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Embarcadero Capital Pays \$18.8MM for Office/R&D in Pleasanton

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By Jon Peterson

Belmont-based Embarcadero Capital Partners has bought the 104,741 Square foot Arroyo Center in Pleasanton for \$18.8 million or about \$180 per square foot, according to sources familiar with the property.



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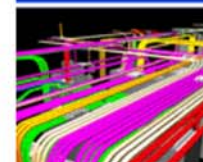
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The seller of the property was a joint venture with San Francisco-based Cannae Partners and certain affiliates of Wilton, Conn.-based Westport Capital Partners. The previous owners had owned the property for at least a couple of years. They marketed the property for sale through HFF in its San Francisco office. This firm was represented in the deal by Steven Golubchik and John Simerlein, director. HFF declined to comment when contacted for this story.

The sale of the office/R&D complex produced a cap rate of 8.5 percent, according to sources that were aware of the deal. This return is based on the property's existing net operating income. The property was sold on an all-cash basis.

The property was renovated over the last 12 months, and it is now fully leased to two tenants, Hewlett-Packard and Gatan, a subsidiary of Roper Industries. Arroyo Center is located at 5758-5794 West Las Positas Boulevard. It stands on 6.69 acres and is in the Hacienda Business Park.

The complex does have a future value-added component to it despite being a stabilized asset now, according to sources familiar with the location. One way to go would be to re-tenant the property when the existing leases start expiring in three to four years. The rents in the property now are 10 percent below market and potentially could be 15 percent to 20 percent below market when they expire.

The other possibility is to get site of Arroyo Center re-zoned for residential use. This is something that the sellers did last year on an adjacent site to the complex and sold the land to San Ramon-based SummerHill Homes.

Embarcadero Capital is no stranger to owing real estate in Pleasanton. According to its Web site, it also owns the 105,044-square-foot Las Positas Office Plaza located at 5976 & 5994 Las Positas Boulevard. The company has owned the asset since September

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The office/R&D market in Pleasanton remains tight. Vacancy is now in single-digits for this kind of space. This East Bay market is attracting more interest from tenants of Silicon Valley. This is happening as tenants are seeing that rents can be \$.25 to \$.75 per square foot cheaper in the East Bay, according to sources familiar with the marketplace.

Another factor is some companies in the Silicon Valley have their employees living in the East Bay. A move into the region is another way for companies to give an extra benefit to their employees by reducing their commute time substantially.

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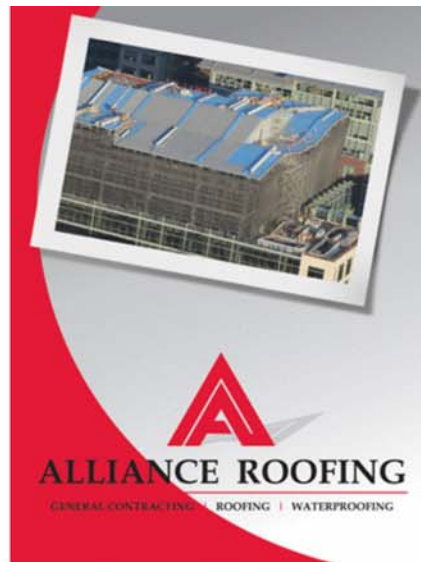


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JUN 24 Tue

12:00 pm - View Details
SMPS East Bay - CHAT

JUN 25 Wed

5:00 pm - View Details
IFMA Silicon Valley - Mid-Year CRE Review and Liquid Space

JUN 26 Thu

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Mohawk Group - Design Studio Opening

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