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# Hot properties

Commercial sales in the county saw record prices, much LIKE the housing market, with demand greater than supply. Here are the top five of 2005.

**By MATHEW PADILLA**

The Orange County Register

While all eyes were on the housing market in 2005, commercial real estate boomed with the top five sales surpassing \$100 million *each*.

Glittering office towers dominated the five biggest sales by dollar value in Orange County last year, with one shopping center tossed into the mix.

The top sales, worth \$831 million, were compiled from information by Bethesda, Md.-based market tracker **CoStar Group Inc.**, commercial brokers and press reports.

Sale prices for 2005's biggest deals involving offices, shopping centers and industrial buildings reached – and in some cases, surpassed – the high-water mark of the late 1980s.

Brokers said that investors – from pension funds to private companies – aggressively competed for the county's premium properties.

And investors and brokers expect 2006 to be an even stronger year



\$130 MILLION: The Century Centre, Irvine

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for sales than 2005. They're betting on strong job growth and limited construction of new buildings to lure more investors. Winning 2005's intense bidding on local properties meant investors accepted lower initial returns with the expectation that commercial-property rents are rising, said Bob Smith of **CB Richard Ellis Inc.**

For example, office rents are poised to rise 10 percent or more annually over the next couple of years, Smith said.

Another selling point of local properties is limited competition from new office buildings, Smith said.

And any new building will be pricey because of spikes in the price of steel and other building materials. In addition, finding suitable land is tough. Housing developers are buying commercial buildings or land zoned for commercial development for homes.

"You are not going to see new high-rises built for cheap," Smith said.

The biggest O.C. sale in 2005 was San Francisco-based **RREEF Funds'** purchase of three office high-rises and other facilities in Costa Mesa.

The pension fund advisor bought MetroCenter at South Coast, which was listed for \$249 million. The actual sale price was not disclosed.

MetroCenter's listing price works out to \$317 per square foot for the nearly 786,000-square-foot office complex. In the late 1980s, office high-rises traded around \$300 per square foot, according to CB's Smith and other brokers.

The purchase of the twin six-story office buildings at Bayview Corporate Center in Newport Beach set a new per-foot standard. Pension-fund advisor **AEW Capital Management** of Boston paid \$117 million – and at \$369 per square foot, that's the highest per-foot cost in the Voit Cos.' local database.

Jerry Holdner, a researcher with developer **Voit**, expects prices to break \$400 per square foot this year. Bayview was constructed in 1991 and newer buildings should command higher prices, he said.

Shopping centers also drew heated investor interest, said Reza Etedali, head of retail brokerage **REZA Investment Group** in Irvine.

Buying competition was so intense that investors accepted initial returns of 5 percent for the best centers, Etedali said. As recently as three years ago, similar returns were 7 percent.

A big reason for the decline: an immense amount of money chasing real estate, Etedali said. He said pension funds and foreign investors are buying securities backed by real estate.

"This capital is coming primarily from Wall Street," Etedali said.

O.C.'s second-largest sale last year was by San Jose-based investor **DJM Capital Partners Inc.** It got shopping center Bella

Terra in Huntington Beach for \$225million.

DJM bought the roofless mall, formerly the site of Huntington Beach Mall, amid a major redevelopment. The investor teamed with a unit of Detroit's **General Motors Acceptance Corp.** to close the deal.

## Orange County's hottest commercial properties

Here's a look at the top commercial sales of 2005, including office and industrial buildings and shopping centers.

Property name	Sale price, in millions	Description	Address	Buyer
MetroCenter at South Coast	\$249*	Office park with three high-rises	535-575 Anton Blvd, Costa Mesa	RREEF Funds LLC of San Francisco DJM Capital Partners
Bella Terra	\$225	Shopping center	7777 Edinger Ave., Huntington Beach	of San Jose and General Motors Acceptance Corp. of Detroit
Century Centre	\$130*	Two 13-story office towers	2601 Main St., Irvine	Olen Properties Corp. of Newport Beach
Bayview Corporate Center	\$117	Twin six-story office buildings	100 Bayview Circle, Newport Beach	AEW Capital Management LP of Boston
Conexant Systems headquarters	\$110	Two office high-rises	4000 MacArthur Blvd., Newport Beach	KBS Realty Advisors LLC of Newport Beach

\*The property's list price; actual sale price not confirmed.

This list was compiled from information provided by Bethesda, Md.-based market tracker CoStar Group Inc., commercial brokers and press reports.