

The New Investor Playground: What They're Looking At

FINANCE: Long-term leased properties in the best buildings with the best tenants are sought.

Investing in real estate can be a profitable venture these days.

Some are buying up rental properties which can provide continued returns, while others are looking for cheap deals to turn at a profit.

Today real estate professionals are seeing two different approaches from investors.

"The most common form of money out there is opportunistic money", according to John DeGrinis, Senior Vice President with Colliers International's Encino office.

This approach seeks value through distressed opportunities, which have not been that prevalent in the market as banks are still behind when it comes to dealing with their REO portfolios.

The other "bucket of money" being brought forth mainly by institutional buyers, is seeking yield, according to DeGrinis.

"With treasury yields in the 1 percent to 2 percent range, certain institutions have been focused on acquiring "core assets" in the industrial and office arena," he wrote in a recent summary of Colliers' Third Quarter 2010 Industrial Market Report.

Investors are going after long-term leased properties with the best tenants, in the best buildings, within the best markets, and are achieving significant activity given that they offer the investor a reasonable yield with little credit risk, he said.

Competition among investors has been growing and multiple bid offerings are becoming the norm.

According to DeGrinis, this type of buyer is willing to pay a higher value in comparison to similar vacant or partially vacant buildings in order to capture yield, but the investment must have a lower risk profile (fully leased

er price.

Investors are snatching up good opportunities in multi-tenant properties in the San Fernando Valley, looking to take advantage of stable recurring income.

As an example, Brett Warner, senior vice president and principal of Lee & Associates-LA North/Ventura, Inc. represented the seller in the sale of a pair of multi-tenant industrial buildings totaling 25,660 square feet at 7250-7300 Fulton Ave. in North Hollywood, CA to a group of private investors.

The property was fully occupied at the time of the sale. The two buildings traded at approximately \$100 per square foot.

"This property was an ideal opportunity for a private investor," Warner said. "It is not only well located and value-priced, it was fully occupied with a mix of small units that are highly desirable in this area and command premium rentals."

Richard Hollman of the Hollman Company represented the buyer in the North Hollywood transaction.

Market Recap

In the world of commercial real estate average rental rates continued to slide during the third quarter. Rates dropped to a weighted average of \$0.54 per square foot triple net for the entire region, from \$0.55 per square foot triple net the previous quarter, and from \$0.60 per square foot triple net one year prior, according to Colliers International's San Fernando Valley and Ventura County Third Quarter 2010 Industrial Market Report.

Average sale prices also decreased to a median of \$110 per square foot for the region, from \$115 per square foot the previous quarter, and from \$136 per square foot one year prior.

Retail Leases

Capital Realty Solutions, Inc. of Encino recently completed three retail lease transactions in the San Fernando Valley.



REAL ESTATE

Andrea Alegria

placed her in this location which is ideal for animal hospital services," Joshi said. "The site is a prominent center with a high traffic count and good signage."

In a separate transaction Joshi represented Chris Rodriguez in the five-year lease for 1,000 square feet of retail space at "Yozya Plaza", located at 7344 Van Nuys Blvd. in Van Nuys.

Rodriguez will use the facility for a restaurant and a wire transfer service for Sigue Corporation, a leading financial services company providing international electronic money transfer services to Mexico, Central America, South America, the Caribbean and the Philippines.

Joshi represented both the lessee, and Shaina Properties LLC, the landlord. "Our firm has had a long-standing association with this owner and has represented them on multiple transactions, including the acquisition of a 14-unit apartment building in Canoga Park this past summer," Joshi said.

Joshi also reported that another 1000 square feet of space was leased at the "Yozya Plaza" in Van Nuys by a hair salon. Joshi represented both parties.

Jay Leno

Jay Leno is adding more space for his car and motorcycle collection it seems.

Colette Ramirez, Senior Associate at

Solutions, represented the operators of animal hospital Janet Meyerhoff DVM, in the seven-year lease of office in Woodland Hills Village, located at 20939 Ventura Blvd. in Woodland Hills

"The lessee had a defined geographic requirement, and we

Darren Cline recently represented BIG DOG GARAGE LLC (Jay Leno's company) in the acquisition of a warehouse located at 4545 West Chermak Street in Burbank. The warehouse was an addition to the other five locations Leno owns surrounding this building, which he uses to house his prized motor vehicles. The all cash deal went down for \$1,003,500.

Grubb & Ellis also represented the seller.

More Transactions

NAI Capital's Santa Clarita Valley office closed a string of transactions recently.

Chris Jackson and Todd Lorber represented 3rd Building, LLC in the investment purchase of an 18,720 square foot industrial building situated on 88,910 square feet of land at 26477 Ruether Avenue, in Santa Clarita from Jawahar & Malkaiat Saini. The transaction was valued at \$2.5 million. The buyers plan to reposition the property in the future. The sellers represented themselves in the deal.

In another transaction, John Cserkuti along with Kevin Fenenbock of Colliers represented the seller, MDI Cinema Drive, LLC in the sale of an 8,189 square foot retail building situated on 33,180 square feet of land at 23360 Cinema Drive, Valencia to Fred Hoblit. The buyer owns a bicycle shop which he is expanding and relocating to the new space that was formerly occupied by Trader Joe's. Zeke Patterson and John Erickson of Colliers represented the buyer in the deal. The transaction was valued at \$1.825 million.

In a separate lease transaction, Tristan Greenleaf along with Bryan Norcott and Bill Bauman from Studley co-represented Hoprock Palmdale, LLC in the lease of 6,199 square feet of retail space at 38209 47th Street, Suite A, in Palmdale to High Desert Medical Group. The long-term lease is valued at over \$1.2 million.

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