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Seagate expands Marin complex

San Rafael center doubles footprint

San Francisco Business Times - by [J.K. Dineen](#)

Seagate Properties is wrapping up construction on its \$82 million San Rafael Corporate Center expansion, a project President Wick Polite predicts will be Marin's last new office complex built for five years or more.

"(It's) a dubious distinction," said Polite.

The 158,000-square-foot, two-building expansion comes on line at a time when the North Bay office market is bumbling along at five-year lows. Vacancy in the second quarter reached 20 percent, a 1.9 percentage point increase from the previous quarter. The county now has 1.9 million square feet of available space, some 1.4 million square feet of direct space and 500,000 square feet of sublease space, according to **NAI BT Commercial**. Average asking rates are languishing at about \$30 a square foot.

Yet, despite the disheartening trends, Polite says the San Rafael Corporate Center is well-positioned to capture the highest rates and the best-quality tenants in the Marin market. For one thing, the complex will be the county's most energy efficient — it's on track to win the U.S. Green Building Council's Gold certification for Leadership in Energy and Environmental Design — a big deal in environmentally sensitive Marin. It is walking distance to downtown San Rafael restaurants and shopping as well as a Golden Gate Transit hub and the future **Sonoma-Marin Area Rail Transit** station. Polite calls it the only true "campus" environment in Marin, with landscaped common areas and parking garages for 1,300 cars.

Thus far, tenants have signed letters of intent to take about 28,000 square feet, according to Polite. Two large tenants were prepared to take the entire campus, but the proposed leasing rates were too low and the prospective tenants were looking to lock in basement prices for 10 years. Seagate is looking for deals in the \$38 to \$42 a square foot and are offering tenants improvement packages in the \$50 to \$60 a square foot range.

"Our M.O. is not to be the lowest price leader right now," said Polite. "We feel we have the best-constructed, best-located and most environmentally-friendly office space in Marin."

Seagate sees the project as an alternative to Larkspur Landing, which has long commanded the highest rents in Marin. Over the past 18 months, the San Rafael Corporate Center has snagged several companies from Larkspur, including SmithBarney, SportsMart and NAI BT Commercial. The campus is leased by Steve Leonard and Trevor Buck of NAI BT Commercial.

"I would say we are happy with our level of activity, given the current market," said Leonard. "There is nothing in the hopper and nobody is spending money on entitlements right now. When things start recovering, we are going to see our share of absorption."

Seagate Properties and partner **JP Morgan Asset Management**, purchased the 13-acre site in August of 2007 for \$90 million.

The complex includes two existing office buildings totaling 158,000 square feet, finished in 2001, as well as entitlements for three more buildings totaling 404,000 square feet. Another 86,000-square-foot office building at 791 Lincoln Ave. and a 487-space parking structure planned for the corner of Lincoln Avenue and Second Street is on hold.

While Seagate bought the project at the height of the commercial real estate bubble, Polite said it is not distressed. The investors have a small construction loan on the project, but it is not due for four more years.

"We have an incredibly strong financial partner in JP Morgan and we have the funds to do the (tenant improvements)," said Polite.

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