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M. David Paul Buys NBC Property

By Shelly Garcia - 10/10/2005

San Fernando Valley Business Journal Staff

M. David Paul & Associates has emerged victorious in its bid to acquire a large land parcel that had been part of NBC Studios in Burbank.

The deal, which sources said closed last week, will put a total of 1.5 million square feet of office space in Burbank's prime media district into the hands of the developer, who has already successfully developed two luxury office buildings in the area.

Officials at M. David Paul did not return a phone call seeking comment.

Several sources familiar with the deal said the company paid about \$55 million for the property, which is entitled for 875,000 square feet of office space.

The nine-acre property is located at Bob Hope Drive and W. Alameda Ave. at the edge of the NBC Studios campus.

Put on the block following NBC's merger with Universal Studios, it attracted a great deal of interest from developers because of its location, its existing entitlements and because so little land is available for office development throughout the San Fernando Valley.

Brokers said rising construction costs, coupled with the price of the property would likely mean the development would lease at rates north of \$3.25 per square foot, a record price in the San Fernando Valley.

But M. David Paul's adjoining development, The Pinnacle, two buildings totaling about 625,000 square feet, fetched rental rates above \$2 a foot when it opened, and those rates also set new levels when the first of those offices came online.

The first phase of The Pinnacle is fully leased to companies including Warner Music, a Sony Pictures division, Showtime and others.

The second phase, which is just completing construction and should be ready for occupancy in another month, is fully leased to Warner Bros.

Brokers familiar with the deal said M. David Paul plans to build two buildings on the property, each with about 15 stories.

The property, which was put on the market without a listing price, drew eight bidders including Investment Development Services and LNR Property Corp. As typically happens with sales of this kind, the field was later narrowed to four.

Brokers said there was little disparity between the offering prices among the final four bidders, who could not be identified. The decision to go with M. David Paul in part was due to the developer's existing relationships with the entertainment industry and track record for building luxury office space in the Burbank area.

The relatively brisk leasing activity at The Pinnacle and the recent strong office leasing activity by entertainment companies in the Burbank area were draws for the developers who entered the fray. But the existing entitlements may have held the largest attraction. Buying a pre-entitled property can knock at least a year off the time it takes before the developer can break ground on the property, resulting in significant financial savings.

General Electric Co.'s NBC unit had entitled the property as part of a master plan for its studio facilities, but the site that was just sold off was largely unused.

With the acquisition of Universal Studios, NBC also acquired a 430-acre campus, much of it undeveloped. Officials, as part of a strategy to create a single, lean organization from the merger, decided to divest the additional land.

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