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Rubenstein Partners Bets on Indiana

Firm pays \$133 million for Precedent Office Park, which features a 38-acre lake



LaSalle Investment Management sold Precedent Office Park, which has 19 buildings. PHOTO: JLL

By Peter Grant

Rubenstein Partners LP, a real-estate investment firm that specializes in office buildings, has doubled down on the Indianapolis suburbs, spending \$133 million on an office park whose distinguishing feature is a 38-acre lake.

A venture including Philadelphia-based Rubenstein and Strategic Capital Partners of Indianapolis has purchased Precedent Office Park, which includes 1.1 million square feet in 19 buildings north of downtown Indianapolis. The seller was LaSalle Investment Management, of Chicago.

In 2016, the venture purchased an eight-building complex in Carmel, Ind., for \$163 million, less than 3 miles from Precedent. The two deals make the Rubenstein-Strategic venture one of the largest office space owners in the region.

Rubenstein-Strategic is flexing its muscles in the area at a time when suburban office buildings have fallen out of favor with investors. Downtown office property is more popular because of the large number of young workers flocking to denser areas, followed by businesses trying to attract them.

The Indianapolis venture [has a contrarian strategy](#) partly because its executives believe millennials have started to move back to the suburbs as they have children and search for more affordable housing and good schools.

“That subset of the population has delayed some of those family formation decisions,” said Brandon Huffman, a Rubenstein principal.

Some investors also find suburban prices compelling. The annual income of office parks like Precedent typically is over 7% of the price paid, a metric known in the real-estate industry as the capitalization rate. In prime downtown office markets, prices are so high the capitalization rates can be in the 4% range.

The Rubenstein-Strategic venture also hopes to increase Precedent’s cash flow by spending up to \$8 million to spruce up the office park and add new amenities to the lake area. They are working with a Philadelphia-based firm named Groundswell Design Group to create a “sense of place,” Mr. Huffman said.

The new owners are considering such activities as wakeboarding and boating and such new features as a beer garden and a barge that could be used for parties. “Indianapolis doesn’t have an abundance of water features,” Mr. Huffman pointed out.

Precedent’s occupancy is in the low 80% range. Its tenants include WebMD, Stonegate Mortgage Corp. and Defenders Inc., a home security company.

Founded in 2005, Rubenstein Partners has \$2.2 billion of assets under management. Its predecessor company was Rubenstein Co., a large owner of office buildings in the Mid-Atlantic region.