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## Real Estate

Servicers prodded to do more loan mods.

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# REAL ESTATE

## CONSTRUCTION

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The Daily Transcript

Thursday, July 30, 2009 / Section B



### Real Estate Briefs

By Thor Kamban Biberman

## La Pacifica sells for \$17.5 million

La Pacifica 1, a three-building, 226,220-square-foot industrial campus at 3801, 3809 and 3817 Ocean Ranch Blvd. in Oceanside 92056, has been sold for \$17.5 million in cash.

The buyer was **DEI LLC**, c/o Darrell Issa, P.O. Box 1388, Vista 92085. Issa is the Republican House member from the 49th District (Vista).

The seller (assessor's parcels 213-216-15, 16) was **RREEF America REIT III Corp. V** which acquired the property for \$21.7 million in summer 2006. The sale of the three buildings to RREEF had been negotiated prior to the start of construction.

Brian Driscoll, Rick Reeder, Dennis Visser and Aric Starck, of **Grubb & Ellis|BRE Commercial** represented the seller.

The buyer was represented by Rusty Williams and Larry Strickland, of **Lee & Associates**.

The tilt-up project features concrete loading areas, as well as a clear height of approximately 25 to 27 feet, and is about 80 percent leased.

## Nonresidential building permit spending up in June from May

Still low compared to last year

By **JEN LEBRON KUHNEY**  
*The Daily Transcript*

**SAN DIEGO** — Nonresidential building permit spending in San Diego County jumped 63 percent from May to June, but it was not enough to pull its year-over-year totals above 2008.

The Construction Industry Research Board (CIRB) reported \$55 million worth of nonresidential building permits pulled in June 2009 compared to \$86 million in 2008.

It brought last quarter's total nonresidential building activity in the county to \$158 million.

The figure is \$28 million down from the first quarter of 2009 and \$170 million less than 2008's second quarter.

One large project can skew the numbers, but monthly figures have trended downward over the past year.

The American Institute of Architects (AIA) expects nonresidential construction spending to decline more than 25 percent over the next two years, as was reported at the

Consensus Construction Forecast held earlier this month.

In 2006 and 2007, commercial building accounted for most of the dollars spent in nonresidential permit activity.

However, its share of the construction pie has been shrinking, as alterations and additions to existing spaces has made up for a higher percentage of total dollars spent each month.

Commercial building has declined steadily over the past few years, but took a precipitous drop from the first quarter to the second quarter of 2008.

The average value of commercial building permits was about \$53 million a month from January 2006 to December 2007. From January 2008 to June 2009, that average dropped to \$22 million.

Last month, the total value of commercial building permits was \$11 million.

While nonresidential commercial building has been falling rapidly, additions and alteration permit activity for nonresidential buildings has declined slower.



## Wermers nearly done with apartment complex

Wermers Corp. is nearing completion on the 289-unit, four-story Parkview Apartments complex on top of a two-story parking garage on Kearny Villa Road.

The project is owned by SHLP Parkview LP and includes a 20,000-square-foot office building.

The main courtyard contains amenities such as pool, spa, high-end fire pit with glass infill, fountain, both active and passive fitness rooms and landscaping is now complete and open to the public. All exterior finishes on the project have been completed with the last units receiving the interior finishes. The project is to be completed in February of 2010 and is on schedule.

The Wermers group includes vice presidents Dewey Davis and Richard Wood, Ken Maskevich as project manager, Chip Page and Marco Leyva as superintendents, and Jamie Falcon as coordinator.

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Tenants include **Holsum Bakery**, which signed for 10,280 square feet for 63 months and \$435,460 in late 2008; **ColorKote CA LLC**, which signed for 12,540 square feet for 63 months and \$587,585 in mid-2008; **Sliding Visions Inc.**, which signed for 66,780 square feet for 72 months and \$3 million in early 2008; **SPG Solar Inc.**, which signed for 12,540 square feet for 36 months and \$352,437 in late 2007; and **Sterling Business Forms Inc.**, which signed for 17,318 square feet for 60

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## Almost \$165 billion in commercial loans due in '09

By DAN LEVY  
Bloomberg News

Almost \$165 billion in U.S. commercial real estate loans will mature this year and need to be sold or refinanced as rents and occupancies fall, according to First American CoreLogic.

