

Prentiss plans to buy 1333 Broadway

Katherine Conrad, San Jose Bizjournals

Stepping up its buying spree in Oakland, Prentiss Properties Trust now proposes to purchase 1333 Broadway from San Francisco-based ATC Partners LLC.

"We're trying and we think we will succeed. Our intent is to buy it," said Mike Keely, regional director of leasing for Dallas-based Prentiss. "But we're a publicly traded company so we can't pre-announce our acquisitions."

If the company succeeds, 1333 Broadway will be added to an impressive roster of buildings in Prentiss' portfolio, including 1901 Harrison St., the Ordway Building at 1 Kaiser Plaza, 155 Grand Ave. and 2101 Webster St. The Webster Street tower was bought last fall for \$64.75 million from the estate of Charles Pankow, founder of Pankow Builders.

"We've done very well in Oakland," Keely said. "We like what's going on in Oakland, especially with all the housing."

Prentiss now owns 1.4 million square feet of the Lake Merritt market. If the Broadway building closes escrow, Prentiss will compete toe-to-toe with Oakland's other large landlord, Shorenstein Co., which owns 1.5 million square feet in downtown Oakland market.

The sale of the 10-story Broadway building, which is 95 percent leased, marks a change in investment strategy for ATC Partners and its real estate fund, Lubert Adler of Philadelphia, which bought the Broadway building in 2000 for \$31.8 million. That price was considered low at the time. The current selling price was not disclosed, but it was rumored to be about \$40 million.

ATC, which also has 300 California St. in San Francisco on the block, is focusing on Class B, suburban office products, according to Mike Halper, ATC's managing member.

The firm just bought the Woodlands, a two-building, 48,000-square-foot business center in Walnut Creek's Shadelands business park that is 25 percent vacant. The purchase follows close on the heels of buying West Valley Executive Park in San Jose for \$18.6 million.

"The ones that we're buying is the B product," Halper said. "It is a switch in strategy, but that's where the market is and that's where we're able to get our returns."

ATC will be trading such tenants as Providian Financial Corp. and URS Engineers, both of which command three floors in Oakland, for dozens of much smaller tenants in Walnut Creek.

"We're looking to attract the smaller tenants of the world these days. We have been pursuing this strategy for a year," Halper said. "There's actually over 50 tenants. We're building up a portfolio of insurance agents and chiropractors and dentists, the tenants who need amenities, but don't want to commute into the city."

ATC plans to spend \$350,000 to \$400,000 sprucing up the buildings, constructed in 1980 by owner Palo Alto Corp. Since ATC signaled its intent to buy, tenant interest has increased and Halper predicted the Woodlands would be 95 percent leased within a few months.

Halper agreed the number of tenants requires intensive management, which the large institutional investors have neither the capability, nor the interest to do.

"The exit on selling the buildings typically is more difficult, but that's where we fit in, that's our niche," he said. "We plan to buy more buildings like this, fixing them up. It's recycling, that's exactly what we're doing."

ATC is not done buying, but Halper said he does not expect to reach the company's goal of \$150 million worth of product in 2005.

"That is not going to happen. In April we had spent \$25 million," he said. "If we pass \$100 million that would be great. It's very competitive right now."

The investment brokerage team of Eric Ericson, Andy Zigelboim, Scott Kinsey and Kevin Van Voorhis from Colliers International handled both sides of the deal.

"There was really strong competition for the properties," Ericson said. "We sold the Woodlands off in two transactions. There's a total of five buildings and we were hired to sell four of them. We sold two last fall."

Ericson said the Shadelands office park, often regarded as out of the way, always becomes more popular as Walnut Creek downtown rental rates begin to rise.

"There's two reasons why tenants go out to Shadelands. They live nearby or it's a flight from high rents downtown and they don't want to move to Concord," Ericson said. "Tenants also consider Bishop Ranch (in San Ramon), but the commute down 680 is a challenge."

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