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Bixby, Investcorp Form Silicon Valley JV

By Brian K. Miller

SANTA CLARA, CA-Bixby Land Co., an Irvine-based private REIT, has sold a 300,000-sf R&D park here in a new joint venture it has formed with the Los Angeles-based real estate investment group of Investcorp International Ltd., which is traded on the London and Bahrain stock exchanges. The duo says the new partnership will look to acquire additional office and R&D properties in the Silicon Valley.

In explaining the JV, Brian Kelley, a principal with Investcorp's real estate group says the Silicon Valley has enjoyed 11 consecutive quarters of declining vacancy rates and seven consecutive quarters of increasing rental rates. "The Silicon Valley is becoming a supply constrained market as the increasing demand for quality office and R&D buildings and limited new construction force upward pressure on rental rates," adds Bixby CEO Bill Halford.

According to the regional brokerage firm Cornish & Carey, R&D vacancy in the Santa Clara and San Jose markets has fallen from the low 20% range to the mid-to-high teens over the past two years as triple-net asking lease rates have jumped between 35% and 45%, from the mid-\$0.80s in San Jose and the low \$0.90s in Santa Clara to the mid-\$1.20s and the high \$1.30s, respectively. On the office side, vacancy in San Jose and Santa Clara has fallen to 10.7% and 12.1% today from 13.8% and 17.9% two years ago, while average full-service asking lease rates have jumped between 17% and 31%, to \$2.45 and \$2.77, respectively, from \$2.03 and \$1.91 two years ago.

The JV's first property is Airport Technology Park, originally acquired by Bixby in September for \$85.4 million and recapitalized this week into the JV at the same price. The park's five buildings are located on 17 acres of land at 2770-2890 De La Cruz Blvd. The property is 86% leased to two publicly traded companies, Macrovision Corp. and BAE Systems.

Including Airport Tech Park, Bixby has acquired \$263 million of Silicon Valley properties over the past year or so. **Most recently**, it paid \$36.4 million for a two-building, 118,000-sf office/R&D campus in Santa Clara that is 100% leased through mid-2009 by publicly traded Applied Materials Inc.

In January, it paid \$72 million for the 223,866-sf mixed-use University Station development in Santa Clara. Located across from Santa Clara University and adjacent to a Caltrain station, the development is 90% leased. **In October 2006**, the company paid \$70 million for Legacy Tech Center, a fully leased five-building, 302,000-sf R&D complex in San Jose leased to Tivo Inc. and Foundry Networks.