

Vantage Sells Coveted Silicon Beach Office Asset

by Barbra Murray

Rockwood Capital shelled out \$165 million to acquire the 11-acre Playa Jefferson campus in Los Angeles.

Los Angeles—Vantage Property Investors found a diamond in the rough in Los Angeles' Playa Vista neighborhood and transformed it into Playa Jefferson, a gem that just fetched \$165 million. The real estate investment and development company sold the 11-acre creative office complex to an affiliate of Rockwood Capital LLC, just five years after picking it up for a mere \$33 million.

Investors were chomping at the bit to get their hands on Playa Jefferson, a multi-structure office complex at 12777 W. Jefferson Blvd., and the property's location in an increasingly popular area of Silicon Beach was a big part of the attraction. Playa Vista has moved up in status since Vantage purchased the property from Embarcadero Capital Partners. "The investment community had completely shifted its perception of Playa Vista during this time. When we purchased, the area was seen as a risky market. Then all of the big name tech and media firms started pouring into Playa Vista, turning it into Silicon Beach," Stuart Gulland, founder & partner of Vantage Property Investors, told Commercial Property Executive.



Playa Jefferson, Los Angeles

Once home to R&D buildings that had been erected in the 1970s and '80s, Playa Jefferson is now a Silicon Beach favorite, with the likes of Facebook gracing a tenant roster that is presently 93 percent full. The office destination features 200,000 square feet of state-of-the-art creative office space in four buildings and a recently completed 617-vehicle parking garage. And it will soon sprout an additional 55,000-square-foot office structure.

Kevin Shannon, Ken White and Scott Schumaker of commercial real estate services firm Newmark Grubb Knight Frank marketed Playa Jefferson on Vantage's behalf, and the team received inquiries from roughly 100 companies, a third of which toured the property. The competition was steep, with more than a dozen investors submitting serious offers before the list was whittled down to five potential buyers. The investment community's eagerness is easy to explain: it's a very good time to own an office building in Playa Vista. Demand for creative office space is so strong that it has driven up rents 33 percent since the second quarter of 2013, according to a report by commercial real estate services firm CBRE.

"When we bought the property in 2011, it was a very different climate in Playa Vista than today," Gulland said. "There was 2 million square feet of vacant office space and a CEQA lawsuit was still hanging over the entitlements for Phase 2 [of the Playa Vista community], which included Runway, the town center." By the time Vantage finished working its magic on Playa Jefferson with the help of architectural firm Gensler, Playa Vista was in blossom mode. He added, "During this time, Runway was built and leased to several eateries, Whole Foods and Cinemark. Our property is the closest to Runway—our tenants can just walk across the street. It seemed this was a natural break point to sell with the next option being when we completed the new building in two years."

Now Vantage leaves development of Playa Jefferson's fifth office structure in the capable hands of Rockwood Capital. The new building will likely be stabilized in short order. After all, approximately 30 million square feet of Los Angeles office space is scheduled to expire in the next few years and all tenants are expected to update to some form of creative office space, per the CBRE report. The new Playa Jefferson structure is on track to reach completion in the fourth quarter of 2017. "I can say that the building is very efficiently designed and has all the characteristics that Playa Vista tenants like," Gulland noted. '