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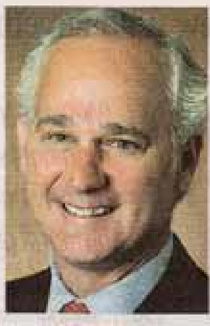
Q&A: Michael Dardick, Granite Properties



Two decades and more than 20 million square feet of commercial real estate deals later, Michael Dardick, founding partner, president and CEO of Granite Properties, says it's not about him. "It's about the 120 people that grind it out every day," Dardick said. "It's about all of us here that are jazzed about the real estate business."

Plano-based Granite Properties opened for business in 1991, on the heels of the savings and loan crisis — a "good time to start a business" — and a handful of employees. At that time, Texas was seen as a great investment, and that hasn't changed much as Granite Properties expands its office portfolio in North Texas and beyond.

GRANITE PARK THREE: Granite Properties opened in 1991 and is working to expand its portfolio.

Q. Why did you want to start Granite Properties?

A. Like a lot of people, I like to compete and be challenged. I went to business school, and I liked the intersection of finance and people. I knew I wanted to be in business but didn't know what was out there. I was fortunate to come out of college and get a great job. I fell in love with real estate.

Q. What was your first year in business like?

A. We started in an executive suite and made up letterhead, like most businesses. We started to cold-call people, and we luckily closed a deal within the first three months of business. We opened for business Oct. 1 and closed the deal Dec. 31. We had three or four employees at the time.

Q. When did you start to significantly increase your employment base?

A. In 1994, we doubled the size of the company from 1 million square feet to 2 million square feet and we got to a decent size. Later that year, we opened an office in Houston. We have added more people on when we've added a line of business or increased the volume of our assets. We have not laid off people during this recession. The downturn has not changed the way we do business; we work harder for less money.

Q. What are your thoughts on the economic cycle? Is there going to be a double dip?

A. We have no idea if there's going to be a double-dip recession. But more important is the long road. We will not come out of the doldrums quickly. We want to own, operate and execute with the ability, capital and stomach for long, slow growth. We have no business plan that assumes a quick recovery.

Q. Why did Granite decide to exit from industrial real estate last year?

A. We've always been a heavily dominated office firm, with 75 percent to 80 percent office. We added industrial in 2005 for product diversification, but at the end of the day, we do office well. We were frustrated with how industrial was performing, with lower risk, but lower yield — which is what industrial real estate does. We liked the high returns and high risk of office. We were fine at industrial, but not great. We were better at the office business, and so we decided to redirect our energy at that.

Q. And Granite Properties can stomach the risk?

A. We are fortunate our capital has a long-term horizon. It's not to say we don't have stomachaches along the way. You always have stomachaches, but it is a motivator. If you don't have some kind of stomachache, you may not be pushing hard enough.

Q. What's next for Granite Properties?

A. We are excited to open an office in Southern California and create a strategic joint venture in Boston. We are expanding to specific coastal spots. The macroeconomic time has people repricing their assets because the demand is not there and the job growth is not there. We feel great about our existing markets: Dallas, Houston, Los Angeles, Atlanta and Denver. We purchased two properties in Dallas, one in Atlanta and have a contract on two more buildings in Atlanta. There is a lot of opportunity in our existing markets.

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