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Medical space still gets top dollar

A Beverly Hills office building filled with plastic surgeons is sold for nearly \$55 million.

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As demand stays high for medical office space, a doctors building in Beverly Hills was sold last week to a New York firm for what may be a record price.

The four-story, 63,276-square-foot building at 120 S. Spaulding Dr., populated mostly by high-profile plastic surgeons, was sold to LeFrak Organization for nearly \$55 million. That breaks down to \$869 a square foot, the highest ever for office property in Los Angeles, despite a strug-

gling market for general office structures.

"Medical offices form the tightest sector in the country right now, with less than 1% vacancy in West L.A.," said Bob Safai of Madison Partners, who brokered the deal. "We all see doom and gloom in the future because of where the market is heading, but I don't think any of these doctors are going to go out of business."

In popular markets such as Beverly Hills and Santa Monica, where space is at a premium and construction of medical facilities is at a standstill, buyers are spending enormous sums on offices that they hope will repay their investments over the long term.

Beverly Hills-based Cambra Realty and New York investment advisor Angelo Gordon & Co. bought the Spaulding building in January 2007 for \$42 million, or \$626 a square

foot. At the time, the price per square foot was a record for an office building in Los Angeles.

Since then, a medical building on Wilshire Boulevard sold for \$833 a square foot and another, small medical building on Little Santa Monica Boulevard went for \$843 a square foot.

Negotiations on the deal began in September, Safai said. To boost the building's cash flow, rents have been raised to \$6.25 a month per square foot from the previous range of \$3.75 to \$4.25. The new rent is still much cheaper than double-digit rents on the East Coast.

To diversify its New York-heavy portfolio, LeFrak has been steadily branching into the West Los Angeles market.

The group paid \$80 million — \$720 a square foot — in June for an office building at 9701 Wilshire Blvd. in Beverly Hills.

In August, it bought an empty office building at 7060 Hollywood Boulevard for \$50 million.

"Hopefully, we'll get to continue to gradually acquire more properties in the area," said Jamie LeFrak, a principal at the group.

But LeFrak said the primary appeal of the Spaulding property was that it was less than a block from the group's Wilshire building and was already fully leased. He said medical buildings appeared to be performing better than traditional office buildings only because they fetched rents that could be up to 20% higher.

"We do certainly like the prime Beverly Hills triangle market area, though medical is not our high preference," LeFrak said. "It's all just real estate, and it's all subject to the same overall trends."

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