

# Strategies

*Artist's rendering of Boardwalk Apartments, approved by the city on a heavily trafficked transit corridor and next to Bella Terra Mall in Huntington Beach.*



## In this Issue



**Page 3.** Guest Columnist Mary Ann King of Moran & Company explains the recent surge in multifamily deals by investors of all stripes. She discusses coming maturity issues, rent growth and value-add opportunities and says those now entering development deals “will build into one of the strongest rental markets of our generation.”



**Page 4.** SRG engineered four major leases totaling 1.4 million square feet, including a corporate campus for Quiksilver that extends to 2024, a 15-year lease to a top Orange County beverage distributor and a 100,000-square-foot office lease to video game publisher Blizzard Entertainment, developer of “World of Warcraft” and other popular titles.



**Page 8.** When the U.S. Veterans Initiative needed planning and construction capabilities for an eight-building campus to house and treat troubled veterans, the non-profit turned to SARES•REGIS Group, in part, because of SRG’s success in delivering large sustainable projects.

## SRG To Break Ground On Green, Luxury Boardwalk Apartments In ‘Surf City U.S.A.’

**Construction is set** to get under way by SARES•REGIS Group on its development of 487 luxury, sustainable, transit-oriented apartments, a project that city planners say is key for the continuing revitalization efforts in a heavily trafficked area in Huntington Beach.

Boardwalk Apartments represents an important residential component at a gateway to the coastal community of 202,000 residents that bills itself as Surf City U.S.A. It also will add needed density to an area that planners envision as the city’s future mass transit hub.

SRG’s development plan for the 12-acre site on busy Edinger Avenue near Beach Boulevard includes a half-acre public park, 10,000 square feet of retail, a 9,000-square-foot recreation center for Boardwalk’s residents and 4,500 square feet for resident services and leasing. SRG’s latest multifamily development in Anaheim earned LEED Gold certification (see story, page 6) from the United States Green Building Council.

Boardwalk Apartments will be adjacent to the recently overhauled 800,000-square-foot Bella Terra mall, a Tuscan-themed shopping and entertainment center by DJM Capital Partners. The 48-acre mall recently landed the city’s first Costco warehouse retail store. Both developments are close to Beach Boulevard, the San Diego Freeway and a short walk to Golden West College and the Golden West Transportation Center.

SRG’s planned development recently earned unanimous approval from city planning commissioners and won praise from area residents and businesses.

Mike Winter, Senior Vice President of SRG’s Multifamily Development Division, said construction should begin soon, adding that the property’s estimated value at stabilization is \$164 million.

Winter said city planning panel members noted that Boardwalk Apartments will bring needed housing balance to the area, offsetting an abundance of retail. Golden West College officials

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## Green, Luxury Apartments, Retail In Huntington Beach *continued from page 1*

said the development will provide housing solutions for some of more than 14,000 students, faculty and administrators of the 122-acre campus.

All in all, the Boardwalk Apartments is perceived as a linchpin in an area city officials want to transform into a dynamic, transit-oriented urban village with increased pedestrian appeal that also will enhance the surrounding 50-year-old middle-class neighborhoods, retail and commercial buildings.

City officials have been working since 1997 on revitalization plans for the area, which is under the Beach and Edinger Corridor Specific Plan. Boardwalk Apartments is in the Town Center Core and Neighborhood segments of the specific plan.

Long-term planning concepts in Huntington Beach advanced cooperatively with the neighboring west Orange County cities of Stanton, Westminster and Fountain Valley to create a transit hub that would link bus and light-rail service to a regional transportation nexus in Anaheim.

Like much of north, central and west Orange County, the Beach and Edinger area began developing aggressively a half-century ago when the county still was seen largely as a bedroom community for Los Angeles.

The middle of the 1960s saw development of the Huntington Beach Mall, one of Southern California's first enclosed regional shopping centers, which was anchored by Sears, Roebuck & Co. and Montgomery Ward. By the 1990s the mall was in a losing battle to attract and retain tenants. Shortly after the turn of the millennium, the mall was renovated and renamed Bella

*The "Coastal Contemporary" architectural style of Boardwalk Apartments is fresh, marketable and energy-efficient.*

Terra. Directly across Edinger Avenue from Bella Terra was the huge warehouse and showroom for a shuttered Levitz furniture store, which is the site for Boardwalk Apartments.

Winter said that Irvine architectural firm TCA planned and designed Boardwalk Apartments. TCA's proprietary "Hi-Def" Type V design incorporates four levels of construction with parking below three levels of units and units on the first floor in front of the parking. It's also referred to as an "on-grade, wood-frame podium" design.

One- and two-bedroom apartments, totaling 429 of the 487 units, will make up the bulk of the development. They range from 724 square feet to 1,357 square feet. Fifty-four studio apartments, averaging 647 square feet, and four townhomes at 1,339 square feet are planned. The average unit size is 936 square feet.

