

ATC Partners Moves into New Markets with Bankruptcy Buy

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LOS ANGELES, CA - Value-added investors continue to find good deals in vacant industrial property in the popular Los Angeles market as they bank on expanded military spending in Southern California. Private investors are finding this to be a great time to enter new markets. San Francisco-based ATC Partners LLC should close today on its first L.A.-area acquisition as the company tries to double its \$300M portfolio with Southern California properties.

ATC Partners contracted to buy the vacant Exodus Communications campus at 202 North Nash St. in El Segundo, CA. The investor bought the property through a public bankruptcy auction held by the Santa Clara, CA-based telecom company. The total value of the transaction is more than \$14M, including approximately \$5.6M in improvements that ATC spent prior to closing.

ATC Partners was attracted to the property's two-story parking garage with about 400 spaces, plus approximately 100 more uncovered, street-level spaces. The high parking ratio for an industrial facility make the property attractive to a variety of users. ATC Partners hopes to sign a single manufacturing or R&D tenant after repositioning the mostly warehouse building. The investor aims for returns above 20% when the property is stabilized.

El Segundo's economy has held up well and has a vacancy rate of approximately 3%. In addition to investors, users are competing for space as companies such as Raytheon, Direct TV, and Infonet have acquired more than 500,000 s.f. within six blocks of this property during the last 18 months.

The 25-year-old building sits on about 5.5 acres and includes approximately 32,000 s.f. of office space. The warehouse portion features 24-foot clear height and 10 loading docks. ATC Partners is building a new, two-story entrance on Nash Street; updating the office area and loading docks; and improving the warehouse area to suit a tenant's needs. Colliers Seely will market the property.

ATC, with managing partner Mike Halper, has purchased and renovated \$300M in office and industrial properties in the San Francisco Bay Area during the company's 10 years. ATC won an AIA award in 2001 for renovation project at 300 California St., a 144,000 s.f. office building in San Francisco's financial district. The building was vacant when purchased and now has GAP.com and Electronic Arts as tenants. Office supply retailer Staples is also moving in.

ATC turns its attention south as it looks for value-added office and industrial properties, either vacant or stabilized, in strong in-fill markets. It focuses on buildings that institutional investors would overlook now but may be attracted to after ATC finishes polishing and leasing them up. The investor also wants to diversify its portfolio with core-plus properties with going-in cap rates in the 9% to 10% range. It seeks office properties starting at \$10M and industrial facilities starting at \$7M. The typical hold period is two to seven years.

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