

Sale of Hollywood Property Leads to \$18 Million Profit



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SCANLANKEMPERBARD COMPANIES

is humming “Hooray for Hollywood” all the way to the bank.

After owning the CNN tower on Sunset Boulevard for less than two years, the Portland, Oregon based firm is pocketing \$18 million in profit on the building.

Broadreach Capital Partners, LLC has agreed to pay \$52 million for the 14-story building, a nearly 60 percent mark-up from the purchase price paid by ScanlanKemperBard. The deal is expected to close this week.

The 200,000-square-foot CNN tower at 6430 Sunset Boulevard is commanding \$270 a foot — a 4 percent increase over what CB Richard Ellis Investors paid late last year for the nearby Sunset Media Tower.

“We achieved our seven-year investment goal in 22 months,” said **Bob Scanlan**, managing director of **ScanlanKemperBard**. “Sunset Tower produced a 42 percent internal rate of return for our investors.”

Even so, Scanlan said Broadreach didn’t overpay because he believes rents in the Hollywood market will spike in the next several years. “One could argue Broadreach made a good buy,” Scanlan said. “They want to sell in two to three years (at a 20 percent mark-up) and I believe they’ll get that.”

Unlike recent buyers of Hollywood office buildings, Broadreach isn’t planning on converting the tower into residential condominiums, Scanlan said.

Calls to Broadreach seeking comment weren’t returned. The building’s tenants have received estoppel certificates, a legally required notification when there’s an impending sale.

One question mark: CNN. Turner Broadcasting Systems Inc., a Time Warner Inc. subsidiary that owns the cable news channel, shelved an earlier deal to move the broadcast studios to a 40,000-square-foot space at 6500 Wilshire Boulevard. Company executives in Atlanta put the deal on hold to look at more buildings, although they may decide to stay put.

Scanlan has previously said that CNN, which takes about 16 percent of the Hollywood building and has naming rights, is paying below-market rent. If CNN departs, a new tenant will probably pay higher rates.

Since ScanlanKemperBard bought the CNN tower, leasing rates have risen to \$2.30 a foot from \$1.70 a foot a month, Scanlan said. The firm is also negotiating with a service-oriented retailer to take the building’s 6,000-square-foot ground floor space for \$3.25 a foot.

Scanlan said that Broadreach’s business plan anticipates CNN departing the building. “Now if CNN wants to stay they’re going to have pay big for that.”

Carl Muhlstein, a senior director at Cushman & Wakefield Inc., represented both sides of the transaction.