Resident amenities include state-of-the-art club rooms and lounge areas, a full-length swimming pool, resort-style fitness and spa areas, a private indoor theater and a combined internet café and postal facility. The recreation building will have a rooftop deck lounge. The public park on the property will be developed with a sand volleyball court, paddle ball court, outdoor seating areas, a lawn and play areas.

Consistent with SRG's sustainable-development policy, Boardwalk Apartments will be built under the latest California Department of General Services' standards known as CALGreen, which is an alternative to ratings issued by the United States Green Building Council.

## Guest Column

# Multifamily Surprise: Buyers Off The Sidelines As Apartment Market Is On Road To Recovery

By Mary Ann King

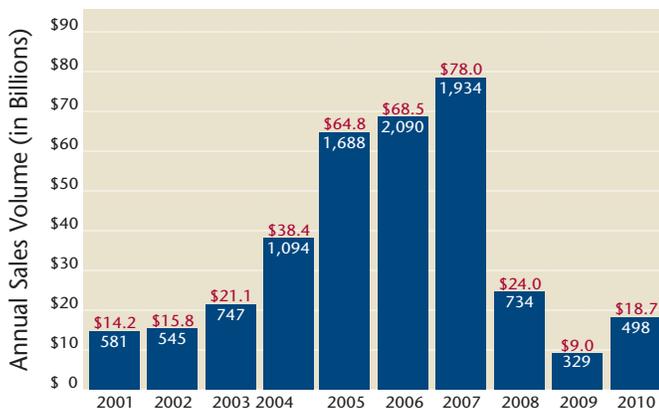
**The beginning of the year** is a time to reflect on where we were and where we're going. Two thousand and ten was a year that surprised us all. The first half of the year tested the strength and resiliency of the multifamily market. But by the second half, we finally turned the corner. The apartment market is now on the road to recovery and we are cautiously optimistic for the opportunities that lay ahead.

### 2010 Trends

All types of multifamily buyers returned from the sidelines in 2010. By mid-year, pension funds, REITs, private equity, life companies and private individuals were all competing to buy apartment assets across the nation. Institutional buyers dominated acquisitions of more than \$15 million in 2010, accounting for approximately 50 percent of all deals that closed. In addition, private buyers continued to be aggressive buyers in 34 percent of all trades.

This crescendo of buyer interest had two important effects: 1) the excess of buyers over sellers drove cap rates down dramatically; and 2) the competition for assets made sellers more wary of accepting unsolicited offers, driving them back to the auction process.

### Historical U.S. Apartment Sales Transactions Over \$15 Million



Source: The information included on this chart was compiled from multiple sources, including Real Capital Analytics, CoStar, other paid subscription services, public records, business journals, various local news sources, and discussions with investors.

### A Wild Ride For Cap Rates

In the 4Q of 2010, as 10-year Treasuries hit historic lows and apartment investments returned to favor, cap rates fell significantly, increasing values to within 13 percent of peak levels. Under any other circumstance, a 10%-15% decline in value would be horrific. But compared to where we were in mid-2009, things feel so much better! Hopefully, 2011 will bring improving fundamentals and a continued recovery in asset values.



*Mary Ann King is President of Moran & Company and Partner In Charge of the company's Irvine office. She sold the first apartment property ever listed by Moran & Company, and since 1994 has been responsible for approximately 50 percent of the sales volume handled by the firm. She manages all of the marketing assignments undertaken by her office and is working with Tom Moran to enhance and expand Moran & Company's platform nationwide. She is a past chair of the National Multi Housing Council and is a Trustee of the Urban Land Institute.*

### The Search For Distress

Distress dominated the wish lists of investors in 2010. While we saw a number of note sales, for the most part the level of anticipated distress failed to materialize. However, we did see a situation that created several opportunities in 2010: construction loans on new development deals reaching their maturity. Moran & Company worked on a number of deals where debt maturity presented both buyer and seller with a win-win opportunity. In these instances, buyers were able to acquire top-quality assets in desirable locations at or below replacement cost. Sellers, who were struggling with looming construction loan maturities, were able to salvage their relationships with their lenders and get out somewhat unscathed.

### A Wave Of Trophy Condo Conversions

Also, 2010 was the year of the trophy condo reversion. After trying every creative marketing strategy in the book, condo developers were ready to throw in the towel. Lenders seemed ready to take their lumps. And, as apartment cap rates fell back into the mid 4-percent range, the reversion alternative became the lesser of evils. Buyers such as Essex, EQR, Behringer Harvard and Watermarke were all able to buy out-

standing condo projects at substantial discounts to replacement cost and retain the condo exit opportunity. These acquisitions will likely represent some of the best investment opportunities of this cycle.

