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REAL ESTATE

CONSTRUCTION

Rising rate

The rate at which homeowners are in arrears on their mortgages went up for the 9th straight quarter in the first three months of 2009.

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San Diego Source: www.sddt.com/realestate

The Daily Transcript

Thursday, June 4, 2009 / Section B



Real Estate Briefs

By Richard Spaulding

Apartment in Ocean Beach on Bacon sold

Four residential units in Ocean Beach at 1703-1719 Bacon St., San Diego 92107, have been sold for \$1 million.



The buyer was Orchard Properties LP, 4138 Voltaire St., San Diego 92107. The general partner of Orchard is The Leslie A. Rose and Gary L. Rose Family Trust, with Gary L. and Leslie A. Rose as trustees.

The acquisition was financed with a loan of \$750,000 from San Diego

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Mortgage applications fall, pulled by refinancing

By COURTNEY SCHLISSERMAN
Bloomberg News

WASHINGTON

Newly merged commercial brokerage consolidating in new HQ

By THOR KAMBAN BIBERMAN
The Daily Transcript

NORTH UNIVERSITY CITY — For the second time in the past year, Jones Lang LaSalle, is making a major move.

In July 2008, JLL completed its acquisition of the Staubach Co. commercial real estate brokerage firm for \$613 million.

Now, the combined firm is gearing up for a June 25 move of its San Diego offices into 15,000 square feet of office space in Hines' new La Jolla Commons project at 4747 Executive Drive in the University Towne Center area.

The financial terms of the seven-year lease were not revealed.

"The rents are a little higher but it's a very good location," said Bill Fleck, who had been president of Staubach and is now a JLL (NYSE: JLL) managing director.

The leasing of the 13-story, 300,000-square-foot office tower is being handled by Rick

Reeder and David Odmark of Grubb & Ellis|BRE Commercial.

The new building, which was completed last summer, is roughly 50 percent leased. Other tenants include accounting firm KPMG LLP, law firm Paul, Hastings, Janofsky & Walker LLP, and U.S. Bank (NYSE: USB).

Lynn LaChapelle, a managing director of Capital Markets for JLL, said the merged division will eventually have about 50 people here, with about 30 to 35 at La Jolla Commons at the outset.

Although JLL has about 34,000 employees, brokerage had been a relatively small focus prior to the merger.

Fleck said JLL has added about 25 percent more tenant representation brokers on the side company-wide since the merger.

