

DEVELOPMENT

Granite looking for bargains but has itch to build

Company expanding to other markets, with bulk of assets in Texas

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In 1991 when Granite Properties got its start, it was cheaper to buy office buildings in North Texas than build them.

Two decades later that's usually the case again. But Granite — which grew to be one of the Dallas area's most successful developers — isn't giving up on the development business just yet.

"We are very likely to start building something in 2012," said Granite CEO Michael Dardick, who launched the company to acquire bargain properties following the late 1980s real estate crash.

"We think there are going to be a lot of opportunities to buy good real estate," Dardick said. "I think we have several years of that left."

Granite has already made some impressive purchases in the Dallas area and elsewhere.

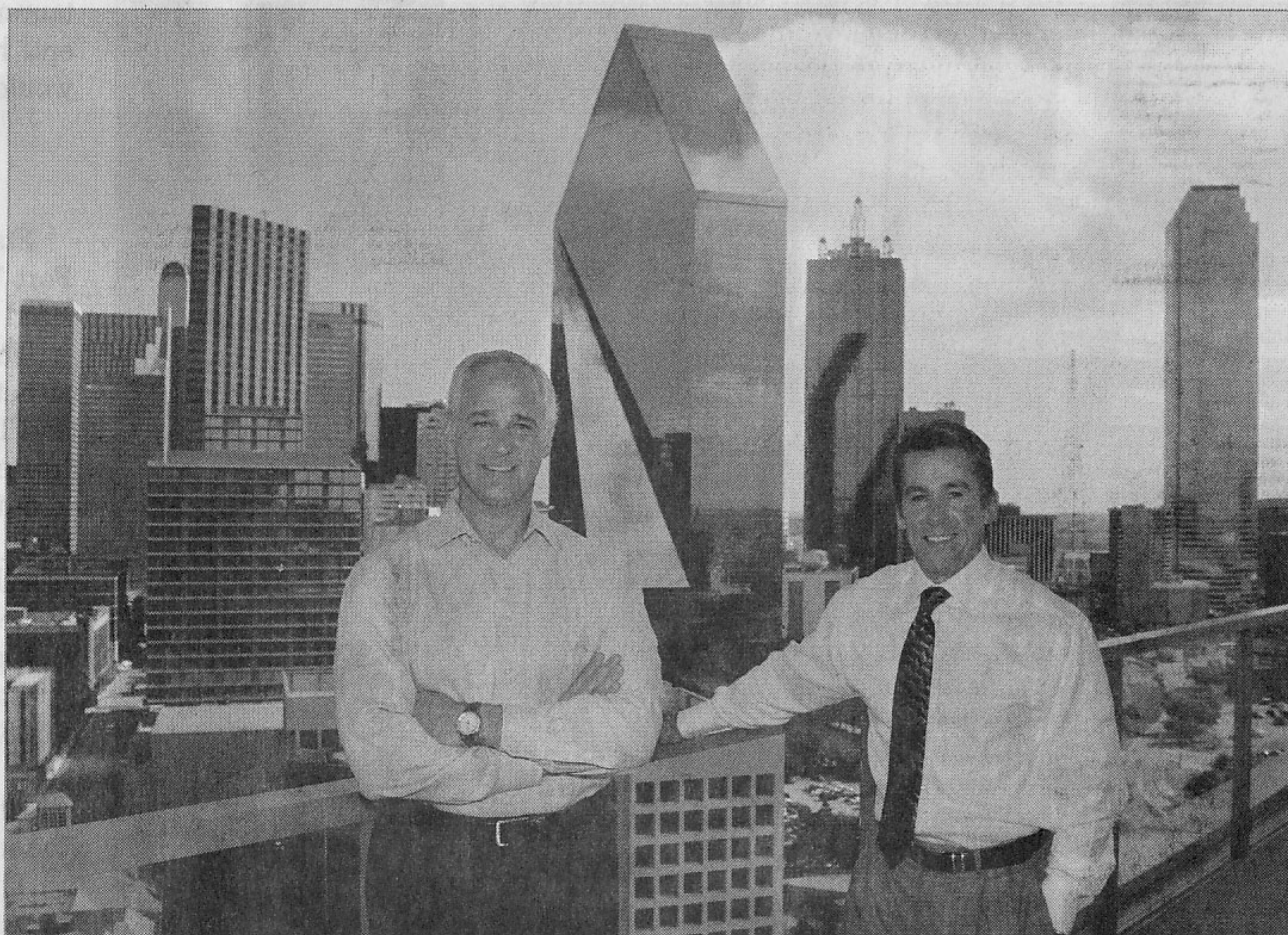
In August, Granite bought the 12-story 3333 Lee Parkway office tower near Turtle Creek. And earlier in the year Granite acquired the five-story Park Center office building on the Dallas North Tollway in Plano.

Granite also bought the two-building Spectrum Center complex in Addison at the end of 2010.

The company is doing even bigger deals in other markets.

"For the first time ever, we bought a note in an online auction," Dardick said. "And three days later we foreclosed on the [delinquent] loan and took over a building in Atlanta."

"We've just been selected to buy another two-building deal that's a bank foreclosure," he



David Woo/Staff Photographer

CEO Michael Dardick (left) launched Granite Properties to acquire bargains following the late 1980s real estate crash. He's shown with COO Greg Fuller.

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Granite COO **Greg Fuller**

said. "All of these are being bought at 50 to 60 cents on the dollar."

The buys were better back in the early 1990s when Granite made its first purchases — starting with the 15-story Gateway Tower on LBJ Freeway.

'Credit to our team'

Dardick had been working as a distressed-property officer for a major bank when Oklahoma's prominent Schusterman family tapped him to head its new commercial real estate investment venture.

From 1991 to 1994, the privately owned company pur-

chased almost two dozen buildings — mostly in the Dallas area.

As the real estate market in North Texas recovered, Granite was one of the first firms out of the box with construction in 1995. The Richardson office building was the first project started in Dallas' suburbs in almost five years.

Granite still owns the Plano Road office complex. And Granite is still landlord for the original anchor tenant — high-tech firm Siemens.

"We brought Siemens from Florida to the Dallas area," Dardick said. "And the family we started the firm with [the

Schustermans] still is with us.

"It's a great credit to our team," he said.

Granite now has about 120 employees working in seven cities in four states.

The company recently expanded to Southern California and has a partnership in the Boston area.

But the bulk of the company's assets are still in Texas, which is doing much better than it was when Granite got going during the last major real estate and economic crash.

"Back then, Texas was the center of the downturn; now we are one of the best markets," Dardick said. "But there are



Granite Properties' newest development is the 19-story 17Seventeen McKinney office tower in Uptown.

still soft patches in the Dallas-Fort Worth area for sure."

Ready to go

When Granite starts its next office building, it will most likely be at the company's Granite Park on the Dallas North Tollway in West Plano. Granite has also looked at building sites in Uptown.

"We're ready to go and have several buildings we could start," said Granite COO Greg Fuller. "If it weren't for the uncertainty in the overall economy, we might do it sooner."

But the company isn't keen

on the idea of breaking ground for a speculative office building with no tenants lined up.

"I don't see us going 100 percent spec in the near future," he said.

Granite is still leasing its newest office project — the 19-story 17Seventeen McKinney tower in Dallas' Uptown district. The tower has the last large chunk of new space on the market in central Dallas.

"We have the two top floors to lease," said Fuller. "The market is a lot better than it was a year ago."

"But of course it's never as good as you want it to be."