### A Great Year For Big Deals

It also was a great year for big deals! The average deal size increased by roughly 40 percent from \$29.4 million in 2009 to \$40.6 million in 2010. This large increase in deal size reflected record low interest rates and the re-engagement of institutional investors, particularly apartment REITs. Some 21 percent of all apartments sold for more than \$15 million were bought by REITs. Of the 12 deals that traded in 2010 for more than \$150 million, REITs acquired five of them, or 41 percent, in Southern California, Washington, D.C., and New York, arguably the three strongest and most desired submarkets in the country.

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## Industrial, Office Leases Totaling 1.4M Sq. Ft. Signed By SRG And Four Diverse Companies

**SARES•REGIS Group** engineered leases recently with four companies for 1.4 million square feet of Class A warehouse-distribution and office buildings in Orange and San Bernardino counties.

The leases with Quiksilver, Blizzard Entertainment, Straub Distributing Co. Ltd. and American Building Supply were widely reported by real estate industry news publications because they are among the region's largest in the past six months.

### Quiksilver 'Hangs 10' In Surf City

Among the agreements was a major deal with Quiksilver in which the landmark Orange County-based apparel company ended speculation over whether it would move to competing facilities by renewing its lease for more than 400,000 square feet of warehouse and office space until 2024. Quiksilver is a major designer, maker and distributor of brands for surfers and skateboarders. The company will remain at the SRG-developed, 1-million-square-foot West County Commerce Center in Huntington Beach.



*Quiksilver renewed its 400,000-sq.-ft. lease through 2024.*

"We actively looked at several other sites in Orange County," said Quiksilver Chairman and Chief Executive Officer Bob McKnight.

"Our long relationship with SARES•REGIS Group was a key factor in our decision. SRG understands our business and what we need from our facilities. They have been an excellent landlord and property manager," McKnight said.

The agreement was cheered by Huntington Beach Mayor Joe Carchio, who said, the company "represents the iconic surf lifestyle and culture" of the Southern California coastal town of more than 200,000 residents that bills itself as Surf City USA. "They belong in Huntington Beach," Carchio said.

Rob Socci and Joe Miller of Voit Real Estate Services represented Quiksilver. SRG was self-represented by Vince Ciavarella, presi-

dent of the company's Commercial Property Services Division, and Michael Wood, director of leasing.

### Top Beverage Distributor Inks Anaheim Lease

In another major Orange County industrial transaction, beverage seller Straub Distributing Co. Ltd. signed a 15-year lease for an SRG-owned 281,548-square-foot distribution facility in Anaheim.

Established in 1948 as the exclusive local distributor of Budweiser beer, Straub has grown up with the county. Today, the company with 330 employees also distributes the scores of imported brands of Budweiser's owner InBev.

The lease, which is valued at \$37.5 million, represents an expansion for Straub and the consolidation of its three area distribution and headquarters.

The Straub lease came three months after SRG purchased a note and took control of the vacant Class A distribution building through foreclosure. SRG was represented by CB Richard Ellis brokers Brad Bierbaum and Ryan Peterson. Straub was represented by Richard and Paul Julian of Advanced Real Estate Services

### Warlocks, Druids, Paladins In Azeroth

SRG and Blizzard Entertainment Inc. struck one of 2010's largest recent transactions for office space in Orange County, leasing two buildings totaling 100,677 square feet for expansion. Blizzard now occupies more than one third of the Class A Irvine Oaks office campus in the Irvine Spectrum. Irvine Oaks totals 322,000 square feet in 16 buildings.

Video gamers will know Blizzard Entertainment Inc. as the developer and publisher of several popular titles of multiplayer online games, including the blockbuster World of Warcraft®. In this game, players impersonate characters with magical powers that help them survive in the game's fictional universe of Azeroth.

Investors know Blizzard as a division of Activision Blizzard (NASDAQ: ATVI). The company was founded in 1991 as Silicon & Synapse by three UCLA graduates. Shortly after signing the lease last fall, Blizzard released "Call of Duty: Black Ops." Sales of the new game already have passed \$1 billion, according to MarketWatch.

### Big Box Leased In Rialto

SRG signed American Building Supply to a 10-year lease for a 715,433-square-foot distribution building in Rialto, a city of about 100,000 at the center of Southern California's Inland Empire. The lease is valued at more than \$20 million.

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### Video game powerhouse Blizzard Entertainment expanded in Irvine.

The lease represents an expansion for American Building Supply, a leading national supplier of doors, frames and hardware and seller of quality window and mill work products. The Sacramento-based company will be consolidating three Southern California and Arizona locations, totaling about 650,000 square feet, at the facility. The lease took effect March 1.