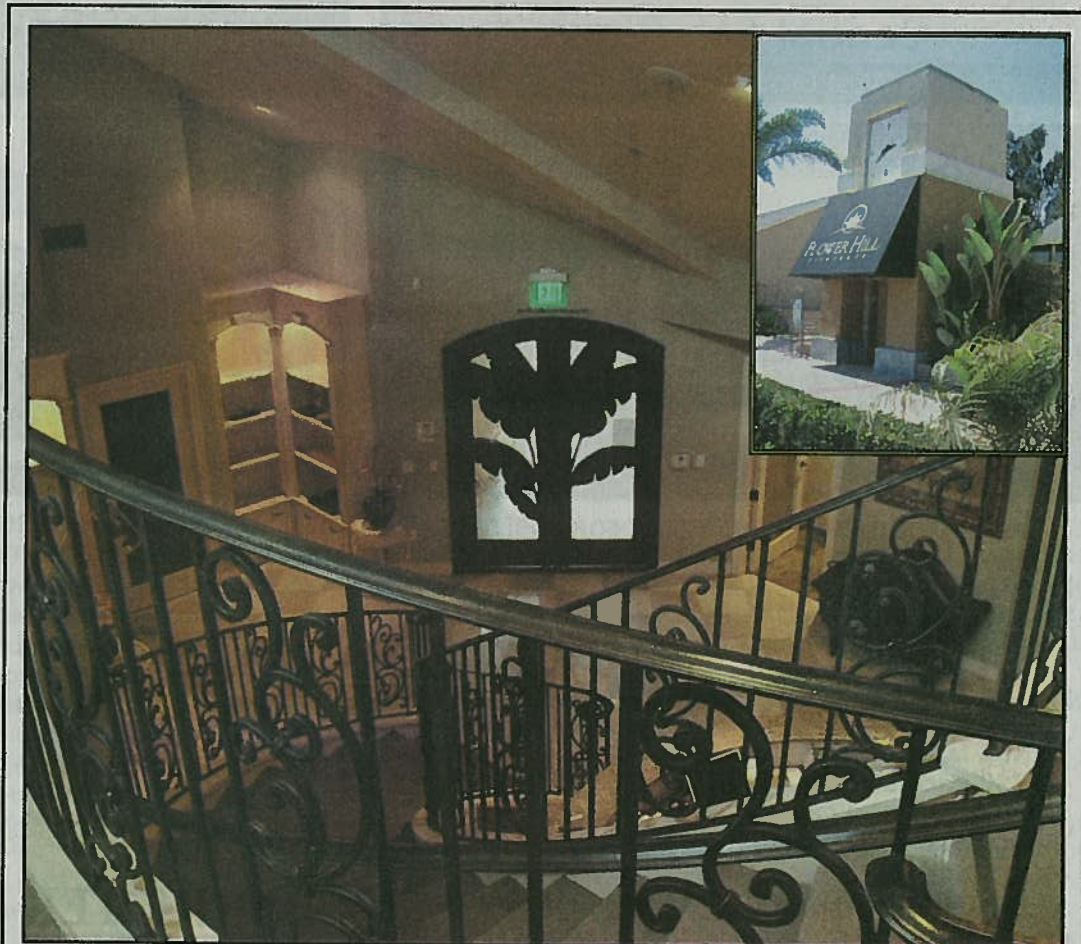
"This is in stark contrast to what has been happening in the industry," he said.

Fleck estimated that JLL had only about 250 brokers company-wide prior to the merger. Staubach had about 680 brokers company-wide before the acquisition.

The acquisition seems to have helped.

Fleck said about 35 percent of the company's post-merger rev-

See Brokerage on 3B



Spa Gregorie's leases at Flower Hill Promenade

Spa Gregorie's LLC has leased 6,500 square feet of retail space at Flower Hill Promenade, 2710 Via de la Valle, San Diego 92014.

The 67-month lease is valued at \$1.2 million. The lessor was Protea Flower Hill Mall LLC. Reg Kobzi and Carrie Bobb of CB Richard Ellis (NYSE: CBG) represented the lessor. Keith Kropfl of Travers Realty Corp. represented the lessee. The lease brings the retail center to 92 percent occupancy. Other tenants include Miltons, Chevy's, Diamond Boutique, Pick Up Stix, Venissimo Cheese, Paradise Grill, Bliss Bride, Siena Julia, Tatiana, Patrick James, Madison Leather, Optical Illusion, The Wine Connection and DIG Garden & Home.

In late 2007, Buddy's, a Pet Bowtique, leased 1,752 square feet for five years at \$353,817, and Crimson Specialty Designs LLC leased 1,200 square feet for five years at \$155,781. In fall 2002 the approximately 109,000-square-foot retail center was sold for \$32.2 million. The 14.86-acre property was constructed in 1976. The mall consists of a multilevel retail center, three free-standing restaurant buildings, an Ultra Star Cinemas theater, and a parcel ground-leased to Mobil Oil Corp. (NYSE: XOM).

FEMA may use foreclosed homes

By LISA ORKIN EMMANUEL
The Associated Press

MIAMI — The federal government is exploring how to put Florida hurricane evacuees in foreclosed homes if a Katrina-like storm devastates the region and shelters, hotels and other housing options are full.

Officials told The Associated Press on Tuesday that it is making an effort to find some benefit in the foreclosure crisis and keep people close to their homes and communities instead of scattering them around the country, which happened when Hurricane Katrina devastated New Orleans, and other parts of coastal Louisiana and Mississippi almost four years ago.

