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Real estate deals of the year

Industrial (Winner): FedEx lease

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[FedEx](#) Ground Package System Inc.'s journey to find a new home for its San Francisco Logistics Center followed a curving road to its end in January 2013. With few available options near [San Francisco International Airport](#) capable of meeting the company's voracious need for space and the waning availability of mixed industrial space amid life sciences and office complexes, that it happened at all is remarkable.



“There are no new land opportunities around San Francisco airport or on the Peninsula,” said [Jason Cranston](#), managing director for [Cassidy Turley](#), who represented the owners of the site at 1070 & 1080 San Mateo Ave. in South San Francisco with [Marshall Hydorn](#). “The ownership was able to assemble three adjacent parcels right near the airport. That in itself was rare.”

The global logistics firm is now leasing 418,216 square feet of warehouse space through at least 2028, less than a mile from the airport. Orchard Partners and [Angelo Gordon & Co.](#) assembled the property from three parcels between 2008 and 2009, acting on a vision championed by Orchard managing partner [Tyler Higgins](#) that big spaces would make good investments. When FedEx moves into the space in May, it's expected to have more than 500 employees.

Bringing the \$93 million 15-year lease to the finish line was far from easy. Once owned by the Government Services Administration, the largely vacant property came with no local business licensing in place. The owners spent two years doing the work to obtain a master use permit without a tenant in hopes of transforming the site into a multi-tenant business park.

In exchange for the permit, the cities of South San Francisco and San Bruno required a rigorous two-fold entitlement process that began with a full environmental impact report followed by a master use permit for a multi-tenant industrial project. That later had to be amended for FedEx's use and revised plan. Both cities supported FedEx's plan for the site.

While Cranston knew FedEx would want the land, he had to cold call FedEx Ground's broker, Fischer & Co., to make the right connection. Meanwhile, Wickam was working with Fischer to represent FedEx Ground in the Bay Area, shepherding the company through a number of potential options for consolidating two South San Francisco sites before finally hitting on the right fit.

"Just making the deal was one feat," said Cranston. But yet more work lay ahead. The owners had to demolish 118,000 square feet of the existing building to provide expansive parking and loading docks for FedEx.

Once the lease was signed, nearly \$25 million in improvements to the building, first constructed in 1955, began right away. The property is strategically located in a central in-fill distribution location adjacent to San Francisco International Airport with direct access to Highway 101, 380, and 280. The property is also just 2.5 blocks from the San Bruno BART and Caltrain station.

"Even though there were some bumps in the road, the owners ended up with one tenant from a Fortune 50 company on a 15 year lease, with two tenure options," said Cranston. And the company won't be going anywhere soon. It's installing a fully automated sort-and-handling conveyor system on the site according to CBRE, an investment demonstrating its commitment to the site.

In May 2013, a partnership of New York City-based [Angelo Gordon & Co.](#), Lafayette-based Orchard Partners and Chicago-based Centrum Properties put the property up for sale. In October 2013, it sold to a fund managed by [Invesco](#) Real Estate. Terms of the deal were not disclosed, but industry sources said the price was near \$120 million or \$260 per square foot. Cranston co-represented the sellers with CBRE. "The Invesco buy was a great exit for the development. It kind of proved the whole project," said Wickam.