The building is the largest of three developed by SARES•REGIS Group in its 1.6-million-square-foot Rialto Commerce Center that was completed in 2006. SRG was represented by Chuck Belden of Cushman & Wakefield. Jay Dick of CB Richard Ellis represented American Building Supply.

## Guest Column: Multifamily Surprise

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### New Construction Financing Challenges

Although the transaction market began to thaw in 2010, the market for construction loans is still pretty frozen. Until construction lenders can lay off their old assets, freeing up the capital to finance new opportunities, construction financing will remain extremely difficult to come by. The capital that these lenders do have is earmarked for low leverage transactions with "relationship" borrowers, with substantial recourse and lots of equity. Not only has the number of active construction lenders fallen off dramatically, but the terms on which they are willing to lend kills the economics of the deal for the developer. An important trend in 2010 was the inability of developers to access attractive construction financing, which resulted in the development pipeline grinding to a halt.

### 2011 Opportunities – Identify Properties With Maturing Loans

Based on the BOVs we are performing for both lenders and investors, we expect debt maturities to generate more acquisition opportunities in 2011. We expect to see a number of opportunities arise out of Class B and C deals that were purchased five to seven years ago with seven-year debt that matures in 2012-2014. Although debt rates are low today, depressed rents in many markets mean that many owners can't meet the debt-service coverage ratios needed to refinance. Thus, many of these owners are trying to determine if a sale at lower cap rates will offer them a more attractive execution than refinancing.

### Rent Growth Signals Value-Add Opportunities

With occupancies reaching stabilized levels and job growth resuming in most major markets, most investors expect rents to spike over the next 36 months. With that spike in rents will come the return of the "value-add" opportunity. This will bring more

	Peak Spring 2007	Trough Spring 2009	Today Winter 2011
NOI	\$1,000,000	\$950,000	\$975,000
Cap Rate	4%	\$7.25%	4.5%
Value	\$25,000,000	\$13,100,000	\$21,700,000

opportunities to a broader range of market participants. Many of us need yields that are higher than core, but risks that are less than "opportunity." The majority of players in the apartment space will get active again when the value-add opportunity returns.

### Invest In A New Development Deal

Several developers engaged Moran & Company in late 2010 to help them solicit and evaluate alternative development structures. We have been comparing the terms of development JV money from "build to core" accounts with participating debt structures from life companies and with presale options. There are more investors entering this space almost daily. We expect that the investors that consummate development deals in 2011 will build into one of the strongest rental markets of our generation.

### Let Us Introduce You To Foreign Capital

In the last few months, several foreign investors have knocked on Moran & Company's doors to discuss specific apartment opportunities. Although they have pretty stringent investment parameters which may restrict the volume of capital they actually place in the multifamily sector in 2011, they are beginning to call on firms whom they believe can help them access quality apartment properties and portfolios and engage in serious discussions. One of the great opportunities of 2011 will be to further develop those new important relationships.

We at Moran & Company wish you all the best in 2011 as we put the recession behind us and move forward into the next cycle!

## SRG's Anaheim Luxury Apartments Earn LEED Gold, Top Development Honors; Lease-Up Hits 95%

**The Crossing** in Anaheim, SRG's new 312-unit, transit-oriented luxury apartment community, earned LEED Gold from the United States Green Building Council. The award came as lease-up efforts reached the goal of stabilization at 95%. The community also won the prestigious "Development of the Year" honors from the South Coast Apartment Association.

It is the first time the prestigious Gold LEED rating has been awarded to an Orange County apartment community developed by a privately held firm.

"The Crossing represents our firm commitment to develop sustainable multifamily communities. They are healthier for our residents and reduce energy consumption. We're pleased with the reaction of the marketplace. The property was stabilized well ahead of schedule," said Mike Winter, SRG's Senior Vice President of Multifamily Development.

Highlighted in its USGBC application was The Crossing's commuter-friendly location, the urban infill/reuse site selection, the use of green building materials, the 94-per cent diversion rate in which 7,952 tons of demolition and construction waste was recycled, the donation of excavated sandy soils to the city for improvements made to the nearby Santa Ana River bed and policies aimed at promoting better health.

The community is at 3530 E. La Palma Avenue on 5.2 acres adjacent to the Anaheim Canyon Metrolink Station and near the 91 and 55 freeways. The Crossing is close to another new SRG development, Canyon Point, which consists of three industrial buildings and also earned LEED Gold certification (see story, page 7).

*Many residents chose The Crossing for the commuting convenience of the Anaheim Canyon Metrolink Station.*



*Rendering of building leased to Panasonic, one of two leased buildings developed by SRG in Tijuana and sold to Prudential.*

## SRG Sells Two Industrial Buildings In Tijuana To Prudential Real Estate

**SARES•REGIS Group sold** Prudential Real Estate-Mexico two warehouse-distribution buildings the company developed in Tijuana. Total consideration was \$15.8 million.

