



FILE PHOTO

Zeller in deal to buy LaSalle Plaza

BY SAM BLACK
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Zeller Realty Group is under contract to buy LaSalle Plaza, a 30-story Class A office building in downtown Minneapolis.

Chicago-based Equity Office Properties Trust (NYSE: EOP) put the property on the market in May without an asking price. Details of the deal haven't been disclosed, but sources familiar with the sale said it is expected to close by the end of this year.

Based on recent activity in the market, the deal could be around \$100 million.

Zeller, a commercial property investment and development company also based in Chicago, owns property in Minnesota, Illinois and Indiana.

The 588,908-square-foot building is

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about 85 percent leased. Tenants include the Rock Bottom Brewery and Palomino restaurants, the downtown YMCA and large office tenants such as Ellerbe Becker and the Robins, Kaplan, Miller & Ciresi law firm.

Dick Keller, a broker at Colliers Turley Martin Tucker, handles leasing for the building. Property management is done by Kelly Lentz of Equity Office. After the deal closes, Zeller is expected to take over both responsibilities.

Equity, a real estate investment trust, purchased LaSalle in 1997 for \$97.4 million, or \$165 a square foot.

IDS Center, which was about 95 percent leased and in a prime location, sold this summer to an investment fund of Chicago-based Inland Group for about \$198 per square foot, which would translate into a \$117 million sale price for LaSalle.

Another downtown Class A property that traded this summer was 225 South Sixth, which sold to Washington, D.C.-based ASB Capital Management for about \$175 per square foot. At that rate, LaSalle would sell for \$103 million.

James Gearen, executive vice president and

head of Zeller's Minneapolis office, declined to comment.

Zeller is buying and selling

Zeller's business model is to purchase buildings that are undervalued in a market and turn them around, though it has long owned Wells Fargo Plaza on Xerxes Avenue in Bloomington. It manages and leases space in Bloomington's Highland Bank West Building, which it sold to a pension fund in 1988.

In the past few years, Zeller has been selling instead of buying.

Last year, it sold the Minneapolis office tower One Financial Plaza to Dallas-based Behringer Harvard Funds, though it still manages and leases the building.

Zeller also is selling its only asset in downtown St. Paul, the former Minnesota World Trade Center now named Wells Fargo Place. That sale could close by the end of the year, but no prospective buyer of that property has been disclosed.

Eden Prairie-based Northstar Partners was marketing LaSalle on behalf of Equity. It also is marketing Wells Fargo Place on behalf of Zeller.

Upon the sale of LaSalle, Equity's only

remaining asset in the Twin Cities will be its 75 percent ownership stake in the Wells Fargo Center, a 1.1 million-square-foot office tower in downtown Minneapolis.

Equity disclosed a few years ago it was narrowing its focus to a dozen major metropolitan areas, and Minneapolis wasn't one of them.

In 2003, it sold the 929,000-square-foot U.S. Bancorp Center in Minneapolis for \$174 million to Wells Real Estate Funds of Atlanta.

Last year, it sold the 297,000-square-foot Northland Plaza at Interstate 494 and France Avenue in Bloomington for \$43 million to Metropolitan Life Insurance Co. of New York. A spokeswoman for Equity also declined to comment on the pending deal for LaSalle.

Emerging area of downtown

The 1991 building's exterior is highlighted by Mankato Kasota stone, reflective glass windows and black granite at the base. Typical floors are 20,800 square feet.

LaSalle Plaza is an attractive property that has some upside in a recovering real estate market, said Brent Erickson, a broker at Bloomington-based United Properties.

Demand for office space downtown still lags

the southwestern Twin Cities suburbs, where new "speculative" office buildings are under construction. But vacancy rates in downtown have declined from the high-teens to the mid-teens in the past year. Larger blocks of Class A space have become harder to find.

Zeller probably wouldn't need to invest much in the building, which has "pretty darn nice" common areas already, Erickson said.

Perhaps, Zeller could build up LaSalle's perception as a multiuse complex, he said.

The boutique Chambers Minneapolis hotel and various theaters and restaurants in the area all make it a desirable evening hot spot and an emerging area of downtown, he said.

The building also is situated near the University of St. Thomas' downtown Minneapolis campus, the Target Center and the parking facilities that serve the Target Center, which bode well for LaSalle's long-term prospects, Erickson said.

"You probably have a way to take advantage of that little quadrant of downtown."