Thousands of victims who lost their homes in the storm moved to Houston, Atlanta and other cities, and many never returned.

New Orleans has been slow to recover, partly because of the lost population.

"When you have a diaspora that leaves the state it's very hard to get those guys back. You really want to prevent them from leaving the state," said Jeff Bryant, the Federal Emergency Management Agency's federal coordinating officer for Florida. "We want to keep them in their same local community."

In April, there were 278,287 homes in some stage of foreclosure in Florida, according to RealtyTrac.

The idea is still being developed, but FEMA would likely contact banks, other mortgage holders and their representatives to compile a list of available homes.

The evacuees would then be assigned homes close to their own and FEMA would use a contractor, acting as its agent, to pay rent directly to whoever owns the home, said Jon Arno, FEMA's individual assistance branch director for Florida.

His duties include finding

Exclusive Yellowstone Club sale approved Brokerage

By MATTHEW BROWN
The Associated Press

BILLINGS, Mont. — A bankruptcy judge approved a sale of the Yellowstone Club for the bargain of \$115 million Tuesday, letting the exclusive Montana resort emerge from bankruptcy that developed after its owners diverted hundreds of millions of dollars for their own use.

Boston-based CrossHarbor Capital Partners is buying the club for less than a quarter of the \$470 million it offered last year — underscoring the meteoric fall of one of the world's most exclusive resorts.

At the height of the luxury real estate boom, the 13,600-acre club in Montana's Big Sky area north of Yellowstone National Park attracted such high-profile names as Bill Gates, Dan Quayle and cycling star Greg LeMond.

To join, more than 300 members bought multimillion-dollar mountain properties and submitted deposits of at least \$250,000.

Sales have stagnated with the collapse in the real estate market and negative publicity surrounding the acrimonious divorce of club founders Tim and Edra Blixseth.

More than 500 memberships are unsold and the resort's centerpiece lodge is unfinished.

Details of the club's sale were approved in an order signed Tuesday by U.S.

RE Briefs —

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Trust Bank.

The property seller (assessor's parcel 448-171-01) was the Caudill Trust, with Lee Caudill and Giaovanna Busalacchi-Cadill as trustees.

The one-story, approximately 1,920-square-foot

Bankruptcy Judge Ralph Kirscher in Butte.

The ruling will allow the club to shake off most of its \$400 million in debts.

CrossHarbor will pay \$35 million in cash and take on \$80 million in debt to acquire the resort.

CrossHarbor managing partner Sam Byrne also committed to spending up to \$75 million in improvements on the club.

Byrne said he expects the acquisition to be completed by June 20 and that local contractors, tradesman and others still owed money would be repaid in full.

Byrne and CrossHarbor already had a significant stake in the success of the club, with investments in its real estate topping \$200 million in recent years.

Yet the legal maneuvering over hundreds of millions of dollars drained from the club's coffers is sure to continue. Much of that money went to airplanes, estates, vehicles and houses bought

Mortgage

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from 256.6.

The share of applicants seeking to refinance loans fell to 62.4 percent of total applications from 69.3 percent.

The average rate on a 30-year fixed-rate loan rose to 5.25 percent, the highest level since January, from 4.81 percent the prior week. The increase was the biggest since October.

The rate reached 4.61 percent in late March, the lowest level since the mortgage bankers group began records in 1990.

At the current 30-year rate, monthly borrowing costs for each \$100,000 of a loan would be about \$552.

That is about \$59 less than the same week a year earlier, when the rate was 6.17 percent.

by the Blixseths.

Investors with Credit Suisse (NYSE: CS), which had \$308 million still outstanding on a 2005 loan to the club, could receive cash and assets likely worth less than half that amount, including a castle in France valued at \$20 million to \$65 million.