The South has the most maturing loans with 60,893 mortgages valued at \$96 billion coming due on shops, offices, hotels, apartment

buildings and land, Santa Ana, Calif.-based First American said in a report. The West is second with 20,549 mortgages maturing for a value of \$35 billion.

Commercial property owners are struggling to pay debt as the recession reduces demand and forces landlords to cut rent. Apartment vacancies reached a 22-year high in the second quarter and office vacancies rose to the highest in four years, real estate data company **Reis Inc.** said earlier this month. Properties worth more than \$108 billion were in default, foreclosure or

bankruptcy as of July 8, according to data firm **Real Capital Analytics Inc.**

"As long as prices contract, we expect loan performance will worsen and that will make financing difficult," Sam Khater, senior economist for First American, said. "Delinquencies and notices of default are rising, and we expect that to continue."

### REIT debt

Among real estate investment trusts trying to refinance and pay down debt maturing

See Commercial loans on 3B



### COMMERCIAL SALES

Additional commercial sales data is available online at [www.sddt.com/databases/commercialsales](http://www.sddt.com/databases/commercialsales)

#### THE TOP COMMERCIAL SALES OF THE DAY

1. The 7 Unit, multi-residential at 505-17 D Ave, Coronado, **92118**, was sold by Ricardo V. Diesta and Elenita F. Diesta to Osman Tatar and Norma Lillian Tatar on 07/16/2009. **Tax Value \$1,600,000.**

2. The industrial condo at 6700, 6700 #05 Gateway Park Dr #04, San Diego, **92154**, was sold by Gateway, LLC. to Fransisco Jose Borquez Burboa, trustee on 07/21/2009. **Tax Value \$1,400,000.**

3. The restaurant at 3780 Park Blvd, San Diego, **92103**, was sold by KPNTME, LLC. to Donny

Duenas on 07/20/2009. **Tax Value \$1,300,000.**

4. The commercial building at 7808, 7808 #25, 7808 #30, 7808 #14 El Cajon Blvd #24, La Mesa, **91941**, was sold by Comerica Bank to Jacph Properties of La Mesa, LLC on 07/10/2009. **Tax Value \$925,000.**

5. The industrial at 8991 Crestman Pts, San Diego, **92121**, was sold by Robert Walter Berenschot and Patricia Berenschot to Sherman A. Gregory on 07/21/2009. **Tax Value \$732,500.**

See Commercial sales on 7B

### HOME SALES

Additional home sales data is available online at [www.sddt.com/databases/homesales](http://www.sddt.com/databases/homesales)

#### THE TOP FIVE HOME SALES OF THE DAY

1. The house at 208 S. Rios Ave, Solana Beach, **92075**, was sold by land Holdings III - Rios, LLC to Anna Housseis on 07/21/2009. **Tax Value \$4,575,000.**

2. The house at 2444 Via Aprilia, Del Mar, **92014**, was sold by Kevin J. Statz and Lisa R. Statz to Sean W. Alken and Karen A. Aiken, trustees on 07/10/2009. **Tax Value \$1,860,000.**

3. The house at 15633 Rising River Pl North, San Diego, **92127**, was sold by Donald S. Houston to Rebecca J. De Forest

on 07/24/2009. **Tax Value \$1,650,000.**

4. The house at 326 N. Sierra Ave, Solana Beach, **92075**, was sold by Stephen B. Bertz, trustee, to Jeffrey A. Skoll and Rebecca L. Skoll on 07/22/2009. **Tax Value \$1,575,000.**

5. The house at 15570 Rising River Pl South, San Diego, **92127**, was sold by Philip L. Sansone, trustee, to James W. Hammonds, Jr. and Sandra A. Hammonds on 07/24/2009. **Tax Value \$1,150,000.**

See Home sales on 7B

## Stryker Corp. leases on Flanders Drive

### Leasing Notes

By Joseph Guerin

Leasing Notes are updated twice weekly and are now available in a fully searchable database format at [www.sddt.com/databases/leasing-notes](http://www.sddt.com/databases/leasing-notes).

