



Property Markets

Transwestern Selling Suburban L.A. Midrise

Transwestern is selling Pacific Pointe, a 257,000-square-foot office in Los Angeles County. It hopes the 12-floor property will fetch \$53 million, which would be \$5 million less than it paid in 2006. CB Richard Ellis has the listing.

Transwestern bought Pacific Pointe from a partnership that included Younan Properties and Urdang. During its hold, Transwestern increased occupancy from 70% to 90%. Tenants include Sun Microsystems' SeeBeyond unit. Asking rents of \$250 a foot for Class A space in the building's submarket are being negotiated to less than \$235 a foot, according to a local leasing broker. The property, at 837 W. 190th St. in Gardena, was built in 1988 and has 20,500-square-foot floor plates.

Transwestern and CB Richard Ellis didn't return calls. It could not be determined why Transwestern is selling.

Private Buyers Winning Larger Share Of Retail Deals

Retail investors are winning more deals as debt and allocation issues sideline real estate investment trusts and institutional buyers. Private buyers have closed on 78% of the U.S. retail deals greater than \$5 million so far this year, up from 57% in the same period last year, according to data compiled by Real Capital Analytics.

New York-based **Katz Properties** bought a Stop and Shop Plaza in March at a cap rate 200 basis points higher than it would have seen during the run up in prices two years ago, said **Daniel Katz**, principal. The company acquired the 123,000-square-foot, grocery-anchored center in Enfield, Conn., from Centro Properties Group for \$15.5 million. **Katz** has another property in Baltimore under contract. "We're certainly dipping our toe in the water much more this year than last," he said. "The last couple years, our cost of capital has been much more expensive than [that of] REITs with LIBOR-based credit lines."

Paramount Realty Services is seeing more opportunities as well. The Lakewood, N.J.-based firm is seeking centers in the New York tri-state area at cap rates between 9% and 9.5%. It closed in April on Enfield Commons, another center in the Connecticut city, that was also being sold by Centro. "Usually you wouldn't see so many unbelievable centers that fit into our criteria," said acquisitions analyst Lee Zekaria. "The

numbers make sense."

To be sure, all retail buyers have fewer deals to look at this year because falling property values have made most sellers reluctant. "There aren't as many properties out this year and we're seeing the same people bidding over and over," **Katz** said.

Car Dealerships Present Unique Redevelopment Plays



Andrew Perel

With as many as 1,200 car dealerships expected to close in 2009, according to data from the National Association of Auto Dealerships, commercial real estate developers may be looking at the sites for possible commercial or retail redevelopment plays. But making sure that the sites pass stringent environmental

cleanups can be tricky.

For obvious reasons, there can be major environmental issues at former car dealerships. The severity of the problem usually depends on the focus of the dealership, said Andrew Perel, a partner at Steptoe & Johnson. Dealers that exclusively sell new cars tend to have fewer environmental problems than dealers that sell new and used cars. An additional wrinkle may come if the dealership had a service department and/or a body shop, both of which tend to increase the potential environmental hazards. Cleanup may be extensive but generally is possible, he added.

Even if they are not the party that owned the dealership, developers need to be aware of liability issues. "In some states, just because you comply with property transfer laws doesn't mean that you are in compliance with all environmental laws," Perel said. "There are situations where an owner might find out six months later that they are not in compliance with environmental laws."

Still, there are a number of ways for former dealerships to be redeveloped, particularly in urban areas, Perel said. In highly urban areas, where there is substantial demand for residential housing, it might even be possible to use a former dealership site for a high-rise apartment. A developer could excavate several floors below the street level and then rebuild on top of that, adding one or two levels of commercial space before building an apartment building that starts two or three stories above ground level. "In highly urbanized areas where each square foot is at a premium and residential would be an option, you could do a creative environmental solution," he said.