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After adding a Dallas office last year, Thorofare Capital kicks off year with refinancing for key Design District portfolio

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Thorofare Capital Inc. is eyeing eight deals in the Dallas area as of Friday afternoon.

The Los Angeles commercial real estate investment manager, which opened a Dallas office last year, focuses on \$10 million to \$100 million financing transactions in which it targets value-add and opportunistic acquisitions, recapitalizations, and distressed debt secured by transitional properties.

Its most recent refinancing is tied to Quadrant Investment Properties' ambitious reorchestration of key properties in the Dallas Design District. Thorofare is refinancing part of QIP's holdings in the flourishing Dallas submarket with a loan toward a 13-building portfolio of newly converted and renovated flex office space.



COURTESY OF QIP

Thorofare Capital Inc. has provided a loan to Dallas-based Quadrant Investment Properties, formed by Chad Cook, for the refinancing of a 13-building portfolio within the Dallas Design District.

David Perlman, managing director and head of Thorofare's New York office, originated the loan, while the firm's Eddie Prosser, Henry Johnson, and Jonathan Hart led the underwriting and executed the financing's close. JLL's Brian Carlton and Jim Curtin placed the debt.

"As we near the delivery of our first phase of redevelopment in the Manufacturing District, we felt this was the time to partner with a lender who would provide flexibility and help fuel our vision for the Design District. Thorofare has been a perfect partner thus far and we look forward to expanding the portfolio with them," said Chad Cook, QIP founder and managing principal, in a prepared statement.

Thorofare is no stranger to North Texas. Yet, a boots-on-the-ground office presence is sure to be a boon as the firm, which now calls Callodine Group its majority owner after being acquired last year, looks to build deeper ties with businesses in the Lone Star State.

"This is our sixth loan in Dallas, and we want to do more because we think that the dynamics are really strong," said Perlman in an interview, adding that Fort Worth is a "very exciting market" for Thorofare as well.

He cited robust population growth and Dallas' steady gravitational pull in bringing in new companies as not only a key reason for the new office but also why office and particularly flex office is a good fit for the firm.

"For a lot of other lenders and us, office is a tricky asset class because nobody really knows what the new office is office environment is going to look like, where rents are going to go and things like that, but we do feel that asset types like the ones in the Dallas Design District – more adaptive reuse – is unique," said Perlman.

"We're seeing a lot of interest in these creative buildings where they feel like they can differentiate themselves to recruit and retain employees, offering a cool atmosphere so that employees would rather be at the office than at home," he added.

Perlman spoke more about Thorofare's investment thesis and more:

Y'all mainly focus on value-add, core-plus and some opportunistic. Within that, would you describe the firm as asset-class agnostic?

We're a special situation senior lender only at the moment. We are agnostic on location and property type, but we favor certain property types in certain markets. We also recently started construction lending, a new quiver on the senior loan side.

For example, we're looking at a data center in Dallas that we like a lot. We've looked at a lot of multifamily construction deals and industrial deals.

The way we position ourselves compared to other debt funds – we're on our fifth fund and have about \$600 million of equity raised for it and close to \$1 billion in assets under management in that fund – is that we're an extra tool in the toolkit for a sponsor. We can structure our loans to meet the sponsor's business plan, and we have more flexibility than other debt funds in how we structure them.

We're trying to be thoughtful and differentiate ourselves through the structure of our loans. When we look at a market like Dallas and say we'd love to get into this market more and more due to very positive demographic changes, we're going to be as aggressive as possible with that fund ... Because, yes, we have to meet our investor returns, but having a person on the ground and being responsive to clients and going to see assets quickly is a big commitment to the market.

In December 2021, we also sold a majority stake to Callodine Group. They're trying to create a family of asset managers for their clients. We're going to continue to do senior loans, but we're expecting to expand our offerings to other products and we're trying to determine what that is at the moment. We're laying out the groundwork in Texas so that, once we have the products available, we can move them out to the market and capture them.

What did Thorofare like about this QIP portfolio?

Quadrant not only filled out the interior of each of these potential office spaces, but they added a lot of amenities that tenants would enjoy, including a rooftop bar, event space, outdoor spaces along

the perimeter of the building and a tenant-only walkway at the back of the building. Those are the things you would find in a Class A building, but they operate in a space that's creative office and flex office. They kept the dock doors and around the perimeter for some of the buildings, so not only is it interesting to think about where people need to gather, but it's can also pivot from office into maker's space where people are creating things too.

The other thing to note is they have a lot of parking, which is unusual for the market.

Additionally, they have two other projects with FCP as their LP partner in which they're going to be building office spec. Building two buildings in the Dallas Design District at probably a much higher basis than where we're at shows they believe in the leasing momentum on the office side.

With a market like Dallas, office can be very cyclical. Markets change; new neighborhoods get developed. If you look at what's happening in North Dallas and then go even further north of Legacy, you see new development going on and people keep moving further and further north. Dallas has very low barriers to entry, except if it's a unique property type. With office right now, you have to be selective. With a lot of lenders on the sideline right, we think we can pick and choose where we want to be on the office side.

This interview has been edited for clarity and brevity.

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