

# The Daily Transcript<sup>®</sup>

www.sdtranscript.com

2652 Fourth Avenue, 2nd Floor, San Diego, CA 92103 ♦ (619)232-3486 ♦ notices@sdtranscript.com ♦ Vol. 131, No. 234 ♦ Since 1882 ♦ \$3 ♦ Friday, December 2, 2016

## Badiee Development begins Carlsbad industrial project

*Victory Industrial Park part of firm's \$90 million plans for North County*

By Thor Kamban Biberman  
Daily Transcript Staff Writer

Badiee Development has broken ground a 55,573-square-foot industrial building at 3248 Lionshead Avenue in Carlsbad that is slated for completion early next summer.

Known as Carlsbad Victory Industrial Park, the building has been designed for a mix of office and warehouse space for two tenants. The two suites will measure 25,148 square feet and 30,425 square feet, respectively.

The project will feature two tenant entries, dock-high and grade-level loading, 26-foot clear height, an automatic fire suppression system, mezzanine space, skylights throughout, and a large outdoor patio area.

Badiee Development has started pre-leasing for Carlsbad Victory Industrial Park with representation by Tucker Hohenstein and Mike Erwin of Colliers International's San Diego region.

Colliers also represented Badiee Develop-



Photo courtesy of Badiee Development

A rendering of the 55,573-square-foot Carlsbad Victory Industrial Park in Carlsbad, on which Badiee Development recently broke ground. The project is slated for completion early next summer.

ment in the purchase of the Carlsbad Victory Industrial Park land last December.

"With Carlsbad Victory Industrial Park's superior location, cutting-edge design, and

amenities, it is an ideal property for businesses looking to relocate to a best-in-class industrial building in Carlsbad," said Hohen-

See Page 2 — BADIEE

## Home prices projected to rise in 2017

By Thor Kamban Biberman  
Daily Transcript Staff Writer

San Diego County is projected to have the nation's 15th highest home price growth in 2017, according to a Realtor.com report.

The report projected the average list price here will reach \$620,000 next year. The average list price in October was \$580,000, according to the Greater San Diego Association of Realtors (SDAR).

San Diego County homes will spend an average of 47 days on the market (a decline of about 4 percent) and active listings will decrease 10 percent from 2016 to slightly more than 7,000, Realtor.com reported. The nation's top projected markets for price growth are all in California, with Los Angeles leading the way, followed by Sacramento and Riverside.

Along with projecting price increases and lower inventories in most markets, Realtor.com also said mortgage rates will increase – a situation perhaps influenced by Donald Trump's election as president.

"Prior to the election, demographics and an improving economy were laying the foundation for a substantial increase in first-time buyers in 2017," the real estate trade group wrote, "but due to mortgage rate increases over the last few weeks, Realtor.com predicts first-timers will face new hurdles as they navigate the qualification and buying process."

Additionally, the Realtor.com report said the higher interest rates are associated with the anticipation of stronger economic and wage growth next year, both of which favor buyers. Higher interest rates will make qualifying for a mortgage and finding affordable inventory more challenging, however.

"We don't expect the outcome of the election to have a direct impact on the health of the housing market or economy as we close out 2016," said Jonathan Smoke, chief economist for Realtor.com. "However, the 40-basis-point increase in rates in the days following the election has caused us to increase our interest rate prediction for next year.

"With more than 95 percent of first-time home buyers dependent on financing their

See Page 4 — PRICES

## Calpine acquires San Diego energy company

Daily Transcript Staff Report

Calpine Corp. completed its acquisition of San Diego-based Noble Americas Energy Solutions, LLC for \$800 million.

Noble currently serves commercial and industrial customers in 18 states nationwide, including California, Texas, the Mid-Atlantic and the Northeastern United States.

The company will remain headquartered in San Diego under the leadership of Jim Wood, who will remain as president. Wood will report to Trey Griggs, Calpine's executive vice president and chief commercial officer.

The merged company now will be known

as Calpine Energy Solutions, LLC, pending state-level regulatory approval.

"Noble Solutions has built an impressive retail platform serving sophisticated commercial and industrial customers," Griggs said in a statement. "The Noble Solutions team's delivery of customized product offerings effectively manages customers' complex energy needs."

The acquisition was funded with a combination of cash on hand and a one-year, \$550 million term loan.

"With Calpine, our retail platform is now backed by a clean, modern and flexible gener-

ation fleet and a strong balance sheet that will allow us to provide greater value-added products and services," Wood said.

Calpine expects net cash deployed – including working capital – of approximately \$900 million by the end of the year, declining to approximately \$700 million within the first year.

Calpine generates electricity from natural gas and geothermal resources with operations in competitive power markets. Its fleet of 82 power plants, in operation or under construction, represents nearly 27,000 megawatts of generation capacity.

