

# SAN DIEGO BUSINESS JOURNAL

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\$2.00

**Real Estate**



Next Shoe to Drop Is Commercial Real Estate. **PAGE 16**

**The List**



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Stephen Whalen  
**Nassco's Judie Blakey says the shipbuilder spent \$80 million reconfiguring the production line and adding new storage.**

## Help at the Helm

South Korea Teaches Nassco's Shipyard How to Increase Efficiency

**BY MIKE ALLEN | Staff Writer**

The folks who run Nassco, a unit of General Dynamics and the last major shipyard on the West Coast, knew they were doing a pretty good job churning out Navy cargo ships and civilian product carriers, but they realized they needed to improve.

So, they consulted with one of the biggest shipbuild-

**\$3B**

Nassco's estimated backlog of new ships through 2012.

Please turn to **NASSCO** on Page 36

## Pursuit of Owner-Occupied Real Estate Holding Steady

**BY MICHELLE MOWAD | Staff Writer**

Despite the downturn in many commercial and industrial real estate segments, the sale of detached, owner-occupied space continues, albeit at a slower pace.

Still, sales activity in 2008 was down considerably from 2007. According to CoStar Group, there were 48 local office sales transactions in 2008 valued at \$940.8 million compared with 92 sales valued at \$3.1 billion a year earlier.

Yet the niche market of detached office, industrial and retail building sales is keeping Grubb & Ellis|BRE Commercial broker Glenn Arnold busy with interested buyers.

Arnold and his team of three brokers have sold 20 owner-occupied buildings in the past 18 months.

That's on target with Arnold's average of 15 sales per year for the past 10 years.

His listings include a two-story, 40,000-square-foot office or light industrial

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## Biotech Seeking To Disrupt How Bacteria Communicate

**BY HEATHER CHAMBERS | Staff Writer**

Pico Pharmaceuticals, a biotech startup with plans to make more potent cancer and anti-infective drugs, is starting off small. A staff of three full-time employees. A modest office in the University Towne Center area.

But it isn't without grand plans.

Pico aims to tackle common problems that have plagued the field of anti-infective drugs for decades, namely the loss of a drug's effectiveness over time. It has also set its sights on developing an oral cancer drug without some of the adverse side effects seen in standard treatments.

CEO Tim Boyd, who helped bring an over-the-counter cold sore treatment

**\$95B**

Size of anti-infectives market by 2013.

Please turn to **BIOTECH** on Page 36

**SPECIAL REPORT: HEALTH CARE**

## Healthy Growth



Medical tourism is a multi-billion-dollar industry as an increasing number of Americans travel abroad for various treatments, including major surgeries and procedures. And San Diego's location near the Mexican border makes it an ideal hub for businesses interested in establishing a presence in this fast-growing slice of the health care industry. One such local startup is Satori World Medical, led by Steven Lash, which works with consumer-driven health reimbursement accounts funded by employers.

**Please turn to this and other stories in our Special Report starting on Page 17.**

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# Real Estate:

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building in Kearny Mesa for \$7 million; a one-story, 30,000-square-foot industrial space in Miramar for \$5 million; and a two-story, 11,000-square-foot office building in Sorrento Mesa for \$3.9 million.

Arnold, a 22-year veteran with Grubb & Ellis, says many business owners are looking to buy as median prices for owner-occupied buildings drop 10 percent to 15 percent.

Arnold and other brokers say lending by the U.S. Small Business Administration is still relatively strong for this segment, unlike lending for apartments, retail centers and commercial offices.

The SBA San Diego District office reported 184 loans for commercial properties in fiscal year 2008, ending Sept. 30, compared with 255 loans in 2007 and 176 in 2006.

"It is the best time to get financing right now for two reasons: record-low interest rates and incentives ... for business owners looking to buy commercial space," said Arnold.

There are 93 office condos and free-standing, single-tenant office buildings for sale just in the central part of the county, which includes Kearny Mesa, Miramar and Poway. Most of these buildings range in size from 7,000 square feet, roughly the size of a Blockbuster store, to 30,000 square feet, the size of a T.J. Maxx.

### A Second Look

These free-standing buildings are sprinkled throughout the county, prompting many business owners to take a second look.

Ernest and Kathy Stewart, owners of Matrix Enterprises, purchased an 11,000-



Stephen Whalen  
Grubb & Ellis|BRE Commercial broker Glenn Arnold and his team of three brokers have sold 20 owner-occupied buildings in the past 18 months.

square-foot, free-standing building for \$1.1 million a few years ago for their model and prototype manufacturing business.

Ernest Stewart, vice president of Matrix, says it bought the building in Poway with an SBA loan when it outgrew rented space in Miramar and rents were increasing.

After the purchase, Matrix leased out a portion to defray the mortgage until it had grown large enough to use all of the space.

"The purchase gave us a lot of flexibility in our operations," he said.

Arnold says many interested clients

often ask if owning office space is risky business.

It all depends on circumstances, Arnold says.

Business owners should consider buying space if the cost of ownership is less than or equal to leasing.

However, they should anticipate a sizable down payment and at least seven years left in business.

Buying is not advisable for businesses growing rapidly with the capital to invest.

The perks of owning include fixed

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— Glenn Arnold  
Grubb & Ellis|BRE Commercial broker

occupancy costs, tax incentives and the advantage of building equity.

### Lending A Hand


"The sweet spot is local businesses that are doing sales from \$1 million to \$150 million," said Arnold, because they are eligible for SBA loans.

Small-business loans, meanwhile, continue to flow. In fiscal year 2008, the local SBA office guaranteed 961 loans worth \$331 million with the assistance of its participating lenders, including CDC Small Business Finance and Wells Fargo Bank, as well as local lenders Borrego Springs Bank and La Jolla Bank.

Already this year, 184 loans were made locally, totaling \$63.4 million. That figure includes loans for the purchase of property.

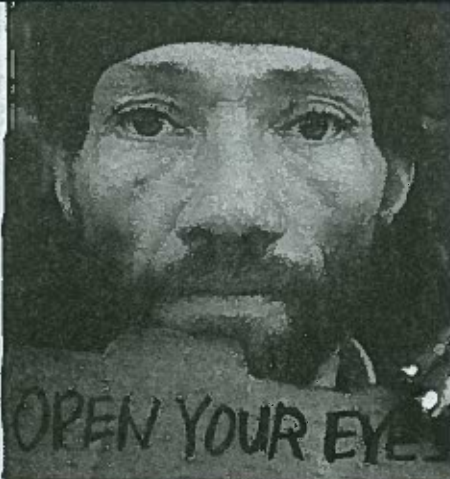
Arnold estimates that 90 percent to 95 percent of first-time commercial property buyers use SBA financing.

"Buyers today are more concerned with finding a property that fits their long-term wealth building strategy than timing the market," said Arnold.



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