

# SCO



STRATEGIC ADVISORY & BROKERAGE  
Formerly Leonard & Ohren

## CLIENTS/CASE STUDIES

### Clients

 <p><b>FIRST</b> INDUSTRIAL REALTY • TRUST</p>	 <p><b>RREEF</b></p>	 <p><b>TRAVELERS</b></p>
 <p><b>AMB</b> AMB PROPERTY CORPORATION®</p>	 <p><b>PS</b> PSBUSINESSPARKS</p>	 <p><b>CORNERSTONE</b> REAL ESTATE FUNDS®</p>
 <p>MARCUS ■ ADAMS</p>	 <p><b>INTERNATIONAL AIRPORT CENTERS</b></p>	 <p><b>NSB</b> <i>Associates, Inc.</i></p>

# Case Studies

CS	201 W. Manville Ave. Compton
1	Our Client: 
	

## Summary:

SCO represented First Industrial Realty Trust on the lease renewal with FedEx for a portion of the building, a new branding campaign to redefine the building and the ultimate disposition resulting in the largest industrial transaction in the South Bay in 2007.

## History:

First Industrial Realty Trust purchased the 154,619 sq. ft. industrial building in January 2006 for \$14 million. The building was originally built in 1956 and operated as a manufacturing facility for decades. At the time of purchase, FedEx occupied the rear portion of the building (62,250 sq. ft.) and the front portion was occupied by a warehousing company. Both leases expired within approximately one year.

## Our Asset Management Plan:

SCO was engaged by First Industrial to negotiate on its behalf with FedEx to restructure its lease. Stabilizing the income stream for the back portion of the building with a Fortune 500 company at a healthy lease rate was a critical element of our repositioning strategy. In developing the tenant retention strategy closely with

our client, we executed a creative plan which resulted in FedEx renewing their lease at \$0.875/sf-NNN, which was the highest rate paid by a distribution company in the South Bay in 2007.

## Our Business Plan

Our successful retention of FedEx at a premium lease rate resulted in leaving a 91,000 sq. ft. vacancy in the front portion of the building which included 1.40 acres of excess land. The first step was finding the “ethos” of the property, which we determined was the excess land that was especially valuable to many tenants who needed it for container storage. We designated it “Surplus Land” in an attempt to clearly state that monetary value existed in this land. The building to land coverage ratio for the property was a low 31%. The “Surplus Land” became the centerpiece of our campaign.

Most brokers in the market strongly resisted our approach of charging a higher lease rate due to the additional land and instead said that the land “just comes with the building.” In an effort to counter this argument, we marketed the additional 1.40 acres for lease separately from the vacant front portion of the building and fielded offers from interested tenants who wanted to use the land for parking or storage. This move substantiated that true value existed as we could apply a 7% CAP Rate to the income stream thereby resulting in additional value of \$2.3 million.

The second step was to reintroduce the building as a modern distribution building because many brokers knew it for decades as an old manufacturing building. To redefine 201 W. Manville, we created a major marketing campaign which included an elaborate marketing piece highlighting the various leasing options the property provided. In addition, to take a page from popular reality TV, the second phase of the campaign featured an ‘eXtreme Makeover—First Industrial Style’ brochure to highlight the building enhancements. The specific goals of our marketing campaign were to completely redefine the building into a modern distribution facility and demonstrate that actual value existed in the “surplus land”.

## Results:

Our ultimate plan was to stabilize the asset and then sell it to an institutional investor. However, as a result of the credit crunch and lenders tightening their standards, we determined that it would be more difficult to secure a premium price from an institutional investor or a REIT. Therefore, we shifted our strategy and secured an owner/user to pay an all-time high sales price per sq. ft. in the South Bay of \$22.6 million (\$146.75 per sq. ft.), 39% higher than our client paid roughly eighteen months earlier. The key to these efforts is that the ultimate buyer recognized the value in the “Surplus Land” (the “ethos”).

CS	Oceangate Business Park Hawthorne
2	Our Client: <b>TRAVELERS</b> 



## Summary:

SCO represents Travelers Insurance on a branding strategy to name Oceangate Business Park and separately on a lease renewal of an 80,000 sq. ft. tenant, achieving a 28% rent premium to the current market. SCO also attracted the first international film production company to Hawthorne.