The buildings total 404,826 square feet and are leased to Mattel Inc. and Panasonic.

SRG developed the buildings in 2007 and 2008 and leased the first building totaling 174,660 square feet to Mattel during construction. Early on, Mattel was seen as a likely tenant because it had a 500,000-square-foot manufacturing plant nearby and was in need of space to receive and store raw materials. The other building totaling 230,166 square feet had been periodically occupied by Panasonic for seasonal overflow of flat screen televisions it produces at a nearby manufacturing plant.

The buildings are concrete tilt-up construction and feature 28-foot clear heights with dock-high loading and excess trailer storage.

CBRE broker Rich Kwasny out of San Diego represented SRG in the leases and sales of both buildings.

## Robotic Pioneer In Touch Health Picks Hollister Center, Goleta, For New HQ And Expansion

**SRG signed** In Touch Health, a Goleta-based pioneer in the development and manufacture of robotic health-care solutions, to a 65-month lease of 43,947 square feet of research-and-development office space at SRG's Hollister Center for its expanding headquarters, research and assembly operations.

In Touch Health officials say the larger facility at 6330 Hollister Ave. will accommodate the anticipated growth in its telemedicine systems.



## Second Canyon Point 'Spec' Building Sold; Project Earns LEED Gold Rating

**The second of three** super-premium industrial buildings developed in Anaheim by SRG has sold and the project was awarded a LEED Gold rating from the United States Green Building Council.

One 31,744-square-foot building remains available at Canyon Point, the first development of LEED-rated speculative industrial buildings in Orange County. The transit-oriented project in the city's 2,600-acre Anaheim Canyon redevelopment area totals 120,000 square feet.

"Developing real estate to high sustainable standards is important to us, and the success of Canyon Point proves that it matters to companies needing state-of-the-art industrial facilities. Environmentally sound design and construction one day will be commonplace. But we're proud to have developed the first speculative LEED Gold industrial project in Orange County," said John Hagestad, SRG Managing Director.

The recently sold second building, which totals 57,593 square feet, was purchased for \$7.4 million by HSJQ, a cabinet and tile distributor. The first building was sold to Woongjin Chemical America, a South Korean maker of water purification equipment for industrial use. Woongjin officials said they have a corporate mandate to buy or lease green facilities. The building is 32,554 square feet. The price was \$4.5 million.

Canyon Point received 26 design points and 13 points for construction from the USGBC, which presented the development the second highest LEED certification award, said Patrick Russell, senior vice president in SRG's Commercial Development Division.

The three buildings are situated on 6.3 acres at the southeast

corner at Miraloma Avenue and Miller Street in the Anaheim Canyon technology district.

Key features in the high-image buildings make them unique among small buildings in the Orange County marketplace, Russell said. They have 30-foot clear heights making them ideal for the most modern racking systems. They also have ESFR (early suppression, fast response) sprinklers, true dock-high loading and 130-foot concrete truck courts. These are features found mainly in state-of-the-art "big box" buildings in the Inland Empire but rare in Orange County, he said.

Additionally, each building has 4,700 square feet of built-out office and mezzanine space that includes large bay windows for viewing the warehouse area, Russell said.

Canyon Point is near Southern California's three major airports and key freeway hubs, including the 91, 57 and 55 freeways. It also is near the expanding Anaheim Canyon Metrolink station.

Brad Bierbaum in the Anaheim office of CB Richard Ellis is marketing the project. Go to: [www.canyonpointanaheim.com](http://www.canyonpointanaheim.com).



*Only one Canyon Point building remains available at Orange County's first "spec" green project that recently earned LEED Gold. Going into 2011 the vacancy rate in the Central County market was 5.8%.*

"In Touch Health is one of the South Coast Region's most dynamic new companies. Dr. Yulun Wang, the company's chairman and chief executive officer, is highly respected in robotics globally and he has longtime local ties, too," said Steve Fedde, Senior Vice President in SRG's Ventura Region.

Commercial real estate analysts say the In Touch transaction is the year's largest office lease in the region that includes Santa Barbara and Carpinteria. Locally, the Class A vacancy rate is 6.5 percent.

Last year, In Touch reported that more than 100,000 clinical sessions were performed with its Remote Presence technology. Its RP-7 Robot is serving in more than 350 hospitals.

The technology enables a physician to perform key activities from a remote location. Through the ControlStation, the

doctor can discuss a patient's status at the nurses' station, drive into the patient room, observe patient behavior, check bedside monitors and ventilator settings, discuss care with the patient and family members and return to the nurses' station to give orders or discuss next steps.

The company was founded in 2002 by Wang, who has more than 70 patents in robotics and computers.

