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By ELIOT BROWN [CONNECT](#)

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The former Hughes Aircraft headquarters has been converted to office space, the latest sign of revitalization in the Playa Vista area. *Ratkovich*

When Wayne Ratkovich bought the 28-acre former headquarters of [Hughes Aircraft Co.](#) [\(RTN +0.41%\)](#) just north of Los Angeles International Airport with the intent of converting it to modern office buildings, he figured it would take a while to attract tenants.

It didn't.

"We barely had an opportunity to clean things up before the tenants began to submit proposals," said Mr. Ratkovich, who bought the property in 2010 after a prior owner ran into financial distress. He has since leased the low-slung complex in Los Angeles's Playa Vista neighborhood to firms such as [Google Inc.](#) [\(GOOGL -0.01%\)](#)'s YouTube and advertising company 72andSunny.

Mr. Ratkovich's firm, Ratkovich Co., has sold a majority stake in the property, excluding a still-vacant giant hangar where Howard Hughes's famed Spruce Goose aircraft was constructed.

Atlanta-based [Invesco Ltd.](#) [\(IVZ +0.63%\)](#) has purchased the stake in the roughly 200,000 square feet of leased properties that values the seven buildings at more than \$100 million. Ratkovich also invested tens of millions of dollars to upgrade the property and attract the tenants. Mr. Ratkovich declined to discuss specific terms of the sale.



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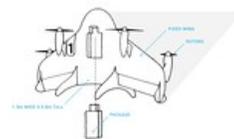
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The deal is likely to result in a big gain for the company and its partner, Penwood Real Estate Investment Management. They paid \$32 million for the entire site, including the hangar, four years ago.

"We did not predict an outcome as attractive as this," said Mr. Ratkovich, who redeveloped the property with his son, Milan Ratkovich, and tried to lure tenants by installing amenities such as surfboard racks, free bikes and barbecue pits.

The increased value of the former Hughes headquarters is the latest sign of the revitalization of the Playa Vista area, a dream that was envisioned at least three decades ago. The area, which used to be a sprawling Hughes airfield, was targeted to be transformed into a master-planned minicity in the 1980s.

But for years, Playa Vista has largely been characterized by delays and deferred ambitions as numerous planned projects never took off.

This time, it's a different story. The area has emerged as an unexpected hot spot among one of the economy's fastest-expanding sectors—media, advertising and tech companies—underscoring how those industries are changing neighborhoods and boosting the fortunes of developers.

Mr. Ratkovich isn't alone among developers who are capitalizing on the area's changing fortunes.

One mile away, a venture of Los Angeles developer Worthe Real Estate Group and San Francisco-based Shorenestein Properties paid \$44 million for a former postal distribution center in 2011. A prior owner had surrendered it to creditors after the downturn.

The new owners replaced the drab industrial walls with glass and added a fitness center and beach volleyball court. The complex, named the Reserve, is now fully leased with companies including [Sony Corp.](#)'s [\(6758.TO +1.22%\)](#) PlayStation unit and celebrity-gossip website TMZ, the types of companies that are prized by landlords for their fast growth.

Playa Vista rents have risen, even while many other neighborhoods in Los Angeles, including the downtown, have seen sluggish growth.

Take the case of Vantage Property Investors, which redeveloped a former ATM servicing facility in Playa Vista into office space aimed at entertainment companies. Ned Fox, Vantage's chief executive, said he was expecting net rents of about \$24 a square foot when he bought the 195,000-square-foot complex in 2011. Since then, rents have risen by more than one-third, he said, to about \$33.

The property, called Playa Jefferson, is about 50% leased today. Mr. Fox said he is in discussions with several companies to lease the rest of the property.

The first developer to try to redevelop the Hughes airfield and headquarters was Maguire/Thomas Partners, which bought most of Playa Vista from a successor to Hughes Aircraft in the 1980s. At one point, DreamWorks Animation SKG Inc. considered the area for a giant studio complex.

But Maguire/Thomas was held back by lawsuits and sluggish leasing progress. The company struggled for years to get it off the ground.

"Playa Vista's taken a long time," said Mr. Fox, who was a top executive at Maguire at the time. "It shows how difficult it is to make substantial returns on a project that takes several cycles."

Carl Muhlstein, managing director at real-estate-services firm JLL who has been working on leasing the Reserve, compared the experience of developers in the area to Manhattan's Meatpacking District and San Francisco's South of Market a generation ago.

"Those who pioneered and those who took positions had handsome payoffs, and

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Playa is no different," he said.

More development is in store. New York-based Tishman Speyer Properties, which built a successful development in Playa Vista before the recession but also lost a large swath of land to creditors after the economy turned, is building another office development aimed at creative tenants. And Robert Maguire, who built many of Los Angeles's downtown towers before losing them in the recession, is looking for investment partners to start a new development at his property in the area, known as Water's Edge.

The increase in office workers has helped give rise to a long-planned mixed-use complex being constructed by Lincoln Property across from Mr. Fox's project, where a Whole Foods, a movie theater and hundreds of residential units are planned.

For Mr. Ratkovich, another payoff could be in store. According to several people familiar with the discussions, Google is in early talks to lease the hangar site on the property, a complex with more than 300,000 square feet that has been used as a Hollywood set for movies, including "Transformers."

Asked how much more the property would be worth if he can secure a tenant for the complex, Mr. Ratkovich said it would be a "very successful" investment.

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