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## EAST BAY BUSINESS TIMES

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# SRM sells Lucent campus for \$63.3M

East Bay Business Times - April 14, 2006 by [Katherine Conrad](#)

The former Lucent Technologies campus at Alameda's Harbor Bay sold for \$63.3 million in a deal that started with 15 offers and ended with the six-building campus going to Alameda Waterfront Investors LLC.

A 30 percent vacancy rate appeared not to deter an investor market intent on buying real estate.

In fact, Elizabeth Owens, senior vice president of BPG Properties Ltd. the real estate investment manager for Berwind Property Group Ltd. of Philadelphia which arranged the funding, said the vacancy rate was exactly why her company wanted the property.

"We are trying to expand in California," she said. "This came on the market, we looked at it, and we're a value-add investor so we can realize value with a 30 percent vacancy rate. This is in a market that's starting to make its move."

BPG's portfolio includes 20 million square feet of office, retail, hotel and industrial properties and about 22,000 apartment units in more than 90 communities across the country.

Scott Newman, a principal with seller SRM Associates, said the price paid for the 385,000-square-foot office and research and development campus built by SRM is comparable to the \$191 million paid for the 1.2 million-square-foot Marina Village that sold in February.

"Our potential for creating any more value was limited to leasing the remaining 30 percent of the building. We felt - and the market bore us out - that buyers are at least as optimistic as we are for the rents and the time it will take to lease up the buildings," he said.

"So we can sell the buildings at today's prices and not be penalized for vacant space."

Regarding the sales price, Owens said, "I'm comfortable with the price. If I did not believe in the market, the price would bother me, but I really believe in the market. And there's a lot of tenants searching for space."

SRM built the campus for the defunct Ascend Communications in the late 1990s and then bought it with Pacific Coast Capital Partners from Lucent Technologies in 2003 after Lucent dismantled Ascend, leaving the campus practically empty.

"We bought the project 80 percent vacant. At that point, the cross-airport roadway was still not open, and there was no sense of what that would do once it did open," Newman said. "We were battling on two fronts with this office building and all its vacant space and the land.

"We were very fortunate we made significant progress on both battles."

By the time the campus closed escrow last week, Newman said, the vacancy rate almost completely turned around. Leases have been signed in the past two years with Unisys, Fiserv Inc., Bank of Alameda and Ion Systems, a company that relocated from Berkeley. During the 60-day escrow

period that began in February, Citibank also moved to Harbor Bay, and Peet's Coffee & Tea, Inc. is building its roasting facilities in the business park.

Despite shedding the campus, Newman said SRM remains committed to Harbor Bay and to Alameda.

"We still have 35 acres to develop," he said.

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