

# Investor Opens Door on Way out of Development

**REAL ESTATE:** Alcion lists ownership stake in Runway as mixed-use site blooms.

By **HANNAH MIET** Staff Reporter

The Runway at Playa Vista is the kind of high-profile project, especially now that it is 80 percent leased, that makes investors salivate.

With 420 luxury residential units, 33,000 square feet of creative offices and a whopping 220,000 square feet of retail space including such tenants as **Whole Foods**, **Cinemark** and **CVS Pharmacy** in booming Silicon Beach, it's a prime investment. Now, there's an opportunity to get in on the action.

**Alcion Ventures**, a Boston real estate private equity firm that is the money partner in the project, is ready to cash out, listing its interest in the 14-acre, nearly \$300 million project for sale with **HFF Inc.**, a financial services firm specializing in real estate.

A source familiar with the property said Alcion and development partners **Lincoln Property Co.**, **Phoenix Property Co.** and **Paragon Commercial Group** have a 40 percent equity stake in the project with the balance being debt. Alcion holds the majority of that equity.

**Randy Johnson**, executive vice president of **Brookfield Residential Properties**, a Canadian developer that became master developer of the planned community with its 2012 purchase of Playa Capital Co., said Runway is likely worth north of \$450 million.

"There will be core buyers targeting (Runway) and it will sell for a premium price," he said. (Brookfield was not involved with the Runway project, which Playa Capital had sold before Brookfield bought Playa.)

Alcion specializes in value-add projects such



**Retail Beachhead:** Dining and shopping area at Runway at Playa Vista.

as Runway and cashes out when it has maximized its return, sources said. Runway is 90 percent complete, and is worth significantly more than it was when Alcion bet on the plot of land, which broke ground in 2013 and is part of the larger Playa Vista master-planned development, once the largest undeveloped area on the Westside.

While Alcion is ready to cash out, developers Lincoln, Phoenix and Paragon plan to retain their interests. The asking price for Alcion's stake is not known.

Lincoln and Phoenix declined to comment on the recapitalization, while Alcion, Paragon and HFF did not respond to requests for comment.

## Rising values

Playa Vista has changed dramatically over the years. There were only 2,400 people living in the area when the 2000 census was taken; by 2008, the city estimated that number had risen to 6,000 and today there are approximately 8,000.

There are now roughly 40 businesses operating out of the various office campuses in the area,

and 15 retail tenants, a number that will increase significantly when Runway is complete.

Since 2014, residential property values in Playa Vista have increased by more than 20 percent, Johnson said, driven by the delivery of Runway's Whole Foods and other amenities to the retail-starved area.

"I think the 'there' is now there," Johnson said. "We used to have more pets than kids in Playa Vista, and now we've got a great K-5 school, people have had three kids since they've arrived and we're getting a lot of families moving in."

Construction of Runway should be completed by the end of the year, and the offering of a stake in the project comes at a particularly good time, said several industry trackers.

As Westside real estate values have been on the rise, many money partners in development projects have moved to cash out. The action comes as a new set of investors are willing to elbow their way in looking for blue-chip vehicles, especially those with long-term leases locked in.

In Playa Vista, two other major projects were recently recapitalized.

Atlanta real estate fund **Invesco** paid \$316 million for the Reserve in February. Its developers, Santa Monica's **Worthe Real Estate Group** and San Francisco's **Shorenstein Properties**, had paid only \$40 million for the property and invested roughly \$30 million to convert the former U.S. Postal Service distribution center into a nearly 400,000-square-foot creative office campus. Shorenstein sold most of its equity to Invesco, and Worthe sold some, too, but retained enough to remain a partner in the project.

**Jeff Worthe** said his eponymous firm generally holds on to a stake in its development or redevelopment projects, keeping the door open for future development opportunities.

"The Reserve is a 20-acre site on the Westside of Los Angeles," he said. "It is a spectacular, true creative office project today, and may have additional development opportunities in the future. We made a significant multimillion-dollar investment in the project with our new partners to remain connected to the project."

Similarly, downtown L.A. developer **Ratkovich Co.** announced the recapitalization of its Hercules campus in Playa Vista last year. Its partner in the project, **Penwood Real Estate Investment Management** of West Hartford, Conn., sold most of its stake to Invesco and Ratkovitch sold much of its own stake, sources said, though it remains a partner managing the development.

Hungry investors are willing to allow developers to retain a stake in their projects, said **Kevin Shannon**, vice chairman of capital markets and instructional properties at **CBRE Group Inc.**'s El Segundo office.

"For competitive Class A properties, capital will be flexible in order to win deals, allowing the developer-operator to stay in post-closing and maintain fees post-closing," he said.

## COMMERCIAL LENDING Solutions As Unique As Your Business

From Lines of Credit and Equipment Financing to Asset-Based Lending and SBA Loans, Citizens Business Bank has you covered to help your business grow in the way that makes sense for you.

We specialize across multiple industries and service sectors including industrial, manufacturing, medical, property management, title & escrow, nonprofit, agriculture, and government.

Contact one of our local experienced bankers today!

For a location near you visit  
[www.cbbank.com/locations](http://www.cbbank.com/locations)  
or call **877.422.2265**

We have 47 locations serving Los Angeles County, Orange County, the Inland Empire, San Diego County, Ventura County, and the Central Valley areas of California.

Ranked Top 5 Bank in the U.S.\*

**CITIZENS  
BUSINESS BANK**

A Financial Services Company

[www.cbbank.com](http://www.cbbank.com)

 Equal Housing Lender | Member FDIC

\*Bank Director Magazine, 2014 and 2015. Among Banks with \$5 Billion to \$50 Billion in Assets. CVB Financial Corp. is the holding company for Citizens Business Bank.