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## **Lake Merritt Plaza sold for \$160M**

By Katherine Conrad

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Lake Merritt Plaza, one of Oakland's premier office buildings, was sold by Transpacific Development Co. for \$160 million to Boston-based Beacon Capital Partners.

The transaction, which closed escrow Jan. 31, is significant because of the price - at \$314 a square foot, one of the highest for an East Bay building - and the East Coast buyer.

"Beacon is a private equity fund that has been focused on the major markets - San Francisco, Los Angeles, Washington, D.C.," noted Michael Speers, an investment broker for NAI BT Commercial in San Francisco. "For Beacon to step outside the San Francisco market to buy an asset in Oakland is significant.

"There is continued interest by institutional capital to move into and be placed in downtown Oakland," Speers said, calling Lake Merritt Plaza the "finest property in downtown Oakland."

The 510,000-square-foot deal included the 27-story structure on 1999 Harrison St., a 500-stall parking structure, a 10,000-square-foot retail wing and an older 40,000-square-foot office building at 1956 Webster St.

Transpacific Development Co., or TDC, based in Torrance, developed Lake Merritt Plaza, which was designed by architect Bill Valentine in the 1980s. Tom Irish, president of TDC, admitted it was tough selling what he called "the best building in our portfolio" after more than two decades of ownership, but added that, though he feels nostalgic about the building, his company has simply been priced out of the Bay Area market.

"We truly believe it's time to sell in California and reinvest in Texas where we can get more reasonable cap rates," he said.

Many Oakland towers have changed hands in the past 18 months, including the nearby Kaiser Center, which was bought by the Swig Co. of San Francisco for about \$220 per square foot.

Irish said the property, which went on the market in August, was marketed nationally and internationally and received a lot of interest despite its vacancy

rate of 14 percent. Tenants include Reed Smith LLP, Cigna Healthcare and the staffing firm Robert Half International Inc.

"I was surprised that there were so many strong bids for the property. Several hundred investors expressed interest. It was very hotly contested," Irish said. "I certainly had an emotional attachment to the building."

Given the renewed interest in Oakland, Irish predicted the building's vacancy rate will soon fall.

"There's been more leasing activity in the building when we turned it over than there has been in last 15 years," Irish said. "The activity has been truly amazing. I think we'll fill up the vacant spaces very quickly."

Speers speculated that outside investors have the staying power to push rents, already on the upswing, even higher. The fact that vacancy rate for Class A offices in Oakland has fallen under 8 percent, according to Colliers International, also is a factor.

Colliers International broker Ken Meyersieck has been retained by Beacon to handle leasing for the property. He said leasing is picking up at Lake Merritt Plaza, especially among tenants who want to expand their current office holdings or extend their leases.

"The activity is indicative of a healthy market," he said. "Lake Merritt Plaza is one of the three premier office buildings in Oakland."

Lake Merritt Plaza is the third sale for TDC in past nine months, and the company has reinvested the \$225 million from selling property into buying 4 million square feet of warehouse and distribution space in Dallas, Indianapolis and Columbus, Ohio.

Secured Capital represented TDC in the transaction and Beacon represented its own interests.