

# Businesses in Space Race Buy Entire Buildings

**ACQUISITION:** El Segundo campus defies market as properties snapped up.

COMPANIES with office needs on the Westside are continuing to turn to the South Bay in search of less expensive rents. At a new office complex in El Segundo, companies are foregoing renting altogether, instead purchasing buildings.

Despite the credit crunch, sales are going briskly at the Edge, a 15-building project located inside the 47-acre Campus El Segundo master-planned business park.

## REAL ESTATE

DANIEL MILLER



The project opened in mid-April and already nine buildings have been sold, with two more deals pending. The 200,000-square-foot Edge, between Nash and Douglas streets at Atwood Way, caters to midsize businesses, with the largest building just 20,000 square feet.

"Users have come from West L.A. due to the higher rental rates and the desire to control occupancy costs," said Bill Bloodgood of CB Richard Ellis Group Inc., who is selling the office units.

The project was developed by San Francisco-based **AMB Property Corp.** and Torrance-based developer **Mar Ventures Inc.** AMB purchased the property in 2006 from **Thomas Properties Group Inc.**, the developer of Campus El Segundo.

So far, sales have been in the \$355- to \$400-per-foot range. At least two buyers at the project



**Bought:** Office building at the Edge in the Campus El Segundo business park.

are relocating from the Westside. Formula PR is moving from Marina del Rey and Telenet VoIP Inc. is moving from Culver City. Other tenants include Xceed Financial Credit Union, which has purchased three buildings, and Thomas Properties.

### Apartment Conversion

Another downtown condo building has been converted into a for-rent apartment property, signaling the continued decline in the area's residential market.

Prospective buyers at the Chapman building had planned to close on their units in the coming weeks, but developer Mark Farzan said that the building would be converted to a for-lease property. Farzan didn't pin his decision to

switch the 13-story adaptive reuse building at 8th Street and Broadway on a lack of demand — instead, he said it was simply a function of buyers being unable to qualify for their loans.

"Many could not get home loans due to the changes in underwriting guidelines," said Farzan, who noted deposits were put down for more than 90 of the project's 163 units.

Farzan said he was very disappointed to make the change, but added that he is prepared to hold on to the property until the market can support condo sales.

Other downtown condo projects to go rental in recent months include Artisan on Second and Ten Ten Wilshire.

Chapman units were offered in the \$300,000-

\$950,000 range and now will be rented out in the \$1,400- to \$3,500-per-month range.

Farzan said that the project was built to higher standards than most rental properties.

"It was not built as an apartment where sometimes you try to do some cost-saving," he said. "We went full blast. We made it very desirable."

### Big Loan

Magic Johnson's investment vehicle, **Canyon-Johnson Urban Fund LP**, has secured a big development loan at a time when most real estate players are struggling to obtain financing.

Chicago-based Corus Bank, an entity of **Corus Bankshares Inc.**, funded a \$165 million construction loan for Johnson's Beverly Hills partnership and Austin, Texas-based developer **Stratus Properties Inc.**, which are co-developing a 37-story W Hotel and Residences project in Austin. The project will include 198 condos and a 252-room hotel along with retail and office space.

The May 2 loan comes as several high-profile real estate projects in Los Angeles have had significant troubles securing loans. **Related Cos.**, the developer of downtown's Grand Avenue project, has had difficulty obtaining funding for the massive mixed-use project, one reason for its delay.

However, the Austin project is much smaller, and includes a W Hotel, one of the hottest lodging brands in the world.

Locally, Corus Bank has funded two residential projects downtown that have experienced rough patches recently. The bank gave **Astani Enterprises Inc.** a \$190 million loan for its Concerto condo project. That project was delayed when the former lender became embroiled in credit crunch. Corus also funded a loan for the **Kalantari Group** for its Glass Tower project, which has yet to be built.

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