

## Why Local One Commerce Square Owners Are Selling to Out-of-State Investors

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After successfully renovating the 29-story iBank Tower in Downtown Memphis, the work is done for a group of prominent Memphis investors as they prepare to sell the office building to a new owner with deeper pockets.

“We are not traditional office building owners,” said John Pontius, president of Pittco Capital Partners. “We invested in this property because it was distressed, and we felt like it was important to Memphis to make it vibrant once again.”

One Commerce Square Partners, a partnership between Karl and Gail Schledwitz, [Terry Lynch](#), Gary Prosterman and Worthington Hyde Partners, comprised of AutoZone founder J.R. “Pitt” Hyde III, John Pontius and [Robert Worthington](#), purchased the Downtown office tower from [U.S. Bank](#) for \$7.6 million in 2010, according to deeds on file with the Shelby County Register.

“We don’t feel like we are any more equipped to take it to the next level than anyone else,” Pontius said. “We accomplished our goals and now, we’re moving on.”

Over the past eight years, Pontius estimates the investment group put “tens of millions of dollars” into tenant and common-area improvements. One Commerce Square Partners invested nearly \$19 million since purchasing the property in 2010, according to a variety of construction permits on file with the Shelby County assessor.

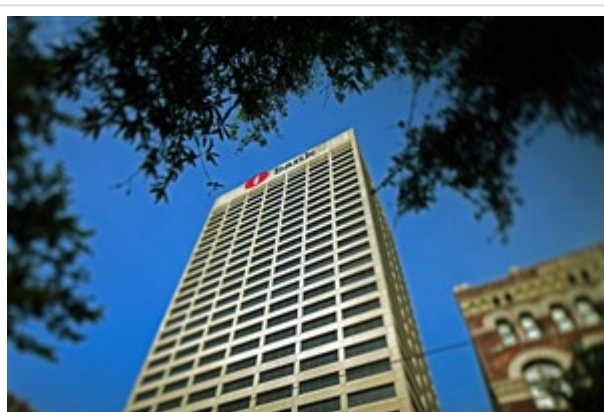
In 2010, the building was about 30 percent occupied. Today, it is nearly 72 percent full, which includes the recent relocation of Wunderlich Securities – known as B. Riley Wealth Management following last year’s \$67 million acquisition by B. Riley Financial – from [6000 Poplar Ave.](#)

“We felt like we did a good deed for the city, accomplished our goals and now, we’re putting it in better hands,” Pontius said.

Those hands are Montreal real estate investor Ray Massa, co-founder and president of New York City-based real estate co-investment firm GroupRMC, whose total assets exceed \$1.5 billion. The group is doing business locally as [One Commerce Square Memphis Realty LP](#).

GroupRMC is conducting its due diligence on the property through August and plans to complete the transaction in October, Clarke Montross, vice president of GroupRMC’s Deal Team, said.

With a portfolio of undervalued, income-producing office properties in secondary U.S. markets, GroupRMC typically first must invest in mechanicals and systems, Montross said, but with the improvements made to One Commerce Square, the firm is instead planning a \$1 million “aesthetic overhaul.”



**One Commerce Square** (Daily News file)

“We’ll invest in elevators, a lobby refresh, bathrooms, just to make sure people understand and tenants know we are invested in the asset, here to stay and we want make everything nice for them,” Montross said.

When regional air carrier [Pinnacle Airlines Corp.](#) moved its headquarters to Minneapolis in 2013, it left a 170,000-square-foot vacancy in the building, but the state of Tennessee soon thereafter leased 104,673 square feet of space on the second through 10th floors.

Montross said the state did GroupRMC a favor by leasing floors that don’t have great views of the Mississippi River. Floors 12-16 have vacancies as well as space on floors 22 and 27.

“We think there’s low-hanging fruit from a leasing perspective with great views and contiguous spaces that we can capitalize on in the first nine months,” Montross said.

GroupRMC tends to be hands off, Montross said, and relies on a property management firm to oversee local assets. Cushman & Wakefield | [Commercial Advisors LLC](#) currently serves as the leasing agent and property manager. The new ownership group is currently evaluating who will manage the property. CBRE will handle leasing under the new owners.

John Lamberson Jr., senior vice president of CBRE’s Memphis office, orchestrated the process of finding the right buyer, Pontius said.

Tuesday, the Downtown Memphis Commission’s [Center City Revenue Finance Corp.](#) board approved the reassignment of a lease associated with the seller’s 20-year payment-in-lieu-of-taxes incentive, originally approved in 2010, to the new ownership group.