, preferred return on their investment, Poe said, plus a share of the gain when the complex is sold.

The preferred return means they will get paid out of the profits before anyone else, said Tony Holland, president of Poe Real Estate Investment.

The sale is projected to happen in five to seven years, Poe said.

### Property was a bargain

The company paid less than \$40 a square foot for the 109,500-square-foot complex, which was built in the early 1970s, Poe said. It could not be built from scratch today for less than \$120 per square foot, he said.

The company purchased the buildings, but it is leasing the land, which is a common practice in the commercial real estate business, Holland said.

The lease indicates the land is owned by Timothy L. Boden, Robert S. Boden, Nancy A. Branch and Phillip S. Arterburn.

The buildings were a bargain because they had been in receivership for two years.

The buildings were sold by Wells Fargo Bank, which took them back from the previous owner, Dallas-based Behringer Harvard, said Craig Collins, senior real estate adviser for Commercial Kentucky Inc., which represented the seller.

Commercial Kentucky received eight letters of intent, including Poe's, seeking to purchase the property, Collins said.

That is a good amount of interest, he added.

Because of the receivership, occupancy has fallen to 62 percent, but Poe believes that with new ownership, occupancy should return to its historic rate of at least 80 percent within 24 months.

Although the owners were distressed, Poe said, the property was not. It will not require extensive renovation, and it's in a great location near the Mall St. Matthews and two hospitals, Poe said.

### New division seeks smaller investors

Executive Park is just the kind of commercial property that Poe Companies sought to find and purchase when it formed

### POE REAL ESTATE INVESTMENT

**Business:** Buying properties with distressed owners, putting new capital into them and reselling them

**Ownership:** A division of Poe Companies LLC

**Top official:** Tony Holland, president

**First purchase:** Executive Park, St. Matthews |



Tony Holland, president of Poe Real Estate Investment, is shown at the Executive Park office complex, which his company recently purchased.

its new division, Poe Real Estate Investment, earlier this year.

Poe Companies typically has developed only large, long-term projects such as RiverPark Place, a 166-unit apartment complex and adjoining marina that is under construction on River Road.

Along with Steve Wilson, Laura Lee Brown and Craig Greenberg, Steve Poe also was a member of the team that had planned to develop Museum Plaza, a skyscraper at Seventh and Main streets. That project was abandoned in August 2011.

Steve Poe also was a partner in the development of the Louisville Marriott Downtown.

Those larger projects typically had investors who were "very high net-worth" individuals, Poe said.

But friends and family with lower levels of funds to invest often have asked him if he had projects they could back, he said. Poe Real Estate Investment fits the bill because it is designed for investors who can put up \$50,000 to \$500,000.

Poe knew he wouldn't have time to run the division himself, so he hired Holland, former owner of Louisville-based Holland Tax Service, to lead the new division.

Their plan is to raise \$10 million annually in new investment and use that to leverage \$20 million to \$30 million in property transactions annually.

The timing seemed right for the new venture for two reasons, Poe said:

- There are many commercial properties locally that the company could buy, and there likely will be more. Loans

made for the purchase of commercial real estate or real estate construction in the early 2000s are coming due soon, and the borrowers are having trouble refinancing them.

- Many investors are seeking higher returns on their investments and are ready to take on more risk. They also think the stock market has peaked and see more upside in real estate.

Signing up new investors for the new venture has not been a hard sell, Holland said. "More and more people are looking for exposure in real estate, so the timing is perfect," he said.

**'More tangible' investment**

The idea for the business sounds good, especially considering that real estate values have not rebounded from pre-2008 levels, said Dan Cupkovic, manager of investment services for ARG Financial Group.

Poe's approach sounds similar to a real estate investment trust, in which investors pool assets and buy properties, but it has fewer legal requirements than a REIT, he said.

Cupkovic agrees that investors are more willing to invest in real estate, he said, particularly because, although there is volatility in the real estate market, it isn't talked about as much as volatility in the stock market.

"People can sleep better at night knowing that they own brick and mortar, to some degree," Cupkovic said. "It's a little more tangible when you drive by (the investment) on your way to work." |

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