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DiamondView Tower

Kraig Kristofferson and Stacy Meronoff of CBRE's San Diego Downtown office sourced a buyer to purchase the 15-story, 305,255-sq.-ft. DiamondView Tower located in downtown San Diego, California. The Class A office tower was purchased in September 2008 by the U.S. division of Dutch real estate investment group Wereldhave for \$161 million (\$527 per sq. ft.).

Challenge

In October 2005, developer Cisterra Partners purchased land in downtown San Diego to construct the amenities-rich, Class A office building DiamondView Tower. At the outset, Cisterra Partners retained CB Richard Ellis to provide marketing, leasing and management services for the property. Kraig Kristofferson and Stacy Meronoff of San Diego's Downtown office leased-up DiamondView Tower to 91% occupancy within the first 12 months after the doors opened in 2007—including 6,417 sq. ft. on the eighth floor to CB Richard Ellis, one of DiamondView Tower's original tenants.

The pristine building overlooks Petco Park, the San Diego Padres ball field, with unobstructed views of home plate from the third floor up. DiamondView Tower's 15th floor—the "Ultimate Skybox"—is devoted entirely to meeting and entertaining space and features a skybox-like view of the Padres' playing field. DiamondView Tower's second floor contains a full-service health club with an outdoor pool, lounge, state-of-the-art training and fitness equipment, full martial arts and yoga studio and cutting-edge exercise class space.

Even for a property so uniquely positioned in the marketplace, the sale faced historic challenges. Through the first half of 2007, there were 16 office investment sales valued at over \$20 million in San Diego County, not including another 14 buildings sold from the Irvine/Blackstone portfolio, for a total of 30 investment sales over \$20 million. Through the first half of 2008, there were only five office investment sales over \$20 million—a 66% decrease from 2007 activity, not including the Irvine/Blackstone portfolio.

Meanwhile, the first half of 2008 saw a 30% decrease in downtown leasing activity from first-half 2007's 432,000 sq. ft., and absorption in 2008 slipped into negative territory after posting nearly 130,000 sq. ft. of positive absorption in the first half of 2007. Given their experience with the downtown San Diego investment market and their familiarity with the property, Kraig and Stacy were well-positioned to locate a buyer for the trophy asset.

Solution

With the capital and debt markets still in turmoil, the pool of local buyers was shallow. Kraig made a call to his contacts at Wereldhave USA, the same firm Kraig and the team of Bob Smith and Mike Kane of the Newport Beach office represented in the 2007 purchase of the 23-story, 380,000-sq.-ft. mixed-used development Advanced Equities Plaza, also located in downtown San

Diego. DiamondView Tower and Advanced Equities Plaza are the only two office buildings built in downtown San Diego over the past 17 years.

Based on its existing relationship with Kraig, Wereldhave turned to CBRE for timely, realistic market data and to guide negotiations. The CBRE team provided market assumptions for income projections as well as reports on downtown San Diego sales, leasing and construction activity to put DiamondView Tower's true value into perspective.

With no other prime office properties under construction in the submarket and the minimal difference between DiamondView Tower's acquisition price and the costs of constructing new office space, Wereldhave decided the purchase would fit perfectly with its policy of acquiring newly built, prime property in knowledge-based markets.

Result

Challenged by the crisis in the credit and debt markets and a softening in overall submarket activity, the CBRE team sourced a viable cash buyer for DiamondView Tower that paid a price significantly less than they had offered a year earlier, prior to the building being listed for sale. Moreover, the CBRE property management team of Joe Newman, Mary Blagg and Michelle Harriss retained management services for the building, and Kraig and Stacy were asked to stay on to continue to handle leasing. As an added plus, Wereldhave awarded the team the leasing assignment for its previous acquisition, the 23-story Advanced Equities Plaza.

In the end, CBRE arranged the \$161 million acquisition of DiamondView Tower, and retained leasing and management services for the 305,255-sq.-ft. trophy asset. The team also acquired a new 380,000-sq.-ft. leasing assignment for Advanced Equities Plaza.

Team



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