

Leases profit nonprofits

Agencies paying less for better space; 'Now is the time' to move, expert advises them

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GREATER METROPLEX -- Steven Pace scoured buildings throughout the area looking for a location for his nonprofit agency that would provide easy access via bus and allow for construction of a commercial-size kitchen.

"The search started about a year ago, and I looked at probably 40 buildings on Stemmons (Freeway), near downtown, north and south Oak Cliff and as far up as Inwood Road," said Pace, the executive director of the service agency AIDS Interfaith Network. "Finding buildings that were the size we needed and had a landlord willing to do the necessary renovations while staying under \$10 a square foot was a challenge."

But in the end, AIN secured a seven-year lease on Stemmons for an initial rent of \$8 per square foot, plus electricity. Helen Hudson of The Industrial Group represented the building's owner, G.E. Capital Realty Group.

AIN moved into its 11,402-square-foot office space on May 1.

Pace and broker Elizabeth Solender attribute most of the deal's success to the downturned real estate market, which has office and warehouse properties throughout Dallas-Fort Worth leasing for a fraction of what they were two years ago.

Office space on Central Expressway in Dallas has fallen anywhere from \$2 to \$5 per square foot in the last two years, Solender said.

Meanwhile, according to the latest statistics from Cushman and Wakefield, the office vacancy rate in the Dallas-Fort Worth area is 26.2%, including subleases. The warehouse vacancy rate is 13.3%, including subleases.

In 2000, office vacancy rates were in the mid-teens, while warehouse vacancy was below 10%.

"For a health care nonprofit, or any nonprofit in Dallas-Fort Worth, now is the time," said Solender, president of the Dallas-based real estate firm Solender/Hall. "If they have a lease that's up for renewal, they need to look at the possibility that they can move to better space for less rent than they are paying right now."

That was the good fortune of Medi-Send International.

The Dallas-based charity, known for distributing medical equipment and supplies to developing countries, planned to sign a five-year lease for a 61,604-square-foot warehouse and office on Markville Drive in North Dallas this week.

The deal with owner Casey International in Dallas allows MediSend to lease the former furniture manufacturing facility for less than \$1 per square foot for the first year, and includes a purchase option.

The charity, which distributed goods valued at \$3.6 million last year, will see reduced rent by combining locations of its office in Expressway Tower and its warehouse on Royal Lane.

MediSend had four locations under final consideration, including two in Dallas and two in Carrollton.

"We had a very motivated owner" on Markville, Lazar said. "We will begin moving on July 1."

Tim Terrell of Stream Realty and Lorraine Teel of Teel Enterprises Inc. handled negotiations for Casey. Solender, 60% of whose clients are nonprofits, represented MediSend.

No 'distress sales'

Joe Graham, president of the real estate firm Graham Investments Inc. in Dallas, said he's seen a "moderate to significant" increase in his nonprofit business in the last year.

He's currently working with four medical-research entities hoping to find space in the Stemmons Corridor area near Parkland Health & Hospital System and The University of Texas Southwestern Medical Center of Dallas.

There, rents go for \$13 to \$16 a square foot and include space in several older buildings.

"This is a tenant's market, but it's not the distress sales like those we saw in the 1980s," he said.

It's not always a downturn that leads to good deals for nonprofits.

Bedford-based Carter BloodCare recently subleased 24,460 square feet of space within Allgon Telecom's Fort Worth facility on FAA Boulevard. Financial terms were not disclosed. The three-year lease includes 14,460 square feet of office space and 10,000 square feet of warehouse space.

Allgon, which recently changed its name to LPG Allgon, broke ground on the 80,000-square-foot building in CentrePort business park in June 2000 and holds a 10-year lease.

Carter relocated its donor recruitment personnel to the facility on May 1. The sublease was completed by NAI Stoneleigh Huff Brous McDowell and the property is managed by William Cawley, CEO of Cawley International.

"After the sale of Allgon Mobile Communications to Centurion, we were left with a tremendous amount of R&D and production space," said Magnus Friberg, president of Allgon, in a prepared statement. "The resulting consolidation within our facility has enabled us to offer Carter BloodCare an impressive location with unique accessibility and quiet surroundings."

Geoff Graham, director of facilities and fleet for Carter, said the nonprofit had looked for space for about a year because the need for blood in the community has increased for several years and additional staff has been hired to handle the demand.

When dealing with nonprofits, real estate experts warn there can be "extra considerations."

The deals often take months or even years to finalize, for example.

Also, landlords who are more accustomed to the healthy balance sheets of for-profits may be leery when looking at nonprofits' financials, which typically leave very little cushion, Solender said.

Despite all that, Solender doesn't see the market for nonprofit tenants cooling anytime soon.

"When there are cutbacks in funding for critical human-service needs, that's when nonprofits find their services are needed most," she said.

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