Hollister Center, adjacent to the Santa Barbara Municipal Airport, is also home to Wyatt Technology, a maker of scientific instruments for the bio-technology and pharmaceutical industry, and Asylum Research, the technology leader for scanning probe and atomic force microscopes.



*Model of eight-building planned veteran transitional housing campus in Riverside, Calif. The project will have dorm-style rooms, a cafeteria and space for education and job-training programs.*

## SRG To Build 260,000-Sq.-Ft. US Vets Riverside Transitional Housing Project At Former March AFB

**SARES•REGIS Group** was awarded a contract to plan and build an eight-building campus on the former March Air Force Base in Riverside, Calif., to temporarily house and treat U.S. military veterans needing help with jobs and substance abuse.

The 401-bed US Vets Riverside Transitional Housing Project is slated to be built on 8 acres in a master-planned Lifecare area on the shuttered military base, said Mike Winter, Senior Vice President of SRG's Multifamily Development Division.

The 260,000-square-foot project is being developed by the non-profit United States Veterans Initiative. The veterans organization is based in Los Angeles and since 1992 has opened 11 facilities that serve more than 2,000 veterans daily.

SRG was selected, in part, because of the company's extensive experience in developing both sustainable commercial buildings and apartment communities. The U.S. Veterans Initiative is committed to build facilities that will earn a LEED Silver rating from the United States Green Building Council.

In order to achieve the needed LEED credits, the construction program will include photovoltaic cells and an extensive storm-water management system. SRG also has coordinated with the Riverside Transportation Authority to provide bus service to the project.

Initially, a site contiguous with former March AFB was to be provided by the Veterans Administration for the project. But the project is being shifted to another nearby site on the former base.

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## KTR Property Trust Buys SRG Distribution Building For \$17.6M

**SARES•REGIS Group** sold a 390,780-square-foot Class A distribution building in Redlands, Calif., to KTR Property Trust I for \$17.6 million.

Larry Lukanish, Senior Vice President in SRG's Commercial Investment Division, said SRG acquired the building at 9425 Nevada St. in October 2009 from an institutional investor as a distressed sale. It was the first acquisition by a strategic alliance between SRG and a prominent institutional investor. Half the building is leased by Sleep Innovations, a New Jersey-based maker of memory-foam mattresses and pillows.

Completed in 2007, the building is in a substantially built-out, master-planned industrial park that contains several buildings owned by a number of prominent institutional real estate investors, Lukanish said.

Cushman & Wakefield brokers Jeffrey Cole, Jeff Chiante, Chuck Belden and Ed Hernandez represented SRG and KTR Property Trust.



*SRG sold this Redlands building purchased in 2009.*



*SRG is marketing Vivere Condominiums after recommending a shift from apartments to for-sale.*

## Strong Home Sales Posted At Anaheim Project Completed, Marketed By SRG

**SRG sold nine homes** within the first nine days of the Grand Opening of Vivere, a 92-unit bank-owned condominium development in Anaheim. SRG completed construction of Vivere and also is marketing the project in Anaheim's Platinum Triangle for Macquarie Bank of Australia.

SRG took over construction last year after it was topped off and wrapped. The original developer planned it as a rental project. But officials of Macquarie Bank, which financed the development, agreed with SRG's recommendation that because of the oversupply of new apartments around neighboring Angel Stadium, it was prudent to offer the units for sale.

Regis Homes of Southern California was hired by Macquarie to handle sales and marketing. Starting in late 2010, a website was created and banners were placed on the construction fencing at the site. Through this initial marketing effort, an interest list of more than 150 people was formed for a mid-February soft opening. Communications via a Facebook fan page with prospects on the interest list along with walk-in traffic helped jump start sales while the project was being completed.

The March 12 Grand Opening was supported by an official advertising and marketing campaign.

In addition to the strong early sales, SRG officials expect velocity to increase due to successful negotiation with the City of Anaheim for \$2 million in redevelopment funds. These funds will apply to 20 qualified homebuyers purchasing at Vivere, each of whom will receive a \$100,000 silent second mortgage (payment free) toward the purchase of their new home. SRG is planning to have all units sold by December.

## Regis Homes Bucks Trend With Bay Area Sell-Out

**Despite the toughest** residential real estate sales market in decades, Regis Homes Bay Area, LLC recently closed out one of its new home communities in the Bay Area – Gables End in Mountain View. During the down economy, as other companies were literally closing their doors, RHBA managed to sell four homes a month at Gables End.

The enclave of luxury New England-styled village homes, which opened in July 2008, offered 108 two- to four-bedroom residences priced from \$550,000 to \$700,000. In the last six months RHBA was able to raise Gables End's prices almost 8 percent. The neighborhood is an infill development on a former industrial site, known to the trade as "brownfield".

