

Michelle Mowad &gt;&gt; REAL ESTATE

# Economy Forces Tenants to Think Short-Term



Tenant leasing remains weak, according to Grubb & Ellis|BRE Commercial's first-quarter office report released this month. Vacancies crept up to 16.8 percent in the first quarter from 15.8 percent in the fourth quarter of 2008 and from 12.8 percent from the same quarter last year.

The local brokerage said major reasons for the rising vacancy rate included downsizing by businesses affected by the economic downturn, an increase in supply of office space due to new construction completions in 2008, and an overall decrease in tenant activity.

Grubb & Ellis noted two prominent trends. Tenants are signing leases for less space due to previous staff reductions, downsizing space to save money, or decreased optimism in regard to future expansion.

The second trend was tenants with expiring leases are opting to sign one-year extensions rather than long-term leases to keep their options open.

The brokerage said these two trends exist despite landlords offering free rent and other concessions to tenants willing to sign long-term leases.

**Mall Owner Seeks Quick Exit From Bankruptcy:** General Growth Properties, one of the nation's largest shopping center owners, filed for Chapter 11 bankruptcy April 16. The Chicago-based real estate investment trust is owner of 158 shopping centers, including Otay Ranch Town Center in Eastlake and Chula Vista Center in Chula Vista.

General Growth Properties said it intends to emerge from bankruptcy as quickly as possible, and added day-to-day operations at its properties will

continue as usual.

"Our core business remains sound and is performing well with stable cash flows," said CEO Adam Metz in a statement. "We believe that Chapter 11 is the best process for restructuring mature mortgage loans, reducing the company's corporate debt and establishing a sustainable, long-term capital structure for the company."

Metz said that while the REIT worked for several months to address its debts, the collapse in the credit market has made it impossible for it to refinance debt outside of Chapter 11.

Otay Ranch Town Center was built in 2006 and is 100 percent leased, according to CoStar Group, a Maryland-based commercial real estate researcher. Its anchors are AMC Theatres, Barnes & Noble, Macy's and REI.

The Chula Vista Center, built in 1962, was renovated in 2004. Its anchors are J.C. Penney and Macy's.

The two malls are ranked among the county's largest on the Business Journal's latest Shopping Centers list, published in March, by gross leasable square feet. The Chula Vista Center is ranked ninth with 885,000 square feet and Otay Ranch Town Center 14th with 627,000 square feet.

General Growth also owns South Street Seaport in New York and Fashion Show in Las Vegas.

General Growth Properties trades on the New York Stock Exchange under the symbol GGP.

**Lee & Associates Hires Five:** Lee & Associates has added five brokers to its San Diego office team this year. The brokerage picked three brokers from Sperry Van Ness and two from Cushman & Wakefield.

Steve Malley, a former vice president and managing director of Sperry Van



Photo courtesy of CoStar Group

**General Growth Properties, owner of 158 shopping centers, including Chula Vista Center, filed for Chapter 11 bankruptcy on April 16.**

Ness in San Diego, joined the firm as a principal. Malley specializes in selling and leasing office, industrial and retail properties. Before his tenure at Sperry Van Ness, Malley worked for Studley.

Mary Kay Bier and Ryan Munson joined Lee & Associates as senior associates. The two came from Cushman & Wakefield.

Mark Lewkowitz and Evan McDonald joined as associates from Sperry Van Ness.

The additions bring the University Towne Center office broker count up to 21.

*Send real estate, construction, design and urban planning news to Michelle Mowad at mmowad@sdbj.com. She may also be reached at 858-277-6359, ext. 3109.*

## PROGRESS REPORT

### Work Progressing On \$40M Pacific Station Project

Site excavation and the pouring of foundations are complete at Pacific Station, a \$40 million mixed-use development at 687 S. Coast Highway 101 in downtown Encinitas.

More than 37,000 cubic yards of sand was removed from the site to make room for underground parking. The sand was transferred to eroded beach areas near Ponto State Beach in northern Encinitas. Developed by John DeWald & Associates, in conjunction with Phase 3 Properties, Pacific Station will offer 40,000 square feet of retail space, including a Whole Foods Market, restaurant, shops, 9,000 square feet of professional office space, and 47 condominiums with two floors of underground parking.

Pacific Station is next to the Encinitas transit center, one block from the civic center and library. Residential space will consist of a mix of two-story town houses, two-story lofts and single-story flats ranging from 600 to 2,400 square feet in size. This is the first new retail space to be built in downtown Encinitas in 20 years.

Construction is complete for the 96,000-square-foot office building on the east side of Interstate 15 in Scripps Ranch.

