

Industrial & innovation: Dallas-based 42 Real Estate digs in to new projects

BY BRANDI SMITH



Scott Rohrman

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As an interviewer, it’s tough to talk to 42 Real Estate founder Scott Rohrman and not ask about Deep Ellum, what is now the arts and entertainment neighborhood in east Dallas, but he graciously talked about Deep Ellum, so long as we could discuss his other love: industrial real estate.

“Deep Ellum was just a complete departure from what we’d done before,” said Rohrman, adding, “Although urban revitalization is now also part of our DNA.”

Though his company’s name is inextricably linked to the reinvigoration of what had been a largely industrial and neglected area into a successful restaurant, bar and venue scene, 42 Real Estate’s foundation is industrial built-to-suit projects.

“In the past 20 years, we’ve built about \$1 billion worth of industrial,” Rohrman said, “And we’ve developed projects in 26 states, plus Canada.”

Before forming 42 Real Estate, Rohrman served as a partner in two separate commercial real estate development companies. He also logged time at brokerage firms The Stratford Group and Fischer & Company after working as a broker at Grubb & Ellis / Henry S. Miller Company, where he started his career.

You’re no doubt wondering about the company name. Why 42? Rohrman likes to play coy with the answer. 42RealEstate.com has an entire page dedicated to the explanation of the name, or possible lack thereof. The verdict, really, is yours.

Another unique feature of the firm is its approach. Its team is divided into development management, construction management and property management because, you see, the firm does it all. Rohrman says that over the years, people have suggested hiring a construction manager and/or a property manager for his projects as that may be more efficient. Maybe so, he acknowledges, but it would also be less personal.

“We walk the streets and we talk to tenants, and we get to know them, their business and what is going on in their lives,” said Rohrman. “For most other property managers, it’s not part of their business model to build relationships with tenants like that, but that’s what we do.”



Because it handles so many of the details, 42 Real Estate clients can focus on its primary business instead of allowing issues such as potential construction overruns, schedules and convoluted entitlements to consume their time and energy.

The company’s now using its multifaceted toolbox in a new arena: speculative industrial development. It just purchased 216 acres of industrial property next to the airport in Mesquite, Texas. Accustomed to build-to-suit projects in far-flung cities, Rohrman is looking forward to this new challenge and being able to do it in his hometown is exciting.

“Not very many people in DFW realize the extent of our industrial development experience because we have tried to stay under the radar for 20+ years, so much so that we did not even have a website until six months ago. However, now we are adding another chapter to the story of our company,” Rohrman said. “We’re taking our build-to-suit profits and reinvesting into future projects, which will allow us to do both speculative and build-to-suit work.”

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42 Real Estate has worked with the City of Mesquite previously, having built a 350,000-square-foot facility there for FedEx on the old Big Town Mall site.

“The city is very proactive and has a really great staff. The Mayor, the City Manager and the City Council are focused on growing for the future, and Mesquite has a workforce of highly educated, highly motivated people with a great work ethic,” said Rohrman. “The community has a lot of services, retail and restaurants as well.”

42 Real Estate is looking for other industrial property to scoop up. A little more perspective: the FedEx facility sits on about 65 acres of land. 42 Real Estate’s new spec development site is 216 acres. Rohrman also noted that 42 Real Estate is working on four other industrial development sites in the DFW Metroplex that are not ready to be announced. They range in size from 50 acres to 400 acres and most are what Rohrman calls “close in.” The total industrial acreage 42 Real Estate will possibly control approaches 800 acres in the DFW area, and the company is negotiating on 100+ acres in Columbus, Ohio, as well as acreage in several other cities.

Big projects have never scared Rohrman off. Deep Ellum is a perfect example. Though he’d focused on industrial development for years, in 2011, the dilapidated neighborhood caught his eye. Sure, it had an industrial base, but that wasn’t what appealed to Rohrman.

