

Sand Hill office sale breaks Bay Area record

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by [J.K. Dineen](#)

An office complex on Menlo Park's legendary Sand Hill Road is selling for an unprecedented \$1,000 a square foot, a price that shatters previous sales records for office buildings in the Bay Area.

ING Clarion is slated to close June 30th on a \$133 million acquisition of 2882-2884 Sand Hill Road, a 133,000-square-foot campus on 12 lush acres. This is the first property in 20 years to sell on Sand Hill Road, an address as prestigious as it gets in the realm of private equity and venture capital.

The seller was Sand Hill Commons Investors, an investment group managed by Menlo Park developer and property owner Bob Courson.

The transaction easily topples two recent record-setting transactions in San Francisco: the [Irvine Co.](#)'s pending acquisition of 560 Mission St., reported to top \$700 a square foot, and [Tishman Speyer](#)'s \$600-a-square-foot acquisition last fall of the Gap building in Mission Bay. It also nearly equals the recent high watermark for prime New York office building sales, Istithmar's \$1,018-a-square-foot purchase of 280 Park Ave. from [Boston Capital Partners](#), according to Robert Sammons, director of research at [Colliers ABR](#) in New York.

A discrete transaction

Courson, who retains a minority stake in the property and will continue to manage it, said the sale represented an opportunity to cash in on 20 years of appreciation and provide a healthy return to his investors.

"The valuations were wonderful," he said.

In today's frenetic office building sales market, in which properties have been known to flip twice in a single year, Sand Hill Road is something of a throwback. Courson's two-building complex, which abuts the [Sharon Heights Golf and Country Club](#), is the first property to sell since 1986 in the exclusive enclave between Interstate 280 and El Camino Real. That year, both 2882-2884 Sand Hill Road and the seven-building [Quadrus](#) complex changed hands.

[NAI BT Commercial](#) Managing Director Gary Willard, who represented Courson, said the seller quietly began exploring a sale in spring of 2005 but was adamant that the transaction be conducted with great discretion.

"He said 'I think I'm a seller at \$1,000 a foot, but I'm not sure if you can get that,'" recalled Willard.

Potential buyers were initially given only vague information about the property, and only those comfortable with the steep asking price were informed of the exact address and, after signing a confidentiality agreement, sent full packages on the property. Generating interest in the property without disclosing the details made for a tricky balancing act.

"He was trying to sell it without letting the market know he was trying to sell it," said Willard.

As it turns out, there was no shortage of interest: Eight bidders made offers, several of which were around the \$1,000-a-square-foot range.

A strong rent roll

Since the first office building sprang up on Sand Hill Road in 1969, the address has increasingly been seen as a must-have letterhead for venture capital firms like Kleiner Perkins Caufield & Byers, [Mayfield Fund](#) and [Menlo Ventures](#).

The two buildings at 2882-2884 Sand Hill are fully leased, with an all-star line-up that includes [Smith Barney](#), [Battery Ventures](#), [Robert Half International](#), Jones Day, [Francisco Partners](#) and [Draper Fisher Jurvetson Gotham](#).

After reaching 14 percent vacancy rates following the technology bust of 2000, vacancy on Sand Hill Road has plummeted to 2 percent. Rents, meanwhile, have not approached pre-bust levels -- which reached a high of \$144 a square foot in 2000 -- but are now solidly above \$90 a square foot, according to Willard and recent market data.

ING Clarion Managing Director Stephen Latimer said he was drawn to the property by its "distinguished rent roll" and the rare chance to own on Sand Hill Road. While much of the neighboring development sits on [Stanford University](#)-owned land, 2882-2884 does not, meaning that ownership is unrestricted. But both Latimer and Courson emphasized that there are no plans for more construction on the land, which features well-tended gardens and bubbling fountains.

"ING Clarion is completely in concert with my philosophy with respect to the management of the asset," said Courson. "They are wonderful people to work with and we expect that partnership will grow and persist for many, many, many years to come."

Given that new office construction near Sand Hill Road is very unlikely in the slow-growth environment of Menlo Park, Courson said he didn't think the deal would set off a frenzy of selling.

"Most of the owners on Sand Hill Road are extremely covetous of their assets," said Courson.

Top price per square foot paid for office buildings

New York

280 Park Ave.: \$1,018.

1466 Broadway (6 Times Square): \$1,006.

Silicon Valley

2882-2884 Sand Hill Road: \$1,000.

University Circle, East Palo Alto: \$678.

San Francisco

560 Mission St. (pending): \$700.

550 Terry Francois Blvd: \$600.

555 California St. ([Bank of America](#) building): \$583.

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