Clem Abrams is owner and developer of Abrams Westview Plaza. The three-story, class A, multi-tenant office building used tilt-up concrete wall panels and features limestone tile accents and high performance glazing. The site is 6 acres, with 46 feet of grade change from front to rear. Peter Bussett served as vice president in charge for Smith Consulting Architects, with Gary Baker as designer, Jon Ohlson project architect and Jason Shum job captain.

Tom Nicholas and Pat Rohan of Cushman & Wakefield are the leasing agents for the building. Bycor Construction served as general contractor. Prime Structural Engineers was structural engineer; Schwerin & Associates civil engineer; Michael Wall Engineering electrical engineer; McParlane & Associates mechanical engineer; Geocoon Consultants geo-technical engineer; and Ahles Landscape Architecture landscape architect.

— Cassandra Dump

## SALES AND LEASES

### SALES

The 4,560-square-foot building at 3580 Adams Ave. in San Diego has been sold for \$735,000. The buyers were Ken and Julie McKernan of Park Place Screen and Glass. The seller was Tillie Golden Living Trust. Victor Krebs and Rob Morgan of Colliers International represented the seller, and J.D. Dudek of Western Mission Property represented the buyer. The two-story, mixed-use building has ground-floor retail space and residential housing on the second floor. It also includes a free-standing garage converted into a studio unit. The buyers will occupy the retail portion of the property.

M. Joshua Cohen and Lyda Cohen have purchased a 1,518-square-foot medical office condominium at Cabrillo Medical Center at 7695 Cardinal Court in San Diego for \$629,970. The buyer and the seller, Fenway Properties V, were represented by Matt Carlson of Cushman & Wakefield. The buyer will use the space for a medical clinic.

### LEASES

Seven-Eleven has leased 2,500 square feet of retail space in Glasshouse Square at 3146-3156 Sports Arena Blvd. The property, leased for 120 months at \$915,000, will be used for a convenience store. The lessee was represented by Lin Martin of Grubb & Ellis | BRE Commercial. The lessor was represented by Kipp Gstettenbauer and Kyle Clark of Cushman & Wakefield.

Fernando Segre and Sherri L. Segre have leased 3,591 square feet of office space in North Coast Business Park at 511 Encinitas Blvd. in Encinitas from NCBP Development. The property, leased for 60 months at \$482,801, will be used for educational services. The lessee and the lessor were represented by Barry Mahlberg of Cushman & Wakefield.

Ticor Title Insurance Co. has leased 3,080 square feet of office space in Allied Office Plaza at 7777 Alvarado Road in La Mesa. The property, leased for 42 months at \$277,118, will be used as office space. The lessee was represented by Kurt M. Klug. The lessor was represented by Kyle Clark, Kipp Gstettenbauer and Matt Davis of Cushman & Wakefield.

Mental Health Systems has leased 3,270 square feet of industrial space at 545 N. Magnolia in El Cajon from Spread the Word. The five-year lease is valued at \$198,412. The lessee was represented by Eric Vann of Cushman & Wakefield. The lessor represented itself.

Acceleratus has leased 4,361 square feet of office space in Centrowest Plaza, 9740 Scranton Road in San Diego, from AZNL-Centrowest. The 25-month lease is valued at \$180,889. The lessee was represented by Paul Ragnvaldsson of Prudential California Realty. The lessor was represented by Steve Wolf and Brunson

Howard of Cushman & Wakefield.

Bite of Boston has leased 1,000 square feet of retail space in Bernardo Heights Center. Located at 15721 Bernardo Heights Parkway in San Diego, the property was leased by Steven P. Grant, as trustee of the Grant Family Trust, and Larry Tucker as trustee of the Reuben Tucker Trust. The property is leased for 60 months at \$163,540 and will be used for a sandwich shop. The lessee represented itself. The lessor was represented Rob Ippolito and Aaron Hill of Cushman & Wakefield.

Two lease renewals have been completed at Willow Creek Plaza, a 74,042-square-foot Class A office building at 9820 Willow Creek Road in San Diego. Renewals include Black & Veatch, a marketing and engineering company which signed a 36-month lease renewal for 3,580 square feet of office space in Suite 310; and Cush Enterprises, a real estate firm, which signed a 37-month lease renewal for 2,619 square feet in Suite 440. James Laing and Jennifer Gallivan of Cushman & Wakefield represented the lessor, Willow Creek Plaza Associates. Black & Veatch was represented by Brian Ffrench of Studley Inc. Cush Enterprises represented itself. Financial terms were not disclosed.

### CONTACT POINT

Please e-mail sales and leases to [aschweizer@sdbj.com](mailto:aschweizer@sdbj.com). We cannot publish every submission we receive due to space limitations.