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Exclusive

The Office Condo Market Is Back

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CHULA VISTA, CA—With an escalating commercial real estate market and low interest rates, office condos are relatively affordable, Pathfinder's Matt Quinn tells GlobeSt.com in this **EXCLUSIVE** look at Eastlake Medical and Professional Center.



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CHULA VISTA, CA—With an escalating **commercial real estate** market and low interest rates, **office condos** are relatively **affordable**, **Pathfinder Partners' VP Matt Quinn** tells GlobeSt.com. The San Diego-based company recently announced that office condos at **Eastlake Medical and Professional Center**—a nearly 70,000-square-foot office and **medical** condominium project located at **2080-2090 Otay Lakes Rd.** in Chula Vista's Eastlake

area—are 60% sold, with seven condo suites remaining. The project consists of 10 class-A office buildings on 4.2 acres with suites ranging from 5,200 square feet to 10,700 square feet. Pathfinder acquired the class-A complex in a **foreclosure** sale in 2011, bringing a long-stalled property back to the market and partitioning it into 18 office condos. Previously for **lease**, the condos are now listed for sale with **Voit Real Estate Services**. We sat down with Quinn for an exclusive chat about the project and the office-condo market in San Diego.

GlobeSt.com: What exactly is an office condo, and when did they first appear on the CRE scene?

Quinn: An office condo is an opportunity to own an office suite and works well for companies that cannot afford to acquire an entire building. Instead of renting a suite of offices, some companies purchase an individual unit in a complex. The common areas of an office-condominium project are co-owned by all of the office tenants, and a board or the HOA usually oversees landscaping and other maintenance issues.

Office condos have been around for several decades—quite a few were constructed before the **Great Recession**, with a limited number built since 2008. Their popularity tends to ebb and flow.



Eastlake Medical and Professional Center is centrally located in the heart of the Eastlake and Otay Ranch commercial districts, an area experiencing strong economic expansion fueled by multiple factors including growth along the border and a boom in the maritime industry.

GlobeSt.com: Why are office condos popular again?

Quinn: Office condos are popular again because they provide business owners a chance to own—rather than rent—their own location. Extraordinarily low interest rates make ownership relatively inexpensive—in some cases, less so than renting, although there are limited opportunities for users to acquire relatively new construction, like the Eastlake Medical and Professional Center. With bank loans partially guaranteed by the **Small Business Association**, down payments are low and owners can build equity over time. Low interest rates, the attractive SBA purchase scenarios and the affordable prices of office condos all make owning a more viable option for many business owners.

GlobeSt.com: What are additional benefits of office condos for investors/business owners?

Quinn: In addition to the benefits of owning your own property (e.g., eliminating the need to pay rent while building equity), office-condo owners have the autonomy to customize the space to suit their needs. Another benefit is having a fixed mortgage and a relatively stable payment over the life of the loan, which enables businesses to better predict and plan for their **economic** future. The condos also offer a retirement benefit for owners who sell their businesses—with their condos—when they retire.

GlobeSt.com: What other amenities can office condos provide?

Quinn: Owning an office condo means having a synergistic relationship with the other condo owners around you. There is a pride of ownership culture that implies greater care is taken for the property and also the opportunity to have a say in how things are run with the HOA.

GlobeSt.com: Is there any type of business for which they work best? Why?

Quinn: Any business owner who has been in a location for several years can benefit from owning his or her own office condo. For a new business starting out or one in a constantly changing industry, it may be tougher to make the commitment, but for businesses that are established, office condos make good sense.

We have seen every type of business pursue owning an office condo, from karate studios to insurance companies to law offices, but they tend to work best for office

rather than **manufacturing** and/or **distribution** users (e.g. professional and service companies). Architectural and design are among the prime users, as are medical firms such as dentists and physicians.

GlobeSt.com: Please discuss Eastlake Medical and Professional Center in general and how you and Voit were able to reposition it?

Quinn: Eastlake Medical and Professional Center was built in November 2007 and then subsequently foreclosed upon by the lender. We purchased it at a trustee sale in 2011 and initially marketed it for **lease**, with limited success. When we acquired the property, the submarket was depressed, characterized by a high rate of **retail foreclosures**, substantial retail vacancies and a bankrupt nearby toll road (CA-125). Over the last few years, South Bay's **economy** has rebounded dramatically, and these issues have been cured. In addition, we have made improvements to the project, building out spec suites and breaking several buildings into smaller suites (to expand the potential market).

Recently completed capital improvements at the property include new roofing and upgraded landscaping. We plan to break ground on a new parking lot—which will add 38 parking spaces—in the next few weeks.

When we brought the **Clark Team** at Voit Real Estate Services onto the project, competition in the **leasing** market was excessive. Voit opted to shift the strategy from leasing the condos to selling them, especially since competition was limited, with a lack of office condos in the South Bay region.

In a relatively short time, the property has gone from 11% leased to approximately 60% sold or in escrow. To date, 11 units have been sold amongst seven owners (several owners purchased more than one condo suite by purchasing an entire building) with seven condo suites available. Prices start at \$210 per square foot. An open house will be held from 11:30 a.m. to 1:30 p.m., Wednesday, July 20, for interested buyers and brokers.