"I think one of the reasons we've been so successful at selling out our projects over the last couple of years is because we've adapted to what people want. In the down economy, we were able to buy down already-low interest rates to make home ownership as cost-effective as renting," said Rob Parker, Senior Vice President for Marketing. "With FHA, all you need is 3.5 percent down, and most Silicon Valley types have the cash."

In 2010, RHBA drastically reduced its print advertising and shifted its spending to internet marketing: pay-per-click, SEO, blogging, tweeting, Yelping and Facebooking has paid off big with the 20- to 30-something demographic. Nearly 94 percent of Gables End buyers followed RHBA's daily tweets and weekly Facebook updates.

RHBA also implemented new building and design features to lower the sales prices of its properties to stay competitive with short sales. The Signature series was introduced to equip homes with more economical appliances, hardware, millwork and plumbing. An additional bedroom was added to offer a four-bedroom townhome at Gables End at relatively little cost but much higher sales price.

"Of course, our community's location was a big help. Having Google, Microsoft, Apple and Stanford University in your backyard is like manna from heaven if you are a homebuilder, but the right combination of product, price, promotion and people closes the deal," Parker said.

*Social media campaign credited for strong buyer traffic at RHBA's Gables End.*



## SRGNC Plays Key Role In Solving San Mateo County Jail Controversy; Finds Alternative Site, Negotiates Acquisitions

**Sares Regis Group of Northern California** played an instrumental role in the due diligence and acquisition of four properties totaling 4.75 acres in Redwood City for a new jail for the County of San Mateo.

Careful work by Jeff Birdwell and Dave Hopkins helped shape a win-win outcome in the six-year-long search for the most viable jail location. The effort saved taxpayers millions of dollars and cleared the way for a jail to be built years sooner, but it wasn't easy, said Birdwell: "The due diligence and acquisition process was intense."

SRGNC began consulting for Redwood City in 2009 on the acquisition of 10 acres of waterfront property within the city's redevelopment area as a site for future municipal projects. Following that assignment, SRGNC was asked to help find a solution to a conflict arising between Redwood City and the Sheriff of San Mateo County over placement of a new 800-bed, \$150 million county jail in the downtown area slated for revitalization.

The county needs to address overcrowding issues in its current facilities, and community business leaders were forming a movement to stop the jail from coming to the downtown core of the city.

To find an alternative to the downtown site, SRGNC identified 10 possible jail sites within a geographic area that would be feasible for the sheriff to consider. Over a one-month period, SRGNC met with the sheriff's office to gauge its willingness to consider the alternative sites. During those meetings, a site on Chemical Way rose to the top of the priority list.

In the following weeks, SRGNC conducted environmental documentation of the site and polled neighbors to evaluate the attitude regarding placement of the jail. After a 30-day review period drew no public comments, it was determined that the site was suitable for a jail. San Mateo County filed a notice of intent to adopt a mitigated negative declaration, which showed that the site would not have a significant environmental impact.

The city authorized SRGNC to proceed with negotiations with four unwilling property owners to purchase the waterfront properties that are adjacent to industrial uses and the city's police headquarters. SRGNC negotiated purchase option agreements and tenant relocation packages for each property, structuring option agreements that could be assigned to the county. Birdwell and Hopkins collaborated with the city, county and county sheriff staffs to complete the due diligence process and show that the sheriff could complete the jail three years sooner and for \$20 million less by using the Chemical Way site.

Birdwell said, "We had to negotiate with four property owners and two tenants on long-term leases, certify a negative declaration in about 75 days from beginning the initial California Environmental Quality Act study, obtain Regional Water Quality Control Board approvals for a cleanup program and broker various business terms between the city and county."

The county closed escrow on the site at the end of last year. When the current tenants vacate, the existing structures will be demolished and the site will be prepared for construction.



*Aerial photo of Redwood City, showing sites of current and new San Mateo County jails. The location was among 10 possibilities identified by SRGNC, ending controversy over a proposed location downtown. SRGNC negotiated purchase of properties for new site, saving money and development time.*



Artist's rendering of new community center and photo of commercial-grade kitchen.

## SRG Volunteer Effort Produces New Community Center To Feed The Poor

**SARES•REGIS Group** and a legion of its generous and dedicated subcontractors have built a new community center to replace a burned-down soup kitchen and food bank that for four decades served many thousands of needy people in one of Orange County's poorest neighborhoods.

One of those whose family was helped is an SRG employee.

SRG Project Superintendent Julio Sanchez recalls as a child walking with his mother to the tiny converted feed store in southeast Santa Ana where volunteers passed out donations of powdered milk, cheese and other food items.

"When I was in grade school I'd go there with my cousins. They'd give us peanut butter on celery," he said. "We were poor. My family barely had enough money for rent."

