

SAN MATEO OFFICE BUILDING



1300 SOUTH EL CAMINO REAL, SAN MATEO, CA 94002

Meridian Ramps Up General Office Investment Efforts in the San Francisco Bay Area

Meridian learned of a 100,000 SF office building for sale in San Mateo, CA, a submarket quickly becoming more attractive to tenants given the transportation options and amenities located nearby. Due to their reputation in the industry, Meridian was presented the opportunity in an off-market deal and quickly got to work on a value-add investment strategy. With challenges surrounding location, signage, competition and a global pandemic, Meridian faced numerous obstacles when working to lease-up the building. Ultimately, Meridian was able to apply its core competencies in project and asset management to execute the business plan, successfully growing its office portfolio in the San Francisco Bay Area.

Client Driven Real Estate Solutions

Challenges

Meridian purchased 1300 El Camino Real, a six-story, 100,000 square-foot office building in San Mateo, California via an off-market transaction. Meridian's strong broker relationships as well as familiarity with the seller allowed them to make the purchase as part of its value-add office investment strategy. San Mateo is a strong sub-market, well-located on the San Francisco Peninsula with exposure to tech and bio-tech tenants. At the time of purchase the property was anchored by high-quality tenants including Charles Schwab, the Lending Tree, and the Silicon Valley Community Foundation.

The asset had been well maintained by a sophisticated and strategic owner and has flexible floorplates that can accommodate many different sized tenants. The building was 72% leased upon acquisition and Meridian planned to renew existing rents and lease-up the remaining available space. Unfortunately, the property is not located in or near an office cluster and stands alone as a Class-A office building. It is seemingly "on an island" with limited walkable amenities nearby. In addition to location issues, Meridian faced competition from lower quality and lower cost buildings in the submarket that were attractive to price-sensitive tenants. The building also had a lack of signage opportunities for new tenants and Meridian experienced significant roll-over in the first two years of its hold.

Solutions

Meridian proactively improved vacant spaces to create attractive, "market-ready" suites for prospective tenants. Meridian also upgraded common areas and restrooms and worked with the city to provide exterior building signage for future tenants. Lastly, Meridian upgraded monument signage to enhance the building's identity. Furthermore, Meridian managed the building during the 2020 COVID-19 Global Pandemic and was able to structure rents to provide short term relief to tenants while still preserving its contractual income at the projected time of sale.

Results

Meridian was able to successfully renew and expand the lease with Charles Schwab. Meridian was also able to accommodate the growth and expansion of another major anchor tenant. Within one year, Meridian had achieved its goal of leasing up the building by going from 72% leased to 95%. Furthermore, throughout the course of the project, Meridian's cash flow stayed ahead of plan and capital spending remained on budget. At the time, the project represented Meridian's largest ever general office deal and its first general office acquisition in the mid-peninsula submarket. Meridian's expertise in acquisition, construction and development gave them the key competitive advantage necessary to take this value-add opportunity and turn it into a success for the company and the community it serves.

