



Planet Magpie CEO Douglas will move 15 employees into the company's new 5,000-square-foot building in Fremont.

East Bay foreclosures get new life

PAOLO VESCIA

New owners can refresh, remarket

BY BLANCA TORRES

San Francisco Business Times

Numerous buildings and properties in the East Bay are beginning to turn around after going through foreclosure. New owners, in many cases banks, have repositioned properties to attract new tenants and investors to properties that were otherwise stagnant.

"A landlord can't make deals if a building is in default," said Tom Maloney, head of the Jones Lang Lasalle office in Walnut Creek. "A new investor comes in and adds capital, does improvements, refreshes the marketing ... basically gives it a new life."

Major office properties that have gone into foreclosure, such as three buildings in the Watergate Towers complex in Emeryville, formerly owned by Hines

Interests, and Concord Center, a 360,000-square-foot site formerly owned by RREEF, may have new owners in the next few months.

Two years after it was built, the Fremont Tech Center, a 135,000-square-foot development of commercial condos, is about three-fourths occupied.

The original developer, Opus West, declared bankruptcy in July 2009 and gave the project back to the lender, Bank of America, at the end of 2009.

The bank decided to sell the units individually instead of selling them all at once to an investor. At the time of the foreclosure, 40 percent or about 50,000 square feet of the project was occupied and since then another 51,000 square feet has sold through seven deals.

"What has driven most of the activity is the project's location in the bayside of Fremont, where most commercial space is institutionally owned," said Scott Prosser, a broker with CB Richard Ellis who represents Bank of America.

One of the buyers is PlanetMagpie, an information technology startup that

is moving from Campbell. The company made three offers in the last year, but none were accepted until Bank of America took ownership.

The wait was worth it. PlanetMagpie will pay \$694,864 or about 40 percent of the original asking price for its 5,000 square foot, stand-alone building.

"We never would have gotten in this space in a regular market," said Doreyne Douglas, spokesperson for PlanetMagpie and wife of CEO Robert Douglas.

How projects get repositioned depends on a variety of factors, said Tony Wood, a broker with TRI Commercial and author of "The Commercial Real Estate Tsunami," a book that discusses how to manage troubled assets and loans.

If a bank needs cash, it might sell off assets as quickly as possible, but some banks have decided to hold onto well-performing properties.

"In the case of Fremont Tech Center, Bank of America can reduce its losses by another 20 to 30 percent," said Wood.

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