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Condos Go Rental as Market Weakness Persists

REAL ESTATE: Investors buy Valley Village units in \$26 million short sale.

By Max Zimbert



Magnolia Nest complex.

With the housing market still weak, new upscale condominium developments are continuing to be converted into apartments.

The latest example is Magnolia Nest, a 97-unit in Valley Village that was completed this year and recently passed into new hands in a \$26 million short sale.

The 128,000-square foot-property, which includes an oversized spa, weight room and putting green, was acquired in October by Brooktree Reality

Investors, a Beverly Hills-based investment group.

The property was sold by Studio City investment group Magnolia Nest LLC. The note holder, New York real estate investment trust iStar Financial, agreed to a \$26 million offer – \$10 million less than what it was owed, said Clark Everitt, a vice president at Encino-based Investment Real Estate Associates, which represented the buyer and seller.

“Our perspective is lenders are willing to cooperate under the right circumstances with the short pay,” he said. “It gets them the funds faster and it avoids any kind of legal hassles that may arise with trying to foreclose on a property.”

The condominium market remains weak. The median price of a unit in the county has been about \$300,000 for the past three months, while sales were off 19 percent in October from a year earlier, according to HomeData of Hicksville, N.Y.

“There’s a wonderful exit strategy seven to 10 years down the road,” said Everitt, who noted that the building could be converted back into condos at that time.

Everitt’s brother William, a vice president at IREA, also represented the buyer and seller.

First Lease

Empire Center, a Burbank office building that has sat vacant since it was completed in April of last year, has scored its first tenant, the Business Journal has learned.

Cast & Crew Entertainment Services, an entertainment industry payroll services provider, signed a 10-year lease at 2300 W. Empire Ave. valued at roughly \$15 million.

The company, with about 200 employees, will occupy the entire fifth floor in the seven-story, 364,000-square-foot Class A building. Its 51,000 square feet of space is a step up from its 36,000-square-foot space on 100 E. Tujunga Blvd.

"It's the newest building in the airport submarket of Burbank," said Scott Katcher, corporate managing director for New York-based Studley, which represented the tenant. "The large floor plates were very beneficial for our client as it allowed them to remain on a single floor and ... provide for excellent growth."

Cast & Crew is expected to move in before March.

Empire Center was built without preleasing by Higgins Development Partners of Chicago. Clarius Partners, formed by a group of former Higgins Partners, later took ownership along with Walton Street Capital, also of Chicago.

Patrick Church, a senior vice president at CB Richard Ellis Group Inc.'s Universal City office who represented the owners, said it wasn't surprising the building sat vacant as long as it did.

"We knew it would take us some time to get some leasing momentum and we feel very strong," said Church, who is in talks to sign up more tenants before the end of the year.

Anneke Greco, of CB Richard Ellis, also represented the landlord. Len Nadler, a senior managing director with Studley, also represented the tenant.

South Bay Deal

With the South Bay industrial vacancy rate bouncing along near 3 percent, a recent big lease by Watson Land Co. has given the market a much needed boost.

The large Carson-based land owner and developer leased more than 219,000 square feet this month to Price Transfer Inc., a logistics firm based in Carson

Price Transfer added the space to its existing 696,558 square feet at 1130 E. 230th St., where it occupies three buildings. The five-year lease is valued at \$6.8 million.

Price Transfer is a leading provider of centralized examination station services to the U.S. Customs and Border Protection agency. The company's program allows customs agents to inspect imports at its warehouses, expediting goods movement.

Price Transfer President Rick Lorenzen said the lease reflects the surprising growth of international trade this past summer. "The growing port demand required us to scale up our operations within the South Bay market," he said in a written statement.

Jay Jasaitis of Los Angeles Real Estate Management represented Price Transfer, and Watson Land was represented in-house by Mike Bodlovich and Lance Ryan.