

## Bascom Team to Step Up Office Acquisitions

Apartment investor **Bascom Group** is doubling down on a joint venture that targets value-added office properties in the Western U.S.

The affiliate, called **Harbor Associates**, plans \$500 million of acquisitions in the next two years, keeping its focus on Southern California while increasingly targeting Denver and expanding to Salt Lake City. It kicked off the new push in the past couple of weeks with two purchases, in Los Angeles and suburban San Diego.

Bascom formed the joint venture in 2015 with Harbor Associates Ventures, a Long Beach, Calif., shop established that year by former **BlackRock** and **AEW** staffers. In its initial round, it made more than \$240 million of acquisitions — 16 office properties totaling 1.1 million square feet. It recently put a few repositioned properties up for sale to begin harvesting those investments.

The joint venture will continue to target returns in the mid-to-high teens. It typically uses leverage of 55-70%, and sometimes partners with others on its purchases. Harbor primarily seeks properties worth between \$15 million and \$50 million that require significant renovation or repositioning.

“The smaller you go, the juicier the opportunities,” said **Paul Miszkowicz**, a principal at Harbor. “A lot of the pension funds are looking for \$50 million or plus. We like to play in that space as well, but there is a tremendous amount of capital-raising and dry powder. So we are looking at the middle market, on the cusp of the institutional radar, to drive outsize returns.”

The new round of acquisitions started with the \$22.7 million purchase this month of a 73,000-sf office building in the Toluca Lake neighborhood of Los Angeles. **Newmark** represented the seller, **MWest Holdings** of Sherman Oaks, Calif. The property is



just 67% leased. The deal is an example of Harbor’s strategy to seek underperforming properties in “dynamic” submarkets. Harbor plans to reposition the building to tap into growing

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demand from media, entertainment and technology tenants in the area. It's at 4130 Cahuenga Boulevard, adjacent to an NBC Universal complex and within five miles of several other major movie studios.

On Friday, Harbor scooped up a 39,000-sf property in the San Diego area, paying \$15.7 million to an unidentified wealthy investor. The building, at 2010 Jimmy Durante Boulevard in Del Mar, Calif., is 92% leased. But its two biggest tenants plan to vacate in the next few months, dropping the occupancy rate to 50%. "This presents us the opportunity to reposition the asset and re-peg rents to market levels in an accelerated fashion, without having to wait long durations for below-market rents to roll," said Miskowicz.

Harbor now has two San Diego properties totaling 70,000 sf. Its portfolio is concentrated in the Los Angeles area, where it has eight buildings totaling 620,000 sf. Another big chunk is in Orange County, with seven buildings totaling 365,000 sf.

Harbor's only property outside Southern California is a 115,000-sf building in downtown Denver that it bought off-market for \$17.6 million in October, via a partnership with **Goldman Sachs Asset Management's** private real estate unit. The building, completed in 1907 by the founder of the **Denver Post**, is on the **National Register of Historic Places**. It was left 90% vacant when anchor tenant **Colorado Business Bank** moved out prior to the purchase.

Harbor will reposition the property, which it has dubbed The Vault, to draw "creative" office tenants. Vintage chandeliers and bank vaults will be kept intact. **Tryba Architects**, which won accolades for the \$500 million redevelopment of nearby Union

Station, has been hired for the renovation. The nine-story building, at 821 17th Street, has a restaurant on two basement levels. It's a block from two light-rail stops and the 16th Street Pedestrian Mall, which has 300 stores and 50 restaurants.

Harbor plans to step up its acquisitions in the Denver area, bringing its footprint there closer to the size of its Los Angeles holdings. The firm sees strong potential for population and rent growth in Denver, whose revitalized downtown is attracting technology companies and young workers.

As West Coast markets become more expensive for both employers and employees, Miskowicz said, "we are at a tipping point. We are starting to see companies recognize that and move to lower-cost alternatives where millennial workers are starting to settle and raise families." He added: "We think that trend will continue. Denver offers a tremendous quality of life, and the \$100,000 income of an engineer stretches further."

Harbor also plans to look for opportunities in Salt Lake City, which could offer higher yields. "We will work the bread and butter in Southern California, but also diversify into other markets," Miskowicz said.

Miskowicz, who previously worked at Boston-based AEW, is one of three principals of Harbor Associates Ventures. The others are **Joon Choi** and **Justin Loiacono**, both former vice presidents at BlackRock.

Bascom, founded in 1996, is led by managing partners **Derek Chen, David Kim** and **Jerome Fink**. Its focus is on multi-family properties in the West, Southwest and South, but it has occasionally set up joint ventures to invest in office and industrial properties. With apartment rent growth starting to slow, the Harbor's value-added office strategy offers Bascom higher returns, Miskowicz said. ❖