# Loft2015 Apartments sold for \$28 million

By Thor Kamban Biberman

Daily Transcript Staff Writer

**A**ffiliates of a Los Angeles-based investment firm has acquired the 84-unit Loft2015 Apartments in San Diego's Midway neighborhood for \$28 million.

The sale price, which is more than twice the \$13 million it garnered in 2011, works out to \$333,333 per unit.

The buyers were 1025 Sutter Street Partners LP and 721 Geary Street Partners LP, both of which are units of James Investment Partners.

The listed seller was OM CP III Stella, LLC, a unit of San Francisco-based Carmel Partners.

James Investment took out a \$17.3 million Northmark Capital Finance loan to purchase the property.

Both sides of the transaction were represented by John Chu and Ed Rosen of Berkadia Investments. The San Diego office of Musick Peeler & Garrett handled the sale's legal work.

The development at 2015 Hancock Street, originally conceived as a condominium development prior to its completion in 2008, offers four different floor plans.

The Element plan consists of one bedroom and one bath in an 833-square-foot unit, which rents for between \$1,850 and \$1,900 a month, according to the property's website.

The Cosmopolitan features 2-bed/1-bath floor plans with 829 square feet. Monthly rents range from \$2,190 to \$2,900.

The Allure features 2-bed/2 ½-bath units with 846 square feet and rents that range from



Photo courtesy of The CoStar Group

The Loft2015 Apartments in the Midway area was recently acquired by a Los Angeles-based investment firm for \$28 million.

\$2,200 to \$2,850 a month.

The Alta features 2-bed/2-bath units with 933 square foot. Rents average \$2,235 and \$2,920 a month.

The complex has 100 covered parking spaces and features a variety of amenities, including floor-to-ceiling windows, stainless steel appliances, balconies, tile floors, a pet play area, wheelchair accessible units, and an outdoor grill.

Carmel Partners had acquired the apart-

ment complex after it went into receivership not long after it was completed in 2008.

The original developer Constellation Property Group built the units as condominiums, but like many such projects at the time, the units weren't selling and the property had to be re-evaluated as a rental.

Constellation, which also considered placing a hotel on the site, eventually was forced to part with the property, and Carmel Partners

converted it into an apartment complex.

"We understand that they had put \$40 million into the property, so we bought it for significantly less than replacement cost," said Ed Ratinoff, James Investment's managing principal.

Ratinoff said property, which retains a condominium map, could revert back featuring condos at some point in the future.

He said the property is still new enough that it will require very little work to maintain. The property ranges from about 93 to 96 percent leased.

James Investment Partners has acquired San Diego properties before. A unit of the firm owns Beech 942, a 30-unit apartment complex in the Cortez Hill area of downtown San Diego after paying \$5.1 million to acquire the property in October 2015.

"We love San Diego," Ratinoff said, adding he is constantly looking for new opportunities here and around Southern California.

Although some multifamily investors hold their assets for brief periods, James Investment has a different approach.

"Our business is buy and create wealth," Ratinoff said. "We're in it for the long-term hold."

James Investment Partners specializes in various types of investments, private equity, and real estate, development among other functions. The company was founded in 2001.

[thor\\_biberman@sdtranscript.com](mailto:thor_biberman@sdtranscript.com)

## Cubic acquires British communications firm

Daily Transcript Staff Report

**S**an Diego-based Cubic Corp. recently acquired Vocality International, a U.K.-based communications technology company, for \$10 million.

The deal expands Cubic Mission Solutions' command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) portfolio.

"The acquisition of Vocality is extremely important to our overall company and C4ISR strategy as Vocality's solutions expand our offerings and strengthens our business in this emerging area," Cubic president & CEO Bradley H. Feldmann said in a statement.

"The addition of Vocality expands our C4ISR portfolio... and will provide further opportunities in higher growth and higher margin markets."

The purchase price is subject to customary adjustments under the stock purchase

agreement.

A partner of Cubic's subsidiary DTECH, Vocality develops embedded technology that can unify communications platforms, enhance voice quality, boost video performance and optimize data throughput.

The technologies will allow businesses, government agencies and military personnel to communicate securely with one another through advanced wireless and cellular networks.

"We are pleased to welcome Vocality and its employees into the Cubic family," said Mike Twyman, president of Cubic Mission Solutions.

"Vocality is well aligned with our current capabilities and solutions and their technologies will provide additional opportunities to further integrate our architecture, serve our customers in the defense industry and expand offerings for transportation and other key vertical markets."

## Badiee

Continued from page 1

stein, a senior vice president with Colliers.

The building is the first of a six-project, \$90 million construction pipeline planned by Badiee for North County. All projects,

which total 425,000 square feet, are slated for delivery at the beginning of 2017, according to Scott Merry, Badiee's vice president of construction.