## History:

Travelers Insurance owns a 300,000 sq. ft. business park located in Hawthorne. Although the location of the property is relatively close to El Segundo, most tenants seeking a prestigious location for their operations have dismissed the property due to its Hawthorne mailing address. The property suffered unfairly from a negative perception in the marketplace. It was known as West Hawthorne Industrial Park.

## Rebranding Business Plan:

The first step was finding the “ethos” of the property, which we identified as an amazing opportunity for El Segundo and West-

side companies that wanted a first class business park environment at a 20% rent discount to comparable Westside buildings. We also knew that companies and brokers had a strong aversion to Hawthorne because it was associated with low image buildings.


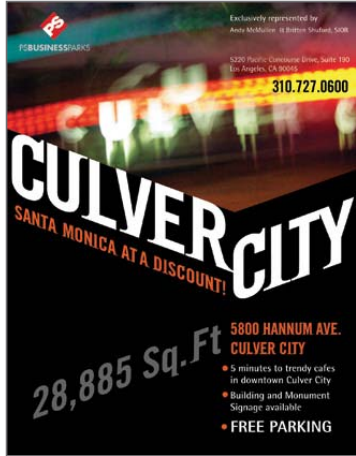
After finding the “ethos”, we launched a massive rebranding campaign and named the property “Oceangate Business Park”. We described the location as “At the 405 and Rosecrans”, which most people actually associated with El Segundo. We never used the name “Hawthorne” in our rebranding campaign. The core theme of our rebranding campaign was “The Ideal Choice for El Segundo and Westside Companies” which we communicated in dozens of creative ways to brokers and prospective tenants in a six month period.

## **The Results:**

Today the business park is recognized in the marketplace as a Westside-esque park despite the fact that it’s located approximately 5 miles south of what most would consider West Los Angeles. We have succeeded in attracting many prestigious companies who were previously located in El Segundo and West Los Angeles. When brokers refer to the property today, they call it “Oceangate” and rarely use the word “Hawthorne”. The association with El Segundo and West Los Angeles is important because Travelers Insurance has enjoyed dramatic rent increases. For example, our most recent lease transaction was at \$1.00/sf NNN representing a 30% premium above comparable buildings within the immediate neighborhood.

Even the existing tenants have accepted the rebranding. Travelers Insurance engages SCO to handle all of its lease renewal transactions within the Oceangate Business Park. Our superior market intelligence and strong advocacy skills have resulted in multiple successes. For example, a tenant occupying 80,000 sq. ft. had a lease expiring in six months. While most companies today require modern distribution buildings with extensive dock high loading, this particular building is a warehouse with grade level loading. We created a very compelling case that the lease rate for the property should be \$0.90/sf-NNN, a 30% premium to comparables within the immediate neighboring areas. The tenant’s broker attempted to support their case for a lower lease rate but our position proved to be much more supportable because we had crafted a West Los Angeles market rent case to support a higher lease rate for our client.

The result for our client was the successful renewal of a strong credit tenant at \$0.80/sf NNN, 12% higher than brand new buildings located in a business park located 2 miles south and 10% higher than any lease comparables in El Segundo, generally considered to be a much more attractive area

CS	PS Business Parks Culver City
3	Our Client:  PSBUSINESSPARKS
	

## Summary:

SCO creates a brand marketing campaign to reposition a business park in Culver City resulting in historically high occupancy and lease rates as well as a uniquely strategic long term position in the market.

## History:

PS Business Parks owns a 165,000 sq. ft. office/flex/industrial business park in Fox Hills – Culver City. This property had historically experienced a high vacancy rate resulting from the perception of being in an unsafe area. SCO was retained in the fourth quarter of 2001 to create a marketing strategy including new tenant leasing and renewals of existing tenants. The occupancy at the time was 72% and sixteen existing tenants had leases expiring in the fourth quarter of 2001.

## Our Business Plan:

The first step in the rebranding process was to focus on retaining the existing tenants to avoid higher vacancy. SCO created a tenant outreach strategy involving individual meetings with tenants to clearly understand their concerns and communicate the findings to PS Business Parks. ‘Tenant Day’ was created to improve the perception

of the landlord in the eyes of the tenants. Our efforts resulted in 98% tenant retention and improved lease rates.

