Property Sales

Kalikow Venture Closes On Brooklyn Apartments

The Kalikow Group, **Massey Knakal** and **RiverOak Investment Corp**. have closed on the acquisition of 68 Richardson Street in Brooklyn's Williamsburg submarket, paying seller **Dabby Investments** $17.5 million. "The first thing you learn about real estate is 'location, location, location.' We loved the location and we also loved that the units were nice sizes and had high ceilings," said **Greg Kalikow**, v.p. of The Kalikow Group.


68 Richardson

The acquisition is the first for the trio and Kalikow said that the partners hope to close on more deals. Massey Knakal and RiverOak are investing via *MKRO I*, a joint investment fund that targets value-added, mid-sized acquisition opportunities in New York. **Marcus & Millichap** sourced the transaction for the partnership.

Part of the building's appeal is what Kalikow describes as the long-term prospects for Williamsburg, which recently welcomed a J. Crew store and has a plethora of trendy restaurants and retailers on nearby Bedford Avenue. There is even talk that an **Apple** store might open in the neighborhood, according to published reports.

"There are also a lot of office prospects in Williamsburg," Kalikow added.

The partnership is planning renovations for the six-story, 32,500-square-foot complex, which is comprised of 24 units. "We are looking to renovate the units and upgrade the building's façade and breezeway," Kalikow said. The property is a five- or six-minute walk away from a stop on the L train and two stops from Union Square in Manhattan.

Kalikow said his company is hoping to acquire more multifamily properties in Manhattan, Brooklyn and Queens in the coming year.

FAST FACT

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"We're just like everyone else who wants to buy here, looking for a needle in a haystack," he said.

Silicon Valley Office Mart Heats Up

Shorenstein Properties' recent acquisition of Champion Station, a 426,000-square-foot property in San Jose, demonstrates heated demand for office properties in Silicon Valley. The investment management company paid $235 per square foot, or more than $100 million for the four-building property. This is roughly $45 per square foot more than sellers **TMG Partners** and **Fortress Investment Group** paid when they acquired the full eight-building campus from then owner-occupier **Cisco** just last year, according to the *Silicon Valley Business Journal.*

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—Michel Seifer, Jones Lang LaSalle

Shorenstein's acquisition, however, is a major repositioning play, as the 1990s-built offices are in need of substantial renovations. It will also likely include releasing, with current Cisco slated to vacate the site in 2017, market players said.

But with rental rates in several of Silicon Valley's submarkets approaching or exceeding $90 per square foot, market players recognize Shorenstein's purchase as a rental rates bet on what is already one of the highest priced office markets in the country.

"This deal really represents the desirability of the San Jose market," commented **Michel Seifer**, managing director of **Jones Lang LaSalle**, who handled the sale on behalf of TMG. "Even though there are currently no near-term leasing opportunities for this property, the location is clearly benefitting from heavy tech tenant activity and demand."

Indeed, the market looks on pace for continued rental rate growth, with San Jose's third quarter effective rents climbing 6.7% from a year ago—the highest growth in the country, according to research cited by *Bloomberg*.

Several factors could inhibit growth, however. These include high housing prices, which have surpassed 2007 levels, according to Jones Lang LaSalle's 2014 *High-Technology Office Outlook*, and infrastructure strain caused by the area's rapid population growth. But Seifer said that the spate of new development in the area, from new multifamily housing to the new **Levi's** Stadium to Samsung's new office campus, speaks to the long-term strength and positive direction of the San Jose market.

A Shorenstein spokesman deferred questions to Seifer. TMG could not be immediately reached.