

Pillar buys former Nortel headquarters for \$43M

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Editor

Nortel Networks' former U.S. headquarters in Richardson, once a symbol of the area's telecom strength, has been acquired by Pillar Commercial, a Dallas-based, full-service real estate firm that specializes in repositioning underperforming investment properties.

The 800,000-square-foot property at 2201-2221 Lakeside Boulevard in Richardson's Telecom Corridor was built in 1991. It was acquired from a group of creditors who had taken over the facility as part of Nortel's bankruptcy proceedings.

The acquisition is the largest for Pillar Commercial since it was formed in 2004 and began to take shape early this year after an analysis of the complex by Pillar, and its eventual selection by creditors to participate as a finalist in the bid process. Final approval of the transaction was granted by the bankruptcy court on May 10, with closing scheduled for June 3. The sales price is \$43.1 million

"This has been a complex and arduous process, but we are enthusiastic about this investment opportunity," said Manny Ybarra, founder and principal of Pillar Commercial, in a press release. "We are equally excited about establishing a strong presence in Richardson's Telecom Corridor, a market that we believe is poised for a significant rebound due to a strong resurgence of the high-tech industry, as well as the proactive efforts of Richardson's city leaders."

Richardson officials said the city has high hopes for redeveloping the area.

"With the historical legacy of Nortel representing such an important period of time for the Telecom Corridor, the City of Richardson is particularly excited to have this outstanding campus now in the hands of an active real estate organization like Pillar Commercial," said Bill Keffler, city manager, City of Richardson.

The property creditors were represented by the CB Richard Ellis team of Gary Carr, Russell Ingram, Eric Mackey, Jack Fraker and Josh McArtor.

"The former Nortel Corporate Headquarter campus is the largest block of quality contiguous space in the suburban marketplace," said Gary Carr, executive vice president of CBRE. "The improving dynamics of this submarket, combined with the past track record of Pillar Commercial, should make this acquisition work out very well for them."

Pillar engaged Brian Carlton with Holliday Fenoglio Fowler to help secure transaction financing, which was provided by Viewpoint Bank.

"HFF was glad to be part of the Pillar team and to work with such a talented group of professionals," said Carlton. "Viewpoint Bank's knowledge of the trade area, the property, and its ability to react very quickly was instrumental in making this transaction happen and providing Pillar the confidence it needed to move quickly."

"This property is one of the premier assets in the area and is located just minutes from our home office," said Patrick Ramsier, chief commercial real estate officer at ViewPoint Bank. "The combination of Pillar's successful track record for performance and strength of equity sponsorship allowed us to quickly get comfortable with the transaction."



Pillar Commercial buys Nortel's Campus

One of the biggest challenges was to accurately value the property, according to Pillar. Unlike a traditional office building, Nortel continually reinvested heavily in the property's infrastructure, creating a vast and complex technological and mechanical backbone. Some of the property's special features include a chiller plant, multiple back-up generators, and dual source electrical feeds.

The redundant backup power and cooling capacity are provided by a 2,000kW generator serving select areas in both buildings, including a data center and laboratory space. The campus also benefits by a 4,000-ton cooling capacity, with electrical power provided by two 400amp 15kV service feeds on a loop from two separate substations.

"Nortel's original investment in the facility's data center, telecommunications and power generating capabilities – the value of which was attested to by several consultants—is part of what made the property so attractive to us," said Ybarra. "In addition to these property-specific advantages, the proximity to Galatyn Park Urban Center and the DART light rail station, make this campus one of the region's premier corporate office sites."

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