The little community center – such as it was – served about 10,000 meals a month before it was destroyed by an electrical fire during the holidays in 2009. Loss of the center came to the attention of Rebuilding Together, a non-profit social service group with which SRG has teamed since 1998 on numerous projects, big and small.

### Built In Four Months

The 1,200-square-foot wood-framed and stucco building on the corner of 2nd Street and Forest Avenue has been replaced by a 4,000-square-foot facility. The new Southwest Community Center includes a modern commercial-grade kitchen, dining hall, restrooms, showers, conference room, four offices, a 1,000-square-foot storage building with a 200-square-foot refrigerator and freezer.

Volunteers already are providing as many meals as before. Breakfast and lunch are served daily along with dinner on weekends. The storage building on the site is packed neatly with boxes of food, clothing and blankets all stacked to the ceiling on heavy steel racks.

The original facility was founded in 1970 by Annie Mae Tripp, a domestic worker with seven children. Today, the facility is operated by Annie Mae's surviving relatives, a board of directors and other volunteers.

Ron Dyer, SRG Vice President of Construction, said grading for the new facility began Sept. 28, 2010. In spite of the holidays and 20 days of winter rains, a final occupancy permit was issued Feb. 5, 2011. "It rained during grading, during concrete, framing and stucco," Dyer said.

SRG reports the new facility is valued at \$1.3 million and was built for \$477,000. Among the 80 subcontractors on the project were some that, because of the economy, "could not afford to donate all labor and materials but nonetheless dug really deep and gave until it hurt," said Jim Ivor y, Vice President and Sr. Project Manager, Regis Contractors, L.P.

### 'Prayers, Dreams, Determination'

"It's overwhelming," said Jessie Allen, a Southwest Community Center board member. "We wouldn't be where we are without the SARES•REGIS Group. There were two architects who drew up plans, gratis. But we asked ourselves, 'How are we ever going to do this?' Then SARES•REGIS came along and it all happened so fast. For example, it took us hours at the city just to get permit for a fence; standing in line, being talked down to. Words can't describe what SARES•REGIS has done for us and our community. It's amazing what prayers, dreams and determination will do when everyone believes in a project."

Rebuilding Together is the nation's leading nonprofit working to preserve affordable homeownership and revitalize communities. Its network of more than 200 affiliates provides free rehabilitation and critical repairs to the homes of low-income Americans.

For Julio, who now has children of his own, the rebuilding project has renewed his ties to his boyhood home. Last Christmas, he dressed as Santa Claus and listened patiently to the wishes of some 300 children at the center. "Even though the neighborhood still is poor," he said, "there's a spirit of community here and caring that's heart-rending."

## Announcements



**Larry Lukanish** has been promoted to Senior Vice President of SRG's Commercial Investment Division. He joined SRG in 1994.

Lukanish is responsible for the acquisition and disposition of commercial investment properties, working with SRG's financial partners in the underwriting of new projects as well as directing the due-diligence process on acquisitions of new properties. He also is responsible for the disposition of the firm's investment properties.

He received a bachelor's degree in economics from the University of California, Irvine, in 1992, returning to earn an MBA in 2000.



**Steven K. Fedde**, Senior Vice President SARES•REGIS Group's North Los Angeles/Tri County Region, was elected as 2011 Chairman of the Board of Directors of the Goleta Valley Chamber of Commerce. The chamber was founded in 1947 and has more than 400 members.

He has been involved in 19 million square feet of commercial and industrial projects, valued at approximately \$750 million in consideration and is a member of SRG's Executive Committee.

Among Fedde's current and previous business and civic involvements is his membership on the Board of Directors of PathPoint, which provides independent living and employment support services for disabled and disadvantaged persons. He also is a licensed California Real Estate Broker.



**Terry LaMotte**, Director of Human Resources at SARES•REGIS Group in Irvine, took over as 2011 chairwoman of District 14 of the Professionals in Human Resources Association. The south Orange County district has more than 500 members.

LaMotte, who serves on SARES•REGIS Group's senior management committee, oversees personnel and compensation matters for the company's more than 520 employees throughout California, Arizona and Colorado. She joined SARES•REGIS Group in 1999. Chartered in 1945, PIHRA is an affiliate of the Society for Human Resources Management and has more than 3,300 members in Southern California.

### US Vets Riverside Transitional Housing Project *Continued from page 8*

But the new site lacks permits for some needed backbone infrastructure that Winter says SRG is assisting to obtain. Construction should begin later this year after securing final approvals from local and regional agencies and the joint powers authority that manages the former base.

The U.S. Veterans Initiative was founded by U.S. Ninth Circuit Court of Appeals Judge Harry Pregerson, a former Marine Corps officer wounded in the Battle of Okinawa in 1945. The group has provided outreach services to more than 100,000 at-risk veterans, provided residential services to more than 20,000 vets and placed more than 8,000 ex-service personnel in full-time jobs.

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