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Two SF Office Buildings Change Hands for \$78M

By Morris Newman

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Howard/Hawthorne Center in San Francisco

SAN FRANCISCO-DivcoWest has paid \$78 million for two adjoining office buildings in the SoMa district of this city, according to sources familiar with the transaction. Located at 631 Howard and 55 Hawthorne, the two buildings are marketed together as the Howard/Hawthorne Center, and contain 237,123 square feet of rentable space, together with a five-story parking structure.

The seller was RREEF Funds, a unit of Deutsche Bank. Jones Lang LaSalle represented the owner in sales negotiations, while DivcoWest represented itself.

Although the price divided by square footage yields a price in the mid-\$300 range, the actual price of the office space is closer to \$250 per square foot, when the parking structure is left out of the equation, according to the same sources.

SoMa has often been described by market observers as both the center of technology growth in San Francisco and the city's most active office market. The paired office buildings are a short distance from Moscone Center and many restaurants and service businesses that have sprung up in SoMa in the past decade. The location also is close to the Bay Bridge and the new Transbay Terminal, a multi-modal transportation station currently under construction.

San Francisco-based Divco and RREEF have traded office buildings before in this picturesque, waterfront city. Divco bought the former Chevron headquarters on Market Street, re-tenanted the building and sold it to RREEF in 2006.

In announcing the purchase, a Divco spokesman says the company is starting a capital improvements program for the including cosmetic improvements to the entryways and facades of both buildings. Divco will also immediately begin to build tenant improvements in some vacant space on the ground floor of 631 Howard and seventh floor of 55 Hawthorne.

DivcoWest currently owns more than 22 million square feet of commercial space throughout the US. The company is an active buyer in office buildings in technology markets, particularly in the San Francisco, Boston and San Diego. In the past 60 days, the company has completed purchases of Genesee Executive Plaza in San Diego's University Town Center and 1275 Market Street in San Francisco.

In July, DivcoWest took an ownership stake in Quadrus, an office complex on Sand Hill Road in Menlo Park. Last year, the real estate investment firm purchased Jack London Square on the Oakland Estuary and 11 Beacon St. in downtown Boston.