

Business Record

SEPTEMBER 13, 2010

Central Iowa's premier source for business news

Price: \$1.75

©2010 Des Moines Business Record

Reprinted with permission from Business Publications

R&R Realty opts to remodel Three Fountains

■ With no new development on the horizon, company will update its first spec office park

BY TODD RAZOR
toddrazor@bpcdm.com

R&R Realty Group is remodeling its Three Fountains Office Park at 42nd Street and Westtown Parkway in West Des Moines as the economic downturn continues to stall new development opportunities.

The company is self-financing the approximately \$1.5 million project, which is intended to bolster the nearly 650,000-square-foot development's image and increase the commercial real estate company's competitiveness as the economy rebounds.

R&R also plans to improve other company-owned assets, such as Winwood Apartments, Aurora Business Park and Country Club Office Plaza, as the commercial real estate market, which typically lags the broader economy by 18 to 24 months in recovering from a recession, stagnates.

"We know that there is a pretty heavy supply of office space in the market right now," said Mark Rupprecht, president of R&R Realty. "We don't have any new development planned right now. We know this is something we are going to be doing over the next two to three years."

The remodel, which so far has focused on improving common areas in three of Three Fountain's nine office buildings, will include adding new wall and floor coverings, replacing ceilings, purchasing contemporary furniture, and updating bathrooms with energy-efficient lighting and towel dispensers.

Workspace Inc., a division of Storey-Kenworthy Co., was selected as the project designer.

But beyond the fresh paint, carpeting and color schemes, R&R Realty's leaders hope to not only satisfy their tenants and their tenants' customers, but also show existing and potential leaseholders how the organization is spending its time and money.

"Our company has been around for 25 years," Rupprecht said. "We've been long-term holders of the real estate. We focus on looking for new developments, but we also want to make sure we are taking care of the customers that we have."

On June 1, R&R completed its interior renovation of the Highland Building; one of the first speculative office buildings to be constructed at Three Fountains, which was developed in the late 1980s and early 1990s.

That first phase of restoration came soon after the West Des Moines-based company split with longtime investment partner Highlands Properties Inc., a Raleigh, N.C.-based publicly traded real estate investment trust (REIT) that sold R&R its stake in 1.7 million square feet of office space, and several other Greater Des Moines properties, for \$15 million.

R&R Realty, which owns and manages about 5 million square feet of office, flex and warehouse space in



PHOTO BY TODD RAZOR

From left, Tom Rupprecht, Dan Rupprecht and Mark Rupprecht at their Three Fountains Office Park. The Neptune Building is in the background.

the area, said it has no plans to sell any of its assets as it seeks a new investment partner.

"We are looking to have a partner replace their positions," Rupprecht said. "We are talking to a number of potential investors, but we have not inked anything."

“I think we are really well-positioned for the future because of our actions in the past.”

— Mark Rupprecht
president, R&R Realty Group

Rupprecht, who said R&R Realty's fundamental approach has helped it weather a tough economy, noted that the developer wants to display its commitment to being long-term owners of commercial properties and to prove it has to the wherewithal to do it.

"We also didn't get too aggressive in expansion or in growth," Rupprecht said. "I think that has really helped us prepare during this downturn, because real estate goes a lot with the economy. We've really focused on our core."

That foundational approach was laid down by Dan Rupprecht, R&R Realty's founder and chairman.

"I saw how these office parks could be a long-term part of the community if built right and maintained right," Dan Rupprecht said, referring to the genesis of Three Fountains.

He spoke of the late Marvin Pomerantz. "First of all, Mid-America Group had developed quality buildings across the street," Dan Rupprecht said, referring to Regency West Office Park, which is located a few blocks west of Three Fountains. He said Pomerantz's vision for Regency West, an eight-building, 623,000-square-foot development completed in the mid-1980s, encouraged R&R to begin constructing its own speculative office spaces.

"Back in 1985, when you look at the development plan, there weren't

many restaurants out here," Dan Rupprecht said, referring to one of the development scheme's initial challenges. But as more residential rooftops began appearing on the West Des Moines landscape, he said, things started to move quickly.

He said the build-out of Des Moines Golf and Country Club on Jordan Creek Parkway, as well as the development of Glen Oaks Country Club, which added more executive housing options in the western suburbs, also helped spur leasing activity at Three Fountains.

"They moved first, jobs moved second, and obviously the support commercial followed them. That's traditionally how development occurs in a city," he said.

When asked if he took any grief over his aggressive master plan for the sprawling development, Dan Rupprecht said he didn't fret over "figuring out if people were doing the right thing or wrong thing."

"Developers have enough problems of their own," he said.

Three Fountains tends to attract tenants in the professional and financial services sectors and includes occupants such as IMT Insurance, Morgan Stanley Smith Barney and Wells Fargo Advisors.

"That's really what we are trying to appeal toward, the higher end," Mark Rupprecht said, referring to the building's brick and glass facades and heavy, dark wood interiors. "It differentiated us a little bit in the marketplace."

R&R Realty plans to complete some exterior renovations, mainly around the buildings' entryways. Moving in the same order that they were originally constructed, the makeovers

are beginning with the Neptune, Highland and Crestwood buildings.

"We want our customers and their customers, as they're walking into the building, to continue to have a Class A image," said Tom Rupprecht, president of R&R's development division. "The entrances are being looked at, too, and will be done this fall as well."

He continued: "There have been so many years that we've focused on the new developments and what's going on, and now we're at a point in our economy where we haven't seen new development."

R&R Realty's most recent developments include the 220,000-square-foot Marsh USA office building in Paragon Office Park and Meredith V, a 150,000-square-foot warehouse in Meredith Business Park, both of which are located in Urbandale. In early 2009, the company constructed a 12,000-square-foot retail building in Paragon.

"We develop only on demand, as demand warrants it," Tom Rupprecht said, noting that his company sees no speculative construction opportunities in the near term. "The market isn't going to call for it," he said. "But we are looking for development, build-to-suit opportunities."

R&R Realty, which is one of the largest developers in Iowa, has brokerage, development, construction, property management, real estate investment and technology divisions.

"Whether it's buying out our partner or reinvesting in our properties, I think we are really well-positioned for the future, because of our actions of the past," Tom Rupprecht said. □

“I saw how these office parks could be a long-term part of the community if built right.”

— Dan Rupprecht,
chairman, R&R Realty Group