

Agents Toast Forecast of Strong Year Across the Board

Site on La Jolla Village Drive Bought for New High-Rise Office Tower

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This is shaping up to be a healthy year for several San Diego real estate markets, according to Grubb & Ellis' newly released 2006 Real Estate Forecast for Southern California.

Some tidbits:

- The San Diego office market contains the fundamentals for an “unyielding year” in 2006. Strong tenant demand, low vacancy rates and rising asking rates will all continue to draw investors and keep the market healthy.
- The industrial forecast is one of continued positive expansion during the year, despite rising interest rates, limited long-term supply and increased construction costs.

Many other factors, such as strong consumer confidence, a diverse and optimistic business climate and healthy job growth, both from a local and national standpoint, will be key in keeping the San Diego industrial market growing throughout 2006.

- The retail real estate market in San Diego is expected to remain extremely active throughout 2006. Retail properties will continue to thrive as vacancy rates remain at historic lows and upward pressure on rental rates continues to increase.
- The forecast for San Diego's investment market will remain “highly competitive” for all property types. The availability of capital, positive market fundamentals and limited supply will sustain investor activity throughout the year.
- The multi-housing investment market is healthy, as all of the trends from both an economic and a real estate perspective support continued activity from multi-housing investors during 2006.

- The residential land market is expected to remain active, with moderate slowing, as interest rates rise and single-family affordability lessens. More activity is expected from larger corporations, which can afford more risk, despite increasing land prices, according to the report.

Based on the desirability, scarcity and availability of residential land in San Diego County, 2006 will be “another positive year for landowners and developers.”

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Big Deals: The San Diego office of Hines, an international real estate firm, recently announced its purchase of a 3-acre site along La Jolla Village Drive for development of a 450,000-square-foot high-rise office tower — the first to be built in that sub-market since 1991, according to Hines. The project will likely be 15 to 20 stories tall, depending on what’s appropriate for the market.

The company, which acquired the parcel from an affiliate of Makar Properties LLC for an undisclosed sum, plans to build the office building in the third quarter of 2006 on the site of La Jolla Commons, a 12-acre mixed-use campus. The site also will include the luxury hotel and high-rise condos that Makar plans to develop.

Hines, which served as development manager for Petco Park and Tony Gwynn Stadium and Aztec Center at San Diego State University, also recently acquired Pacific Plaza, a three-building, 220,000-square-foot Class A office campus in Torrey Hills, and Golden Eagle Plaza, a 22-story, 425,000-square-foot Class A office building in Downtown San Diego.

Paul Twardowski, whose appointment to lead Hines’ San Diego office was announced Jan. 6, was responsible for managing both acquisitions and will be leading the long-term asset management program as well.

With the sale of Centerpark Plaza and Sorrento Tech Business Park, the San Diego-based Shidler Group has closed its investment in the San Diego research-and-development portfolio, which it purchased in August 2004 for \$61.9 million.

The 15-building portfolio, which was sold in four separate deals for a total sales price of \$91.7 million, consists of 438,142 square feet of office and R&D space, and is located within three business parks — Pacific Point, Centerpark Plaza and Sorrento Tech Business Park.

Emerald Venture Group of San Diego and prominent private club operator ClubCorp of Dallas, teamed up in repositioning nine holes of golf and the current driving range of the Aliso Viejo Golf Course in Orange County into a master-planned community. The

venture was guided by the Century City law office of Pillsbury Winthrop Shaw Pittman LLP.

Burnham Real Estate's Capital Markets Group arranged a \$35.5 million permanent loan for the refinance of the Carlsbad Hilton Garden Inn, a 161-room hotel on Carlsbad Boulevard. James Dick of Burnham arranged the loan for the borrower, Wave Crest Resorts LLC, through an East Coast institutional lender. The building will be held as an investment.

CB Richard Ellis announced that 555 W. Beech Street Corp. has sold an 84,635-square-foot office building at 555 W. Beech St., at the gateway of Little Italy, to MCS Orchard Plaza, LLC, for \$19.8 million.

Grubb & Ellis/BRE Commercial announced the sale of a three-building portfolio that includes the Rio Vista building on Rio San Diego Drive, and Kearny Mesa Crossroads on Convoy Street, for a total of \$47.3 million. The seller was Scanlan Kemper Bard Cos., and the buyers were Greenlaw Partners and Guggenheim Real Estate PLUS fund.

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Onward And Upward: Old Town Plaza at 2251 San Diego Ave. has reached 100 percent occupancy with the recent lease signed by Morley Builders for 1,087 square feet.

The 57,700-square-foot, two-building, two-story office project also houses a UC San Diego, administrative office, Anteon Corp. and Hawthorne Benefit Technologies.

Intermarket Investment Group owns and operates Old Town Plaza. Richard Gonor and Derek Applbaum of Grubb & Ellis/BRE Commercial have represented the landlord on all transactions, and are the exclusive market team for the Old Town project.

Grubb & Ellis also announced that Sunroad Centre on Kearny Villa Road has reached 100 percent occupancy with the recent signing by Sharp HealthCare, which is taking 17,305 square feet for 10 years for \$3.8 million. Tony Russell and Gonor have represented the lessor on all the deals, and act as the exclusive marketing team for the project. Dan McCarthy and Jim Laing with Burnham Real Estate represented Sharp.

The Allen Group, a developer of industrial and office properties in the western United States, has established its corporate headquarters at the Diamante Del Mar office building in Del Mar, the newest Class A office development completed by the Allen Group.

Frank Middleton has been selected to establish a Southern California foothold for Wood Partners, LLC, a national real estate company that specializes in state-of-the-art multifamily communities.

He'll be looking for opportunities to acquire land, establish new communities and partner with existing developers, and will be supervising the development and financing for all new projects in Southern California, including San Diego, Orange and Los Angeles counties, and the Inland Empire, and, eventually, throughout the state.