The second step in the rebranding process was to focus on prospective tenants in the marketplace and cooperating brokers. We successfully changed their perception of this location, and for the first time were able to attract many creative tenants from Santa Monica and Venice. This was made possible through a combination of a very focused and aggressive marketing campaign combined with our strong relationships in the tenant and brokerage communities.

## Branding Strategy

SCO has successfully positioned PS Business Park-Culver City as the most attractive business park in West Los Angeles for value conscious tenants. These efforts include demonstrating the benefits of being located in a PS Business Park, with particular emphasis on the exceptional property management along with the ability to expand within the sprawling business park.

## The Results:

Since SCO commenced its branding campaign and marketing efforts, PS Business Park realized nearly immediate results with 95% tenant retention and an increase in occupancy to 97% during a two month period. Since then, PS Business Parks has consistently outperformed the market in occupancy and rental growth. PS Business Parks’ occupancy rate has historically been 95-98% compared to Fox Hills-Culver City market occupancy rate which has typically ranged between 82-87%. The quality of tenants has improved significantly. The tenant roster includes First Federal Bank, American Idol, Han Asian Vodka, Stargate Apparel, and Muzak.


**Latest Success:**

In 2007, the longtime tenant anchor, a medical firm occupying 35,000 sq. ft. (22% of the business park) declared its plans to relocate at the expiration of its lease term. We advised our client that this announcement represented an exceptional opportunity to secure a tenant with more traditional office requirements rather than those of a medical nature. By changing the targeted usage of the space, SCO was able to move forward and secure a higher credit tenant for our client, thereby improving the value of the property.

The “ethos” of this property is that it’s located in relative close proximity to highly desirable Santa Monica but the rent is much less expensive. Thus, our brand marketing campaign focused on “Santa Monica at a Discount”. With rents significantly rising in Santa Monica, we strongly believed that the opportunity existed to attract a single tenant who was attracted by the discount.

**The Results:**

Within two months of our launching marketing efforts for the space and prior to the existing tenant’s lease expiration, we secured First Federal Bank, a strong credit New York Stock Exchange company. As we predicted, this ultimate tenant was previously based in the ‘high rent’ district near Third Street Promenade in Santa Monica. The new lease term was 12 years, resulting in long term security and occupancy for our client.

CS	<b>Citizen News Building Hollywood</b>
4	Our Client: <b>Bunge Holdings</b>
	

**Summary:**

SCO creates asset management and ultimate disposition strategy for the iconic Citizen News Building in Hollywood.

**History:**

Bunge Holdings, a high net-worth family entity, owned the historic Citizen News Building located near Sunset Blvd. and Vine Ave. The creative office building was 45,000 sq. ft. with an adjacent surface parking lot (land). Due to the fact that the anchor tenant, occupying over 55% of the building, had announced plans to vacate at the expiration of its term, our client retained us to handle the disposition of the asset.

**Our Asset management Business Plan:**

After quickly and aggressively pursuing a tenant retention strategy with Imagic (a high end graphic design firm), we determined that this wasn’t a possibility due to their immediate need for a larger building. It was critical to secure a buyer for the asset prior to Imagic’s lease expiration, which was less than five months away.

## **Our Disposition Business Plan:**

We first naturally focused on finding the “ethos” of the building, which we determined had two components. The first component to the “ethos” was the distinctive, funky office space which we felt would be highly desirable to music studios, production companies and creative agencies. Although the office vacancy rate in Hollywood was 15% at the time, we recognized that the market for this type of space was extremely scarce and in high demand from creative firms. The second component to the “ethos” was that the 1 acre surface parking lot had development potential, resulting in a means to enhancing the property value. This expanded our target buyer to include developers. Our extensive offering memorandum focused on the “ethos” of the property and promoting the early gentrification signs for this area of Hollywood.

## **The Results:**

Although the strong consensus among active local commercial brokers predicted that we would achieve a purchase price approximately 20% lower, the property ultimately sold to Brentwood Capital Partners for \$8.4 million. We were able to demonstrate to the buyer that the area was gentrifying and would attract a new breed of creative tenants. We also represented Brentwood Capital Partners who is a valued client of the firm.