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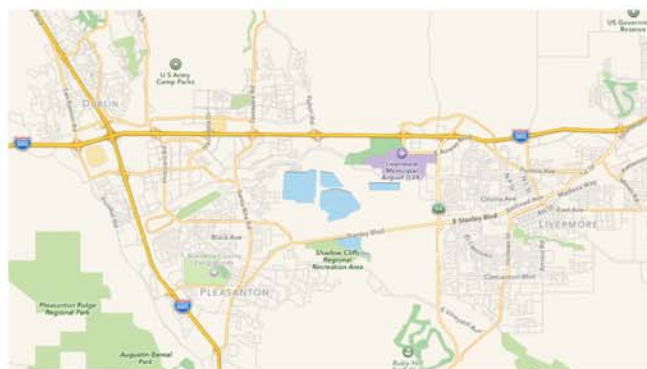
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Commercial



Sale of R&D Portfolio in Pleasanton Earns 6.5 Cap Rate

Posted on May 28, 2015 by publisher in Commercial, Finance, INDUSTRY news



By Jon Peterson

The sale of three-building R&D portfolio from earlier this week in Pleasanton is looking to earn a cap rate at 6.5 percent. "This return is based on the current rent that is in the property now. We believe that the return will go up to 8 percent once the property reaches stabilization of 95 percent occupancy," says Trevor Wilson, founder of San Francisco-based Ridge Capital Investors.

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This firm acquired the three properties along with its capital source, Greenwich, Conn.-based Contrarian Capital Management.

The properties are located are 5870 Stoneridge Drive, 4511 Willow Road and 5735 West Las Positas Blvd. The office/R&D assets total 191,009 square foot. This makes the acquisition price of the property at \$35.1 million or \$183 per square foot.

"Our price per square foot is very attractive. It's well below replacement cost, which likely comes in somewhere around north of \$250 per square foot," said Wilson.

The property had been a real estate owned asset held by a CMBS trust with CW Capital acting as a special server. "This owner decided to hold on to the asset longer than most lending institutions did during the economic crisis," said Wilson.

There is one vacancy in the three-property portfolio that is keeping the overall vacancy of the property at 80 percent. "This 40,000 square foot space is located in the Las

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Positas Blvd. building. This property was built in 2000. The other two buildings have no vacancy, and they were constructed in 1990. We will be fixing up the empty space and bring it up to market standards," said Wilson. The leasing efforts will still be run by the same leasing team that had been involved with the previous owner. This was Jeff Birnbaum and Andrew Schmitt, both First Vice Presidents with CBRE out of its Pleasanton office.

Ridge Capital sees Pleasanton as a very strong R&D market. "This property is part of the Tri-Valley market in the East Bay where there is around three millions square feet of product. The current vacancy in that market is around seven percent, and we feel good about the growth prospects for the market in the future," said Wilson.

The transaction in Pleasanton is one of many that Ridge Capital and Contrarian have done together. The deals have now amounted to more than \$100 million of transaction volume. Contrarian is a hedge fund that looks to invest in distressed or REO kinds of transactions.

Ridge Capital is a value-add investor. All of its transactions are located in Northern California in the markets of the greater San Francisco Bay Area or Sacramento. Its transactions are typically with apartments, office or R&D properties.

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