Industrial: **Stryker Corp.** (NYSE: SYK) has leased 4,449 square feet of industrial space at 6885 Flanders Drive, San Diego, **92121**, from RREEF.

The property, leased for five years at \$313,862, will be used for the development, manufacture and sale of orthopedic products and services.

The lessee was represented by Andy Irwin, of **CB Richard Ellis** (NYSE: CBG)

The lessor was represented by Sean Williams, of **Cushman & Wakefield**.

Retail: **LBC Mundial Corp.**, dba LBC, has leased 2,133 square feet of retail space at Mesa Town Center, 8983 Mira Mesa Blvd., San Diego, **92126**, from **Mesa Town Center LLC**. The property, leased for 60 months at \$250,091, will be used for shipping and remittance services.

The lessee was represented by Art Macaraeg, of **Marcus & Millichap**.

The lessor was represented by John Jennings and Aaron Hill, of **Cushman & Wakefield**.

Industrial: **DoubleTake** has leased 4,800 square feet of industrial space at 8470 Production Ave., San Diego, **92121**, from Imad Schar. The property was leased for 36 months at \$133,524.

The lessee was represented by Arnie Freidman, of **Colliers International**.

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## Industry Briefs

### Refi demand cools

Demand for purchase mortgages held steady during the week ending July 24, but requests for refinance loans were off 10.9 percent from the week before as mortgage rates inched up, the Mortgage Bankers Association said in releasing the results of its Weekly Applications Survey.

An index measuring application volume for both purchase and refinance loans was down a seasonally adjusted 6.3 percent from the week before.

Request for refinancings accounted for 52.6 percent of total mortgage applications, down from 55.5 percent the previous week and a peak of 85.3 percent during the first week in January.

Mortgage financier **Freddie Mac** (NYSE: FRE) anticipates 2009 mortgage originations will exceed last year's by 35 percent, and that refinancings will account for 67 percent of a projected \$2.3 trillion in home loans.

At 5.36 percent, the average contract interest rate for 30-year fixed-rate mortgages was up from 5.31 percent, although points decreased to 0.93 from 1.18 (including the origination fee) for 80 percent loan-to-value (LTV) ratio loans.

The average contract interest rate for 15-year fixed-rate mortgages decreased to 4.75 percent from 4.8 percent, with points increasing to 1.14 from 1.03 for 80 percent LTV loans.

The average contract interest rate for one-year ARMs increased to 6.66 percent from 6.5 percent, with points decreasing to 0.09 from 0.11 for 80 percent LTV loans.

Requests for adjustable-rate mortgage (ARM) loans accounted for 5.5 percent of all applications, up from 4.8 percent the previous week.— *Inman News Source Code: 20090729tdc*

### Turner-Penick receives contract

**Turner-Penick**, San Diego, is being awarded a \$103,725,091 firm-fixed price contract for design and construction of four Bachelor Enlisted Quarters at Marine Corps Base Camp Pendleton.

The BEQs will house a total of 1,384 Marines in the standard 2+0 configuration. They will include a multipurpose community area and laundry facilities.

The contract also contains five options, which if exercised would increase cumulative contract value to \$110,536,246.

Work will be performed in Oceanside and is expected to be completed by June 2011. Contract funds will not expire at the end of the current fiscal year.

This contract was competitively procured via the Navy Electronic Commerce Online Web site, with 10 proposals received.

