

# ORANGE COUNTY BUSINESS JOURNAL

August 22, 2011

## **Bixby Puts \$40M-Plus Into Silicon Valley Upgrade**

REAL ESTATE: Portfolio there now totals 1.2 million SF

By [Mark Mueller](#)

Irvine-based Bixby Land Co. has bet more than \$40 million on the Silicon Valley's improving office market over the past month through a combination of building purchases and plans to expand and renovate others it owns in the region.

The real estate investor and developer said last week it was preparing to put \$10 million into a Santa Clara office complex it owned for nearly four years.

The two-building property is being renovated to add about 10,000 square feet to the project, taking it up to about 127,000 square feet.

Bixby expects to either sell the renovated property or lease it to a single tenant, likely a technology company. Construction should start in the next month or so, and the buildings will be renovated to meet standards for Leadership in Energy and Environmental Design, or LEED, certification (see related story, page 24).

The company and its investment partners paid a reported \$36.4 million, or about \$307 per square foot, for the Santa Clara buildings in late 2007.

The two-building complex was reportedly leased to chipmaker Applied Materials Inc. in a deal that ran through 2009 at the time of that sale, although the tenant wasn't expected to remain once its deal expired.

The renovation plan comes a few weeks after Bixby paid \$19.5 million for another complex about four miles away, in San Jose's Golden Triangle area.

The company plans to spend \$11 million on improving that 164,000-square-foot office project, which is about 30 years old, according to Bixby Chief Executive Bill Halford.

Both offices currently are unoccupied, but with vacancy rates falling in the Silicon Valley and few full buildings available for lease for the region's technology industry, Halford said he thinks it's a good time to bring renovated projects to market.

"This is the ideal time to redesign the project," Halford said.

Bixby now owns about 1.2 million square feet of office spread over more than 20 industrial and research and development buildings in the Silicon Valley. About a quarter of that space now is under renovation.

The company's total portfolio runs about 5 million square feet.

The company is eyeing other opportunities in the area, as well as in Orange County, West Los Angeles and San Diego, Halford said. A few deals are in the works in those areas, although nothing else has closed of late, he said.

Bixby has acquired 12 properties totaling more about 1.1 million square feet of space this year, primarily industrial deals in Southern California and Nevada.

#### **THE NEWS:**

Bixby Land Co. to spend more than \$40 million on buys, renovations in Silicon Valley

#### **THE BACKGROUND**

Revived tech industry pulls up market for office, research and development space

#### **WHAT'S AHEAD:**

Company plans to sell Santa Clara office or seek lease with single tenant after upgrade and addition of 10,000 square feet

#### **Good Fundamentals**

For the time being, the Silicon Valley office market counts the best market fundamentals of any of those markets—and one of the better suburban office markets in the country thanks to the region's revived tech industry.

The area's vacancy rate for office runs about 16%, although certain pockets of the region are much tighter, according to area brokerage data. Research and development buildings in the region count vacancy rates of about 15%.

Leasing and sales of buildings 100,000 square feet and larger has been brisk in Silicon Valley over the first half of the year, with about 16 transactions in the category, according to Bixby's data.

Bixby spent \$19.5 million in a July acquisition of a three-building San Jose complex that's close to Cisco Systems Inc.'s massive area facilities. That was one of the last large, vacant office spaces in the region, according to local reports.

Bixby paid about \$119 per square foot for the complex through a pair of sale transactions with sellers Peery Arrillaga of Palo Alto and Minneapolis-based NSJ Investors LLC.