

CIM Buys Chase Plaza for \$44 Million

Developers Poised to Control Three Blocks Near South Park

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By Kathryn Maese

The CIM Group has added another piece to its Downtown real estate puzzle, with a \$44 million purchase of Chase Plaza at the edge of the Financial District, said Mark Tarczynski, a CB Richard Ellis broker who worked on the deal.

CIM closed escrow on the property at 801 S. Grand Ave. on Aug. 14, and plans to step up leasing activity in the half-empty structure, which is occupied mostly by Caltrans and two law firms.

The purchase of the 22-story high-rise gives CIM a larger stake in the area, as it invests along a contiguous three-block area between Seventh, Ninth, Flower and Grand. The centerpiece of the collection is the high-profile South Village, which will include 1,200 lofts and Downtown's only supermarket. In May, CIM bought a 17-story office building at 655 S. Hope St. for \$8 million, and is looking into purchasing the MCI Center, which includes Macy's Plaza and the Hyatt Regency Hotel, according to a real estate source.

Chase Plaza, which was completed in 1986, was owned by Shuwa Investments Corp. Despite the property's sleek granite and glass design, the 442,235-square-foot building is only 55% leased. Its location on the fringe of the Financial District near South Park, and lack of restaurants and retail, has also prompted some prospective tenants to look elsewhere.



Chase Plaza is currently 55 percent leased. Photo by Gary Leonard.

"Chase Plaza is a beautiful building," Tarczynski said. "It was at the wrong place at the wrong time, but now with Ralphs [market] and other infrastructure coming up around it, it will change for the better."

Chase Plaza's ability to attract and retain tenants has been hindered in large part by Shuwa, which was reticent to invest in keeping tenants long-term. The building's roster once included a number of prominent law and financial services firms, such as the law firm of Morgan Lewis and Bachias, and Chase Manhattan, whose name is emblazoned on the building's exterior.

"They moved because the owner was not interested in making an investment in keeping them," said Bruce Asper, director of landlord services for CB Richard Ellis. "Basically the whole idea is that 801 is underleased and has a huge potential for economic growth. Many of the challenges facing the building had to do with the ownership's stance on leasing. But the new entrepreneurial owner will affect leasing in a positive way."

Chase Plaza currently has three main tenants. With 100,000 square feet, Caltrans is the largest. But the state agency plans to vacate its space in December 2004, when it will move into its new headquarters being constructed in the Civic Center. Rose Klein & Marias occupies about 20,000 square feet on the 18th floor, while Murchison & Cumming takes up 42,612 square feet on two floors. Earlier this year, the latter firm renegotiated its existing lease for a 10-year term.

The building's large chunk of empty space made it a candidate to house the Los Angeles Police Department's temporary headquarters. But Tarczynski said CIM's purchase has taken that option off the table. "It was a contender," he said. "But CIM is looking to lease it as an office building."

With the shift of interest to Downtown's southern edge, some experts say rents in the Class A office building could fetch rates comparable to buildings in the Central Business District -- about \$22 per square foot.

CIM hopes to stoke that interest with its numerous projects. The firm's \$220 million South Village, for example, will dominate the three-block area between Eighth, Ninth, Flower and Hope streets. The firm is currently negotiating leases for a coffee shop, an International House of Pancakes, a Blockbuster video and a dry cleaner. A few blocks south, CIM has partnered on two for-sale loft projects.

"They are a committed player in Downtown L.A.," Tarczynski said. "Their belief is that Ninth and Flower is a big rock in a pond and it will cause a lot of ripples and waves. They are redeveloping and creating more value for the neighborhood."

But the possibility that the group could buy MCI Plaza is generating the most buzz in the real estate community.

"My guess would be this: CIM Group controls the only market and place for people who live Downtown to shop," said a real estate insider. "They control one of the most impressive housing developments coming Downtown. They now control the nicest office building in that area. Wouldn't it be logical to control the only mall in the area?"