

BRISBANE MULTI-TENANT OFFICE BUILDING



1000 MARINA BOULEVARD, BRISBANE, CA 94005

Meridian Executes Value-Add Strategy in Desirable North San Mateo County

Meridian purchased a 105,000 SF multi-tenant general office building as part of its value-add business line. Located in the Sierra Point Submarket of North San Mateo County, the building sits at the biotech epicenter of the Bay Area. Meridian's plan was to upgrade the building in order to raise rents that were significantly below market at the time. Meridian diligently researched and learned the market and performed considerable updates to the common areas and exterior gathering places. This resulted in attracting a qualified buyer ahead of schedule, successfully fulfilling this building's value-add strategy.

Client Driven Real Estate Solutions

Challenges

Meridian acquired the six-story, 105,000 SF office building in late 2016 as part of its value-add approach to general and medical office. At the time, the purchase represented Meridian's largest general office acquisition to date. The building is in North San Mateo County, a rapidly emerging market due to the explosion in life science demand and YouTube's large presence and expanding footprint in San Bruno.

At the time of acquisition, the building was 92% leased to seven tenants and the in-place rents were approximately 25% below the current market rents. Successfully carrying out its strategy would require Meridian to renew two of the largest tenants during the hold period. In order to do so Meridian needed to identify the right capital projects that would improve the building and provide value to the existing tenants and a future buyer. This would prove challenging as this submarket was brand new to Meridian.

Solutions

Meridian engaged a variety of expert brokers, as well as diligently conducted independent research of the market to ensure that this was a market they wanted to enter. Ultimately, Meridian found that Google, through its YouTube subsidiary, had purchased a tremendous amount of multi-tenant office space in the area over the last year. Meridian concluded that as YouTube grows into those owned buildings, displaced tenants will need to move somewhere. This helped Meridian feel confident that this was the right market to be in. Meridian then conducted thorough research with the tenants, as well as with competing buildings, to be able to identify the capital projects that would be most impressive to both existing and prospective tenants, as well as to a future buyer.

Results

Meridian performed over \$2.5 million in property upgrades to the interiors, exteriors and building systems, resulting in a modern, state-of-the-art office building that will be attractive to the surrounding workforce. Meridian's original plan was to hold onto the building and roll rents to the increasing market. However, Meridian's brokers did a great job of alerting them to an opportunity to sell the property to a life science-centric developer who was well-suited to reposition the building. Meridian successfully fulfilled its value-add strategy for this building by identifying a strong market, improving an existing building and disposing quickly.

