

March 1, 2023

REAL-ESTATE

Former properties of embattled investor Nate Paul sell for \$102 million at bankruptcy auction



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Austin American-Statesman

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A bankruptcy court has approved the \$102 million sale of a portfolio of office buildings and a retail center in North Austin — properties that formerly were owned by Austin investor Nate Paul's World Class Property.

Paul, the subject of a pending probe by federal investigators, has been embroiled in numerous bankruptcy proceedings and legal battles with his creditors in recent years.

What are the property holdings like?

Late last week, WC Braker Portfolio LLC, a portfolio formerly affiliated with Paul's company, was sold out of bankruptcy. The properties consist of 13 single-story buildings with office and flexible space and one retail center in The Domain area, which is one of Austin's hottest real estate markets.

The buildings total more than 550,000 square feet and span nearly 44 acres on and near the intersections of West Braker Lane, Kramer Lane, and Metric Boulevard. They sit just north of The Domain, the massive mixed-use project with high-end retailers, restaurants, apartments, hotels, office towers and other development that has become known as Austin's "second downtown."

How did the bankruptcy auction unfold?

Keen-Summit Capital Partners LLC, which brokered the sale, was the bankruptcy court-approved broker and adviser to Dawn Ragan, the Chapter 11 trustee in the bankruptcy of WC Braker Portfolio. Keen-Summit is a real estate brokerage and investment banking firm that specializes in restructurings, bankruptcies and receiverships, with offices in New York and in Chicago.

The WC Braker sale is noteworthy because the bankruptcy auction drew eight qualified bidders, despite uncertainties in the real estate market, said Harold Bordwin, principal and co-president of Keen-Summit.

The \$102.25 million sales price was an increase of almost 36% over the \$75.5 million stalking horse bid. A stalking horse bid is an initial bid on the assets of an often bankrupt company. The stalking horse sets the low-end bidding bar so that other bidders can't underbid the purchase price.

More: [Businessman Nate Paul back in bankruptcy court in bid to protect Austin properties](#)



What challenges did the sale face?

The sale took place in a real estate market that locally and nationally is facing headwinds, such as slumping sales of office properties, which are falling out of favor, and uncertainty over interest rates and market capitalization rates. Market capitalization rates are the rate of return on an investment property, based on the income it is expected to generate.

Despite those challenges, Keen-Summit's marketing efforts "generated over 260 prospects who executed non-disclosure agreements and resulted in eight qualified bids for this ... quick-closing sale," company executives said. "This collection of properties ... represented a unique opportunity to own prime commercial real estate in a promising market."

Bordwin, who conducted the auction, said the WC Braker Portfolio benefits from the potential to increase occupancy rates; the flexibility to rent the space as office or flexible space; its location on 44 acres near The Domain; and the ability of some buildings to be converted to use as apartments.

"This property had it all, and the bidders knew the potential value, both short- and long-term," Bordwin said.

Matthew Bordwin, who with Harold Bordwin also is a principal and co-president of Keen-Summit, said the outcome of the sale was better than expected.

"Even with the slowdown in the Austin housing market, experts are still optimistic for the continued growth of its commercial market," Matthew Bordwin said. "Austin had seen incredible growth for many years, but with the slowdown in the housing market in recent months and the pressures facing office buildings, we weren't sure what to expect. Even so, we knew this would be an exciting auction, as there was so much to gain from this centrally located property. The outcome was everything we had hoped for and more."

How have Paul's properties fared in the past?

When Paul filed for bankruptcy last year on the WC Braker Portfolio, it was the 11th active bankruptcy filed by a Paul-affiliated entity at that time.

Paul and his World Class Property company routinely have formed limited liability companies to serve as the owner of one or more of his real estate assets. Paul controls those companies, although technically they are separate entities from World Class Property.

More: [Austin businessman Nate Paul loses 9 properties to foreclosure sales](#)

As of early May 2022, more than two dozen of those entities had filed for Chapter 11 bankruptcy protection since 2019, in some cases just before scheduled foreclosure sales. A Chapter 11 filing automatically halts foreclosure proceedings.

The year before, in June of 2021, Paul lost major pieces of his holdings during foreclosure sales -- nine properties in all. The most high-profile were the 156-acre former 3M campus in Northwest Austin and his headquarters building at Lavaca and West Ninth streets in downtown Austin.

More: Nate Paul companies alleged to have defaulted on \$258M in debt



Investment funds controlled by Los Angeles-based Karlin Real Estate LLC, which held the notes on many of the properties, acquired most of them at auction, including the 3M campus. Late last year, Karlin said it is investing hundreds of millions of dollars on extensive renovations for the 1.1 million-square-foot 3M property.

Paul told the American-Statesman that those sales were "unlawful." He said his company "still has a multibillion-dollar portfolio of properties and will be undeterred in our pursuit of long-term value creation."

When the bankruptcy petition for the WC Braker Portfolio was filed in May 2022, World Class said in a statement that it was because of Karlin — which had acquired the note on the portfolio — attempting to foreclose on it.

World Class "is more than prepared to protect its portfolio from the unscrupulous tactics of Karlin Real Estate, and its attorneys, which could never dream of creating for itself the type of portfolio World Class has amassed since its inception," the statement said.



More: [Austin businessman Nate Paul sues investigators, accuses them of lying to obtain search warrants](#)

In response, Karlin Real Estate said: "We continue to be disappointed that Mr. Paul refuses to pay his undisputed debts. We look forward to the appointment of a trustee to manage the estate."

<https://www.statesman.com/story/business/real-estate/2023/03/01/austin-tx-real-estate-nate-paul-former-holdings-bankruptcy-auction/69950500007/>