Carlsbad Victory Industrial Park is being designed by Smith Consulting Architects. TFW Construction is the general contractor.

## The Daily Transcript

**Charles T. Munger**  
Chairman of the Board  
J.P. Guerin  
Vice Chairman of the Board

**Gerald L. Salzman**  
Publisher / Editor-in-Chief  
**Robert E. Work**  
Publisher (1950-1986)

**David Houston**  
Editor

**Joseph Perkins**  
Opinions Editor

**Doug Sherwin**  
Managing Editor

Mark Armao, Thor Kamban Biberman, Lyle Moran

Reporters

Dave Lemox

Director of Advertising  
Yolanda Cordova

Legal Publications Manager  
Esmeralda Mendez

Legal Publications Clerk

Lisa Churchill  
Page Designer

## PERSPECTIVES

# The Trump Effect on Housing

There are winners and losers for every change in economic policy. There are also campaign promises that are merely that, with little chance for implementation such as building large walls. However, there are at least two economic policies the market believes will occur. This is the lowering of corporate tax rates and general de-regulation in the capital markets.

Winners of such changes include the banks and all incorporated business. This increase in after tax earnings retention is why the stock market has rallied since the election. Those with significant stock holdings are thrilled to watch their portfolio values soar. Those holding corporate bonds or mortgage backed bonds are not as pleased as interest rates have increased by over 50 basis points and are likely to rise more in the coming months.

Mortgage applications are already down by nearly 10% and this is exactly the reaction to expect. As mortgage rates go up, the first reaction in the housing market is lower sales. A 25% increase in mortgage rates from say 4% to 5% will result in a decline in sales volumes by nearly the same relative percentage in reverse. Brokers will notice the slowdown in traffic and inform sellers, who can either lower prices or remain stubborn and simply not sell. It is the stubborn sellers, common in San Diego, that result in lower sales volumes while prices flatten out or even decline a touch.

Why are interest rates up? If President-elect Donald Trump can lower corporate tax rates, but does not cut federal spending by a similar amount, our deficit

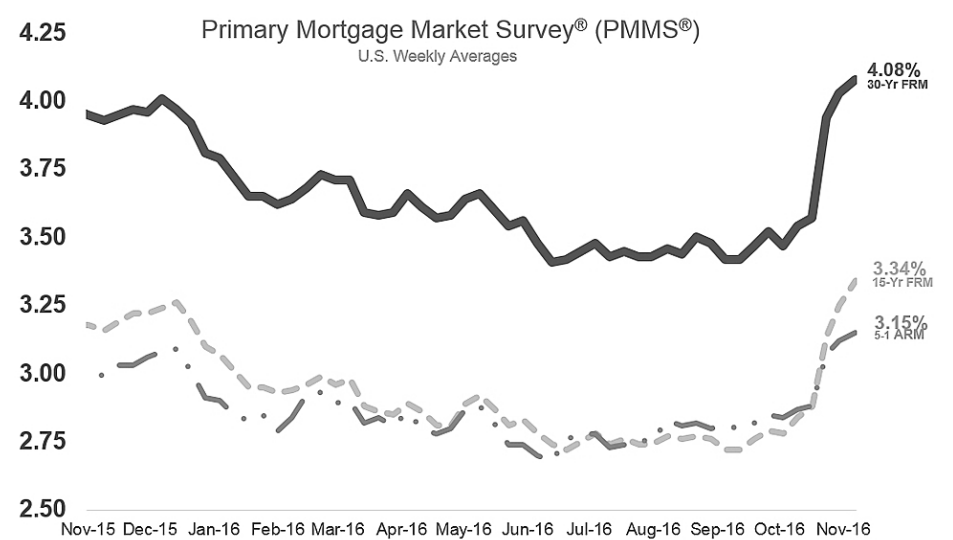


Shutterstock

will grow. This means the government must borrow more than before, sucking capital out of the economy for other uses and likely borrowing at a higher rate. Alternatively, if the government prints more money we will see increased inflation. Either way, it means mortgage rates will go up and the housing market will slow down.

One might argue that increased corporate profits will lead to more investment and more employment and that this will stimulate housing demand and keep prices up. The problem with such a theory is that we are already at full employment and many jobs remain unfilled simply because we have insufficient skilled workers available to fill them. Firms in the US have hired programmers and engineers from outside the US but it is not clear how easy that will be going forward. Stimulating a weak economy is helpful and effective. Stimulating a good economy is harder and ineffective, like pushing on the soft end of a wet noodle.