Naval Facilities Engineering Command, Southwest, San Diego, is the contracting activity.— *The Daily Transcript Source Code: 20090727czm*

### Vermont town to host new solar project

RUTLAND, Vt. — Vermont's second largest electric utility is set to break ground on a 50-kilowatt solar power array along Route 7 in the town of Rutland.

The Central Vermont Public Service Board says the state public service board approved the project.

See Industry Briefs on 3B

## Nonresidential

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In June 2009, additions and alterations accounted for \$30 million, or 55 percent, of the total amount of nonresidential permit spending.

On the other hand, money spent on industrial building permits has gone down to relatively nothing.

In 2009, there have been two months during which not one permit was pulled.

The \$18 million worth of permits pulled for industrial buildings during the first six months of 2009 is down, 57 percent from 2008 and 65 percent lower than 2007 during the same period.

## RE Briefs

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months and \$696,703 in mid-2007.

The 15-acre La Pacifica 1 campus is the first phase of a 30-acre industrial project by **La Pacifica 1-Ocean Ranch LLC** headed by **Cruzan Monroe Investments LLC**.

The second phase was originally planned for another 300,000 square feet of industrial space, but how much of this is constructed will depend on market conditions.

**SourceCode: 20090729tra**

A five-unit apartment property at 215 Lolita St. in Encinitas has been sold for \$900,000.

The buyer was **Cutty Sark, LLC**, a California limited liability company with headquarters in Fallbrook.

The seller (assessor's parcel 256-374-15) was Jonathan D. House.

## Construction Calendar

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San Diego, 92108, Venue Phone - (619) 692-3800

TUESDAY, AUG 11 - SEMINAR

FRAUD IN THE WORKPLACE

This month's NAWIC's dinner meeting will include a seminar from Dana Basney of Mayer Hoffman McCann P.C. He will be discussing Fraud in the Workplace and will cover topics such as How to detect fraud before it's too late.

The AIA report predicted by the end of 2009 that construction spending for retail, hotels and office buildings will decrease by more than 20 percent nationally.

It also reported industrial facilities will decrease by 0.8 percent after doing only \$57 million last year.

And 2010 is not expected to look much better.

After 2009, the AIA predicted commercial construction spending nationally would decrease by more than 10 percent and industrial facility spending will decrease by 28 percent in 2010.

**Source Code: 20090728cya**

**SourceCode: 20090729trb**

A four-unit apartment property 629-641 30th St. in the North Park area of San Diego, 92113, has been purchased for \$270,000. The buyer was David Overturf.

The seller (assessor's parcel 546-602-16) was **Wells Fargo Bank National Association** as trustee for **Securitized Asset-backed Receivables LLC**.

**SourceCode: 20090729trc**

A three-unit apartment property at 6433-6439 Shaules Ave. in San Diego, 92114 has been sold for \$260,000.

The buyer was William Mundt of La Jolla as trustee of a trust in his name.

The seller (assessor's parcel 549-154-15) was **AmTrust Bank**.

**SourceCode: 20090729trd**

## Commercial loans

*Continued from Page 1B*

over the next couple years are shopping-mall owner **General Growth Properties Inc.** (OTC: GGWPQ), which filed for bankruptcy protection this year; **Maguire Properties Inc.** (NYSE: MPG), the largest office landlord in downtown Los Angeles; and ProLogis, the world's biggest warehouse owner.

Denver-based ProLogis said last week that it's cut its debt by \$2.9 billion since November.

REITs will have less trouble with maturing loans held by banks than with debt sold as commercial mortgage-backed securities, said Rich Moore, managing director at **RBC Capital Markets** in Solon, Ohio.

"If you go to the CMBS mar-

ket, that's where the danger comes in, because the CMBS market is a bunch of assets pooled together," Moore said. "It's much more difficult to extend those loans — not impossible, but much more difficult."

Banks likely will offer extensions to avoid having to manage or sell properties, especially with little buyer demand for commercial real estate during the recession, Moore said. Commercial property prices fell 7.6 percent in May from a month earlier, bringing the total decline to 35 percent since the market's peak, Moody's Investors Service said last week. Prices dropped 28.5 percent in May from the year earlier period.

