

\$475-million deal reflects Playa Vista's rise as a tech hub



Runway Playa Vista, a retail, residential and office development envisioned as the tech hub's downtown, has opened in phases. (Christina House / Christina House)



By **Andrew Khouri**

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A mixed-use project envisioned as Playa Vista's downtown has been sold to a Dallas investment firm for a reported \$475 million, cementing the master-planned community's rise as a residential neighborhood and technology hub.

The steep price for Runway Playa Vista — a retail, residential and office development that cost about \$300 million to develop — shows what can happen when tech giants like Facebook, YouTube and Microsoft come to town.

Investors are banking on those companies luring highly educated and highly paid workers to the burgeoning community as it nears completion.

"The tenant roster is kind of a who's who of big technology and entertainment companies," said Pete Cassiano, a managing director with buyer Invesco Real Estate, which bought the project from Lincoln Property Co. and two partners. He added that the Runway "is going to be a kind of a hub for the whole area going forward."

Invesco Real Estate is an arm of Atlanta-based investment manager Invesco. It also has a stake in two other Playa Vista office projects, including one known as the Hercules Campus. It plans to hold the 14-acre Runway for the long term.

The mixed-use project, which developer Rick Caruso of the Grove once held an option on, was delayed for years by legal challenges. That was frustrating for some of the earliest residents of Playa Vista who moved in early last decade but had few of the shops and restaurants that developers had promised.

But the Runway has opened in phases over the last year. It's now home to a luxury Cinemark movie theater, a Whole Foods market, banks and restaurants. On a recent evening, residents and visitors dined on outdoor patios as classic rock played. Others sat next to fire pits along the public sidewalk.

"It's amazing," said surgeon Dean Anselmo, who was on his way home from the grocery store with his partner and her young daughter. "We can walk to everything."

More is on the way, including upscale retailer Fred Segal, which is moving from Santa Monica, as well as longtime Venice mainstay Hal's Bar & Grill.

The community was first conceived of in the late 1970s on land once controlled by aviation mogul Howard Hughes.

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Summa Corp. and its affiliates — all related to the estate of Hughes — put forth plans for a development on 1,087 acres, with high-rise office buildings, thousands of residences, roadways through wetlands, a golf course and a regional shopping center.

But dogged environmental opposition delayed and shrank the project immensely, while saving a chunk of the Ballona Wetlands that once stretched all the way to present Marina del Rey and Venice. The first residents didn't move in until 2002 and when Playa Vista is finally completed — likely over the next few years — it will span just 460 acres, less than half the original proposal.

It has approvals for about 6,050 residential units and 3.2 million square feet of offices. All the offices are built or under construction, except for a portion that Google purchased in 2014 for nearly \$120 million as it looks to grow beyond its Venice Binoculars Building, according to Brookfield Residential, the Playa Vista master developer.

So far, about 4,500 homes have been completed, with most of the remaining units under construction. Brookfield estimates that 9,000 people will eventually work at Playa Vista while 11,000 residents will call it home.

In late 2014, Lincoln Property sold Google 12 vacant acres zoned for 900,000 square feet of commercial space. And late last summer, Yahoo Inc. moved its Santa Monica operations into the community.

The Runway, which sits on a portion of Hughes' old runway, is the latest deal. A purchase price for the town center was not disclosed, but people familiar with the deal pegged the transaction at about \$475 million.

"It's a crescendo of the development phase of Playa," said David Binswanger, senior executive vice president of Lincoln Property. "It proves that the original vision for Playa is now being completed."

Veteran real estate broker Carl Muhlstein of JLL, who was not involved in the Runway deal, said he wasn't aware of a more expensive transaction in Playa Vista. That includes a purchase early last year by Invesco of a majority stake in the creative office campus known as the Reserve, which reportedly changed hands for roughly \$300 million.

Muhlstein, who handles leasing for the Reserve, said large investment firms are increasingly eyeing Playa Vista as it nears completion, realizing that there probably will never again be such a large development west of the 405 Freeway.

Binswanger said Lincoln Property and its partners, Phoenix Property Co. and Alcion Ventures, had always planned to develop and sell the project. The current economic uncertainty did not play a role in the decision, which he said was made last summer.

The heavy demand has lifted rents and home prices in Playa Vista. Asking office rents were \$4.62 per square foot a month at the end of last year, up nearly 77% from the beginning of 2011, commercial real estate brokerage CBRE Group Inc. said.

The neighborhood's median home price, meanwhile, was \$1.1 million last year, up 15% from 2014, according to real estate data provider CoreLogic.

"It's ignited over the last couple of years to be a real place for people to live and work," said Adrian Foley, chief operating officer of the California region for Brookfield Residential.

The Runway project includes about 220,000 square feet of retail space, 33,000 square feet of offices and 420 apartment units, some of which are perched over stores.

Although new, the project is meant to give a sense that it evolved over time. For example, there are full-grown trees and stretches of cobblestone streets.

The retail space is nearly 90% leased, while the offices are all accounted for, according to Lincoln Property, though some tenants like Hal's Bar & Grill and Cedars-Sinai have yet to move in. Half of the apartments are taken, but Binswanger said they are being scooped up fast, even though one-bedroom units are starting at \$2,800 a month.

Such a ready-made community is a major reason that Hal's picked Playa Vista as a new home, said co-owner Don Novack, who closed his longtime Abbot Kinney location in April but plans to reopen soon in another spot on the hip street.

Novack is adding small plates and at least one communal table to the upcoming Playa Vista restaurant, set to open in four to five months, in a bid to appeal to the legions of young tech workers.

"We're designing a menu that fits a younger clientele, a more Yahoo, Google, YouTube tech type," he said.

Longtime Playa Vista residents, including Adam Dumper, have welcomed the arrival of more shops and restaurants to their neighborhood.

The banker said he often used to drive to Marina del Rey to do some shopping or have a bite out, but now he can stay in the master-planned community he moved to in 2004 — which Playa Vista's developers have long pitched as one of its benefits.

"It's great," the 38-year-old father of three said recently while waiting for a friend outside a burger restaurant. "It felt at times like this would never come."

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