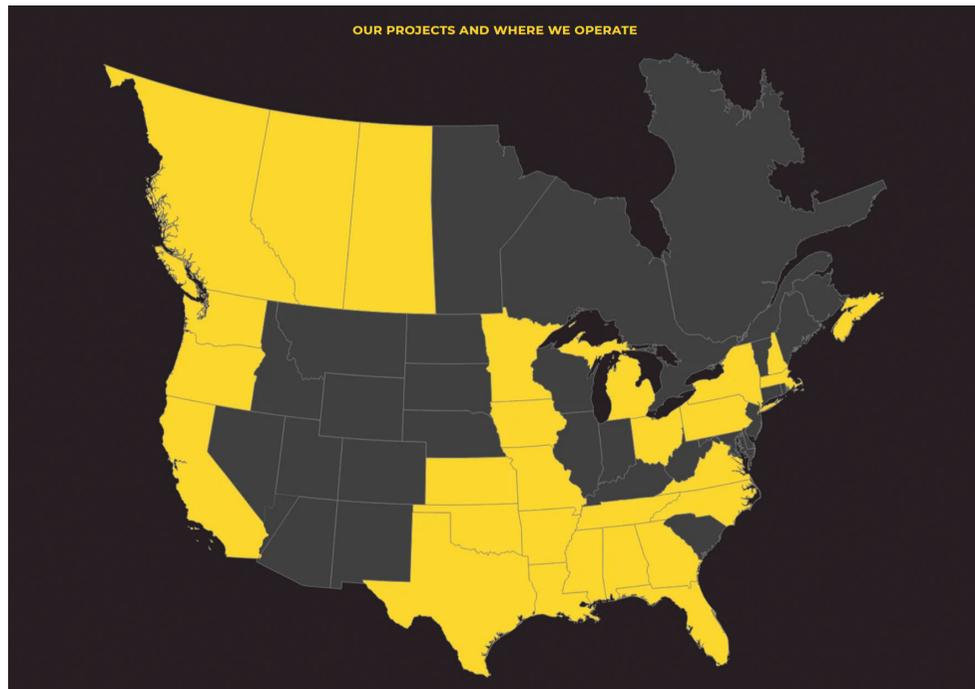
“We really felt like that area of town needed some tender love and care,” he said. “Yes, it was a way to make money, but it was also a way to give back to the city.”

It was a down market at the time and, thanks to its loyal investors, 42 Real Estate had enough in the coffers to scoop up a number of properties.

“We just felt like it was something that would work, like the timing of the market was good,” said Rohrman.

His firm wasn’t alone in seeing the potential of Deep Ellum and he credits a number of other developers who have helped reinvent the area. However, it’s worth noting that Rohrman assembled more than 55 parcels and saved a number of 100-year-old buildings. He’s sold some of those properties in the years since but has also purchased additional properties in Deep Ellum. It’s a project that, acknowledges Rohrman, will never be “complete.”

“One of my favorite books is *The Death and Life of Great American Cities* by Jane Jacobs. One of her main points is that cities are organic and chaotic. When you embrace that concept, you can actually get the benefit of many, many minds working together to make something better,” he explained. “A city is rarely as good when it is master-planned by one group, as when it is organically grown by many people with differing views. Cities take a lot of people with different ideas, all coming together and interjecting those ideas to build the fabric in a way that it couldn’t be built with just one person.”



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That’s why, Rohrman added, he’s had the attitude of working with adjacent properties instead of trying to compete with them, even going so far as to refer tenants to another owner’s building because that tenant in his competitor’s building would be a better fit for the community.

“Sometimes, we said ‘No’ to tenants. We could have had at least six different pizza joints and 35 bars, but we didn’t,” said Rohrman. “We really focused on the tenant mix and what was going to make this neighborhood work long-term.”

While Deep Ellum tends to get most of the attention, 42 Real Estate is also actively working in The Cedars, the oldest neighborhood in Dallas where it owns multiple properties, and in East Downtown, where it owns almost two dozen parcels.

“We work with cities, counties, states and other agencies to target any incentives or assistance that will both generate a healthy return and allow us flexibility to do what is right by the community,” Rohrman said.

That applies to 42 Real Estate’s industrial projects as well, including the 216-acre site in Mesquite, where Rohrman sees so much potential.

“Mesquite is just a really great place, like Hometown America in a big city,” he said.

For more information, contact Scott Rohrman via 42 Real Estate’s website: 42RealEstate.com.