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You are here: [Home](#) > [Daily News](#) > [JV Springs Into Action With \\$1B Office Fund](#)

FEATURED
CONTENT



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CREW Convention



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Tops \$1B
Fund

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UPDATE

JV Springs Into Action With \$1B Office Fund

By **Connie Gore** | Dallas/Fort Worth

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Frandsen

DALLAS-Principal Real Estate Investors and Trammell Crow Co., creating perhaps the largest JV of its type in the US, are ready to hit the ground running on a [spec office program](#) to build \$750 million to \$1 billion of class A space in five years. **The equity is coming from a Principal client, the US Property Account, a consortium of pension funds with \$6 billion of gross assets.**

The deal is structured with Principal as the majority partner and TCC as the development ringleader, with an eye on an expedited funding process to get multi-tenant projects out of the ground as quickly as possible. TCC's fund manager

Colin Murphy tells GlobeSt.com that the Dallas partner intends to merchant build while Principal's

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managing director John Frandson says it's planning a five- to 10-year hold of the finished product. "The anticipated hold will depend on the market," Frandson adds.

Likewise, Frandson says the markets for the target cities also will dictate when and where to build. "We are going to be prudent with our investment," he says. "Trammell Crow's role is really to bring us opportunities and we'll decide if we want to pursue them. The additional piece for them is building the buildings."

In the coming days, the first two projects will be announced: a two-building, 243,000-sf spec office project in Austin and 13-story, 330,000-sf office building in Houston. Murphy says TCC teams in several cities have seven to 10 sites under control. "We've got our houses around the country looking for development opportunities," he adds.

No city or project size is favored, but what has been done is to standardize documents, as much as possible, to streamline the length of time from concept to construction, according to Murphy. "That's the beauty of the way we designed this," he says. "It's going to be a very efficient process. We have set ourselves up to close quickly. It puts us in a very competitive advantage. **The big selling point is Principal has this capital ready.**" Additionally, Principal's committee meets every week so there's little to no wait time on its end.

Murphy says TCC will build and stabilize--then sell. "We will be selling to the market or selling to them [Principal]," he says.

Murphy says he came on board a year ago to set up the program, starting immediately to hunt for a joint venture partner. He says the short list "was whittled quickly to three or four." TCC was fine-tuning the deal with Principal in November 2005 when the first reference to an office development program surfaced during an earnings call. But, TCC wasn't ready to talk.

"At Principal per se, we are focused on doing these program ventures," Frandson says. "It's a perfect way to invest capital through local expertise and tap into their knowledge. It hopefully makes a better investment."

TCC has indicated similar programs for other product types could be in the works. "This is the only one we're seriously contemplating at this time," Frandson says, not ruling out the possibility of a fund expansion. "If both parties want to do that at any given time, we will do that."

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