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Equastone Seeking \$1 Billion Worth of Distressed Properties

By NED RANDOLPH - 7/21/2008

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La Jolla-based private equity firm Equastone said July 14 that it intends to make \$1 billion in opportunistic investments nationwide during the next 12 months.

Equastone, which owns 61 office buildings nationwide, sponsors closed real estate private equity funds that buy distressed or underperforming properties that can be fixed up, leased and liquidated.

"Equastone is looking for properties in San Diego, and they think some of the best buying opportunities in the current market are going to be in Southern California — San Diego and Orange County," said Equastone spokesman Todd Backus.

Equastone says it was one of the first outside investors in post-Katrina New Orleans, acquiring the Pan American Life Center, and is the second largest commercial property owner in the Dallas/Fort Worth area.

The firm recently made a rare refinance of a Phoenix property amid the credit crunch. The 86,835-square-foot South Mountain Center was refinanced by Wachovia Corp. after Equastone raised the building's tenant occupancy from 30 percent in 2005 to 85 percent today, says Backus.

With the proceeds, Equastone says it hopes to lease the remaining vacant space and then offer the property for sale.

Equastone Real Estate Funds, three private equity funds that attract high net worth individuals and institutional investors, have invested in more than \$1 billion of commercial real estate throughout the United States, the company says.

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McMillin Cements Mortgage Banking Alliance: McMillin Homes and Wells Fargo have formed a joint venture to provide mortgage banking services for new homes, the companies said July 15.

The joint venture, called McMillin Home Mortgage, allows the builder to generate better economies of scale for financing in a time of falling sales volume, according to Rick Jarrett, vice president of McMillin Mortgage.

"Now the market is tougher, and we're not doing as many originations," he said. "We're going to get some economies of scale with their processing and underwriting that we don't have currently."

Wells Fargo will offer programs through the joint venture that it doesn't offer builders through the normal wholesale marketplace, Jarrett says.

"It allows us to do some mortgage banking. We were strictly brokering before," Jarrett said.

In the second quarter of 2008, San Diego-based McMillin Homes averaged \$16 million a month on mortgage closings, up from \$10.5 million a month in the first quarter, but much lower than the \$25.3 million in the first and second quarters of 2007, Jarrett says.

McMillin Mortgage will continue to service the resale-home market, working alongside real estate agents at McMillin Realty.

McMillin Homes has divisions in San Diego, Bakersfield and the Central Valley of California and one in San Antonio. Wells Fargo Home Mortgage is a division of Wells Fargo Bank, N.A.

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\$613M Staubach Co. Buyout Complete: The buyout of a Dallas-based real estate consulting firm, Staubach Co., by Chicago's Jones Lang LaSalle has been finalized under a \$613 million cash and stock deal, the companies said July 11.

Staubach, which has 15 San Diego employees, will cease to operate under its internationally recognized brand.

Under the deal, Jones Lang LaSalle paid \$123 million in a combination of cash and assumed net liabilities and \$100 million in stock at closing, with an additional \$390 million paid out in cash over five years for all of the outstanding capital stock of Staubach Holdings Inc. Additional payments of up to \$114 million are subject to performance.

Jones Lang LaSalle trades under the New York Stock Exchange symbol JLL. Jones Lang LaSalle, which has 180 offices in more than 700 cities and 60 countries, reported net income of \$256 million on revenue of \$2.7 billion in 2007.

The company said "substantially all" of Staubach's 1,600 employees will join Jones Lang LaSalle, including Roger Staubach, a Hall of Fame NFL quarterback.

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Santee Office Building Sells For \$1.75M: The first building at RiverView at Santee, a master-planned business park, has sold for \$1.75 million, the brokers on the deal said July 14.

Developed by Ryan Cos., RiverView is a 108-acre business park adjacent to Santee Trolley Square.

The 6,875-square-foot office building was purchased by Rancho Mesa Insurance LLC. The building is located in the development's first phase, called the RiverView Professional Center, a business park of six one- and two-story office and medical buildings totaling 63,500 square feet.

Rancho Mesa Insurance was represented by Grubb & Ellis/BRE Commercial. Ryan was represented by CB Richard Ellis.

"We are pleased to have Rancho Mesa as a buyer and feel that they complement the Class A office environment we are establishing in Santee," said CB Richard Ellis' Matt Pourcho.

Future RiverView phases should provide corporate headquarters, research-and-development facilities, general office and medical space, and retail amenities. Also included in RiverView's master plan are a 40,000-square-foot movie theater and 250 condos.

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