At the outset of the bankruptcy case, Credit Suisse was first in line to get repaid. But because the bulk of the 2005 loan was diverted to Tim and Edra Blixseth with Credit Suisse's knowledge,

Kirscher ruled last month that a large portion of the firm's claims would be considered only after other creditors were paid.

Credit Suisse spokesman Duncan King said the firm was "satisfied" with Kirscher's approval of the club's reorganization.

He declined to comment on whether the firm's lawyers will seek more money from the Blixseths.

Source Code: 20090603tdg

tracts to buy previously owned homes climbed 6.7 percent in April, the biggest gain in more than seven years.

The NAR said gains in pending sales have been larger than actual home resales in recent months because distressed properties are taking longer to close since they require lender approval.

Also, some of the pending contracts fall through before a transaction is completed, NAR chief economist Lawrence Yun said.

"Business could be a whole lot better," James Gillespie, chief executive officer of Coldwell Banker Real Estate LLC said Wednesday.

While first-time buyers are taking advantage of foreclosure-driven price decreases, the market for those trying to sell one home and buy a bigger

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venues now come from the brokerage part of the business.

While JLL may be adding some brokers, it hasn't been immune from the recession.

For the quarter ended March 31, the company posted a \$61.46 million loss on \$494.21 million in revenues, compared with about \$2.84 million in net income on \$563.92 million in revenues a year earlier.

During the past 52 weeks, JLL has seen the price of its common shares range from a high of \$70.76 to a low of \$15.98.

The stock has generally been ranging from about \$35 to roughly \$40 per share in recent days.

Many commercial brokerage stocks have fared much worse.

CB Richard Ellis Group (NYSE: CBG) has seen its stock range from a high of \$22.44 to a low of just \$2.34 during the past 52 weeks. It has been trading around \$8.50 in recent days.

If commercial property prices were out of line up to 2006, rents were also.

At their peak, some of the office rents in submarkets such as Del Mar Heights, University Towne Centre and Sorrento Mesa broke the \$4 barrier.

"At one point (in and around 2006) our suburban rents were rivaling San Francisco and Washington, D.C.," LaChapelle said.

Now, LaChapelle said rents that might have been \$3.80 to \$4 per-square-foot in markets such as Del Mar Heights, UTC

Leasing Notes

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The lessee was represented by Mary Gordon, of Glasshouse Properties. The lessor was represented by Mike Paeske and Rich Lee, of CFL.

Industrial: The Duck Company Inc. has leased 3,152 square feet of industrial space at West Mesa Business Park, 6935 Camino Maquiladora, Suite C, San Diego 92154, from Hamann Companies (H E S Partners LP).

The property, leased for 12 months at \$24,588, will be used for both a general office and warehouse space for an apparel company. The lessee was represented by J.P. de Kervor and Alfredo Ramirez, of Maquila Properties. The lessor was represented by

and Sorrento Mesa a couple years ago, are now being marketed for 15 to 25 percent less.

When asked about rent concessions, LaChapelle said while she doesn't expect them to be as high as they were in the early 1990s in UTC — when it was possible to get two years free rent on a five-year transaction — they won't be going down anytime soon either.

"Tenant demand may be worse next year," LaChapelle said adding the market should turn around by mid-2010. "This is a financial-led recession that will have taken about three years. It takes a little longer than say a tech bust."

She added that in submarkets such as Carlsbad and the Interstate 15 Corridor, which were hit with a wave of new office construction when the recession hit, the situation is that much worse for landlords.

The North County cities posted a 27.4 percent office vacancy rate in the first quarter including sublease space, and the I-15 Corridor posted an 18.8 percent rate including sublease space during the same period.

The Class B vacancy rate in the I-15 Corridor hit 20.1 percent with that sublease space included.

"Our strategy for sublease space is about mitigating the downtime," Fleck said, adding that subtenants especially want significant concessions. "In Del Mar, if the rents are \$3, the subtenants want to pay \$2."

Source Code: 20090603tde