Domain Tower sold; buyer brings unconventional approach to RE investment

August 12, 2019 by Jan Buchholz

Domain Tower. Photo courtesy of HPI, HFF and Stonelake Capital Partners.

Domain Tower, developed by Dallas-based Stonelake Capital Partners and Austin-based HPI Real Estate Services and Investments, sold to a New York company that bills itself as the reinventors of the ground lease sector.

The buyer of the 11-story, 310,000-square-foot building — occupied by Indeed, the search engine for job seekers — was STAR 10721 Domain Drive LH Owner, an entity formed by iSTAR (NYSE: STAR).

Supposedly iSTAR, a 25-year-old company that has survived numerous turbulent business cycles, has figured out the next great real estate investment strategy — divvying up the acquisitions into buildings and land beneath the buildings. I honestly don’t know how this would create a better payout for investors, but perhaps I should look into it more deeply.
For now I’m just going to give you the overall landscape of the deal. Stonelake principals John Kiltz and Kenneth Aboussie Jr. conveyed the property to STAR 10721 Domain Drive LH Owner and then iSTAR created a separate LLC — 10721 Domain DR Ground Owner LLC for the land. Stonelake signed the deed July 31, Travis County records show. iSTAR filed two separate deeds the next day.

iSTAR obtained two loans secured by the properties, county records show — $91 million from Bank of America for Domain Tower the building, and $49 million from John Hancock Life Insurance Co. for the ground. I’ve never seen a transaction like this before, nor heard of iSTAR. I better study up.

BTW, HFF had the listing on this beautiful new office — but the deal closed after HFF and JLL officially merged in June. No telling if that impacted commissions.