## Loan mods

*Continued from Page 2B*

lawmakers at a hearing this month.

Loan servicers need to add more staff, expand call-center capacities, provide a process for faster decisions, bolster training, enhance online capabilities, and send more mailings to potentially eligible borrowers, Allison said.

The administration plans to begin issuing public reports on individual loan servicers' success in achieving loan modifications beginning Aug. 4.

The reports will include the number of trial modification offers each servicer has extended to eligible borrowers, the number of trial plans that are under way and the number of final modifications.

When numbers become available, the reports will also track the long-term success of loan modifications.

But in a recent public policy paper, "Why Don't Lenders Renegotiate More Home Mortgages?" staff researchers at the Federal Reserve Bank of Boston said there may be

delinquent borrowers are able to get back on track without a loan modification — and because many borrowers who are granted a workout or loan modification end up redefaulting — lenders may, on average, expect to recover more by foreclosing on a home than by modifying a loan, the paper concluded.

Although the Boston Fed looked at loan modifications performed in 2007 and 2008 — before the HAMP program took effect — its findings illustrate some potential pitfall for lenders negotiating loan modifications.

The data showed about 30 percent of seriously delinquent borrowers "self-cured," or started making mortgage payments again without receiving a loan modification.

The implication for lenders (or investors who funded the loans) is that they run a risk of renegotiating with delinquent borrowers who don't need assistance, the paper said.

Between 30 and 45 percent of borrowers who received loan modifications ended up

**Orlando, Fla.**

The Orlando, Fla., area led the nation in June with the greatest dollar value due on retail property: \$96.9 million. Memphis followed with \$96.2 million and Chicago with \$71.3 million, according to First American.

The Houston area led in office loans maturing with \$463.9 million, followed by Atlanta at \$456 million and Phoenix at \$172.3 million. Los Angeles topped the list in apartment loans with \$194.3 million due in June, followed by Dallas with \$121.4 million and Chicago with \$118.3 million.

Portland, Ore., and the surrounding area had \$986.9 billion in mortgages due on industrial properties in June,

the most in the United States. St. Louis followed with almost \$765.3 million and San Francisco came in third with \$473 million, First American said.

Stockton, Calif., led in hotel loans due with \$14.9 million, followed by Denver with \$13.3 million.

More than 5,000 properties in the 10 biggest U.S. metropolitan areas got at least one default notice in March, marking the first time that's happened in First American records going back to January 2003.

The company compiles data from sources including county record tax rolls and covers 98 percent of U.S. ZIP codes.

**Source Code: 20090727fao**

other supporters of loan modifications say borrowers are more likely to redefault when they are offered workouts that don't reduce their monthly payments, instead of loan modifications that include lender concessions like principal or interest-rate reductions.

During the period studied by the Boston Fed, only 3 percent of seriously delinquent borrowers received loan modifications involving a concession, and less than 8 percent received any type of workout at all.

Most renegotiated loans granted by lenders involved increases to principal balance — most likely because amounts in arrears were tacked onto the back of the loan, the paper said.

The percentage of borrowers who were able to renegotiate their low terms was "extremely low," the paper

observed, considering that foreclosure proceedings were initiated on about half of the delinquent loans studied and completed on almost 30 percent.

But by the end of the study period, loan servicers were renegotiating seven to eight times more loans than at the beginning of 2007, and modifications involving payment decreases outnumbered those involving payment increases, the paper said.

It remains to be seen how those most recent loan workouts and modifications perform.

If "self-cure risk" and the risk of redefault make renegotiation less appealing to lenders than foreclosure, "the number of easily 'preventable' foreclosures may be far smaller than many commentators believe," the paper concluded.

**Source Code: 20090729tdb**

## Industry Briefs

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Parts of the project have planned and will be built or installed