

Buyer Snares Bargain at Oakland Office Tower

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OAKLAND, CA - In what experts call a below-market buy, ATC Partners LLC has purchased 1333 Broadway in Oakland for \$31.8 million.

Mike Halper, managing member of San Francisco-based ATC Partners, said the partnership has been looking for an entry into the market.

"We love Oakland," Halper said. "We think it's an undervalued market, and we see great opportunity going forward."

Lubert-Adler Management Inc. of Philadelphia was ATC's financial partner on the deal, which closed May 11.

At \$130 per square foot, the price is about average for what Oakland buildings have sold for in the last year, said Gary Willard of CB Richard Ellis Inc. Willard and Rick Calhoun of CB arranged the transaction.

Ken Meyersieck, an investment properties specialist at Colliers International in Oakland, said ATC got a good price for the 11-year-old building.

"The price is not indicative of the market today," Meyersieck said.

The 10-story, 236,000-square-foot building is fully leased with Provident Financial as its major tenant with 145,000 square feet. Other tenants include the County of Alameda, Bechtel Group Inc. and Zions Bancorporation. Rent for tenants averages \$20.40 to \$21.60 per square foot, below the current market average of \$30 per square foot.

One disadvantage to the building is that ATC must wait seven years before the main tenant's lease expires.

"There is a limited amount of upside in the short term, but in the long term, (ATC) is clearly buying it at a significant discount." Meyersieck added that the purchase is below what it would cost to build a new building of similar quality today.

ATC was among 10 potential buyers who competed for the building, Willard said. The interested companies ranged from pension plans to small companies.

Normally, Oakland building sales generate four to five buyers, Willard said.

"Oakland is hot right now," he said. "Oakland is benefiting from demand coming from San Francisco and the Peninsula where there are higher rents and no space."

Meyersieck agreed. "The market continues to bubble along," he said. "It softened a little bit with the correction in the Internet world, but we still have a real shortage of space and strong demand, albeit probably not as strong as 90 to 120 days ago."

ATC is a partnership of Halper, a former Trammell Crow executive, and Tom Keane, a former San Francisco Chronicle reporter and employee of Clint Reilly's real estate business.

ATC owns 1.5 million square feet of office space in the Bay Area, including 300 California and 1000 Sansome in San Francisco.

Two Oakland office buildings now on the market include 180 Grand Ave., which is being listed by Marcus & Millichap and Lake Merritt Tower at 155 Grand Ave., which is being listed by Willard.

by Amanda Bishop < from San Francisco Business Times