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## **Alliant University Flips, Scores with One Beach**

By Brian K. Miller



One Beach Street

SAN FRANCISCO—One Beach Street, a three-story, 97,000-sf office building across from Pier 39 in the North Waterfront submarket, recently changed hands twice in the same day. Alliant International University, which anchors the building, exercised a four-year-old purchase option to acquire the building for approximately \$18 million and simultaneously flipped it to the Swig Co. for approximately \$27 million, according to multiple sources familiar with the transactions. The upside will be used to start an endowment for the private, non-profit university.

Alliant obtained the purchase option as part of its 2004 agreement to lease 57,000 sf in the building from then-owner Gerson Bakar. The flip to Swig Co. included a long-term leaseback at a rate that stays around \$20s per sf per year through 2014 and then jumps into the \$30s if the university exercises the first of three five-year renewal options. The renewal would include a tenant improvement allowance from Swig.

“We were very mindful of the wonderful asset that [Gerson Bakar] had given us as part of our lease negotiation and wanted to monetize that through a sale-leaseback,” Jennifer Wilson, the University’s San Diego-based VP of administration and general counsel tells GlobeSt.com. “We were able to keep the very favorable terms of our existing lease in place and negotiated three subsequent options.”

Built in the 1920s, One Beach sits across Beach Street from Pier 39, one of the city’s main tourist attractions. The building was originally a warehouse facility and home to Otis Elevator’s West Coast manufacturing operation. The warehouse was converted to office use in the 1970’s and has since benefited from additional upgrades and a major seismic retrofit in more recent years as tenants have come and gone.

“At first blush, it seems an odd place for an educational institution but there’s a university of art right behind us and it turns out to be a great place because it is very safe,” says Alliant spokesperson Nicolett Toussaint, whose office is in the building. “If I come out late there’s a lot going on, the street is lit up, there are security folks around, the streetcars come right up front of the building, the bus comes behind the building, there’s a cab stand right across the street, and we’re close to the ferry and the main transit hub in Downtown San Francisco.”

Alliant leases most of the first floor and the entire second floor. Its first floor neighbor is S/B Architects (formerly Sandy & Babcock). The top floor is the headquarters of vodka purveyor Skyy Spirits Inc. The building is 93% leased, which leaves approximately 8,000 sf of availability.

Swig’s Ken Perry tells GlobeSt.com that the existing tenants in the building are generally paying below-market rents and that in addition to the existing availability a similar sized-space will roll next year. Market rents for this type of product in the North Waterfront submarket are mid- to upper \$30s per sf for the first two floors and higher for the top floor, he estimates. “It has good cash flow going in,” Perry says. “We see it as a good opportunity.”

The North Waterfront is a new area for Swig, which owns several assets in the Financial District and South of Market submarkets.

Perry describes the asset as complementary to the company's existing properties in that it further diversifies its portfolio geographically within San Francisco.

Late last year, The Swig Company acquired 274 Brannan Street, a 105,000-sf data and telecommunications building in San Francisco's SOMA neighborhood. Its other properties in San Francisco include office buildings at 501 Second Street, 633 Folsom Street, 180, 220 and 235 Montgomery St., 369 Pine Street and 115 Sansome Street. The company also owns Kaiser Center in Oakland, CA, for which it recently submitted plans for a 1.3 million-sf addition, and Mountain Bay Plaza and 399 West El Camino Real in Mountain View, CA.