Not all housing markets will be affected equally by rising mortgage rates. The highest priced markets use less debt as a percentage of the home price and they will benefit the most from rising stock prices. Prices in La Jolla and other high priced markets might even go up, despite higher



Freddie Mac  
We make home possible!®

Long-term U.S. mortgage rates rose for a fifth straight week, mortgage giant Freddie Mac reported yesterday.

mortgage rates. This is a wealth induced effect from owning lots of stocks. But the lowest home price tiers have no stocks and use the most debt, especially the FHA and VA buyers, and these housing markets will be affected the most. Prices in the lowest third of the market will likely go down as rates rise. Case Schiller might report prices as stable or flat next year, but that won't tell the real story. No one owns the average

house, so who cares if the average is flat?

If Trump lowers the top individual tax rates that will also have implications for the deficit and interest rates and the effects described above will simply be amplified.

**Norm Miller, PhD** is a Professor at the University of San Diego, Burnham-Moores Center for Real Estate



NORM MILLER

# Anderson Audio Visual acquired by AVI-SPL

Daily Transcript Staff Report

The H.I.G. Capital, LLC portfolio company AVI-SPL acquired Anderson Audio Visual for an undisclosed price, it was announced Wednesday.

Anderson is a provider of enterprise grade audio visual systems, integration and collaboration solutions. The San Diego-based company has six locations, including four in California.

It was ranked as the industry's 17th largest revenue generator in 2015.

The merger strengthens AVI-SPL's resources in regions and markets with strong demand for digital workplace transformation.

"The combined company will offer an un-

matched global scale and services platform for our customers, while continuing to offer high quality local AV solutions," said Shane Parkes, CEO and co-founder of Anderson Audio Visual.

"Shane and the Anderson team have built a meaningful, fast-growth business over the past 20 years," said AVI-SPL CEO John Zettel in a statement.

AVI-SPL has certified system engineers in offices throughout the United States, Canada, and in Europe, the Middle East and Africa

Anderson provides customers with design, engineering, procurement, integration and installation of AV and other systems for corporate office space, educational facilities, and military facilities.

# Regulators concerned about rise in auto leasing defaults

New York Times News Service

Regulators are airing "significant concern" about the millions of Americans who are falling behind on their car loans, even as auto lending continues to boom at a near record pace.

On Wednesday, the Federal Reserve Bank of New York noted increasing distress among auto borrowers with shaky credit, as subprime delinquencies rose in the third quarter.

In the third quarter, 2 percent of subprime auto loan balances became at least 90 days delinquent, up from 1.6 percent in the third quarter of 2014. In the depths of the recession, in the second quarter of 2009, that rate peaked at 2.4 percent.

"The increased level of distress associated with subprime loan delinquencies is of significant concern," researchers for the New York Fed wrote in a blog post Wednesday.

The report is the most strident warning yet from the New York Fed about stresses in subprime auto lending. The New York Fed analyzes trends in borrowing by U.S. households each quarter.

The swelling delinquencies come at a time when unemployment is low and borrowers typically should be able to make their payments.

That such serious trouble is emerging in a relatively good economy suggests that lenders have been loosening their standards and letting borrowers take on more debt than they can afford.

Violette Morin, of Pulaski, New York, a 74-year-old grandmother, said she did not need or particularly want to buy a car. But after receiving a mailing from a local dealership promising a prize of a pearl necklace and a fishing rod, she visited the used car lot in May 2015.

The dealer qualified her for a \$20,350 loan,

according to her lawyer, to purchase a 2011 Ford Fusion. Earlier this year, she stopped making the payments.

"I eventually had them come and get the car because I couldn't pay for it," said Morin, who lives on Social Security, receives food stamps and lives in subsidized housing.

Economists fear that if the economy dips into another recession, the already large number of Americans on the verge of losing their cars to repossession — about 6 million — will swell to record levels.

Although the subprime delinquency rate may be lower today than it was in the immediate aftermath of the financial crisis, economists are concerned about the sheer number of Americans who are behind on their car payments because so many more have subprime auto loans than in 2009.

But industry experts have dismissed comparisons between subprime auto loans and the mortgage bubble that led to the global financial crisis. Back in 2008, trillions of dollars of investments were correlated to the U.S. housing market. The auto loan market is huge — with \$1.1 trillion in outstanding loans — but defaults are not very likely to have the cascading effects on the banking system that home foreclosures did.

The New York Fed report notes that delinquencies on auto loans originated by banks remained low — while many of the troubled loans were made by finance companies, which are not large enough to harm the broader financial system.

Still, widespread repossessions could deliver a stinging hit to the economy, as Americans struggle to get to work or go about their daily lives in areas with limited public transportation.



Photo courtesy of ACI Apartments

4533 North Avenue in University Heights recently sold for \$2.28 million.

# University Heights complex purchased for \$2.28 million

Daily Transcript Staff Report

A nine-unit complex at 4533 North Avenue in University Heights has been sold for \$2.28 million.

The buyer was Vaeurus Urban Lifestyles Fund II, LLC of San Diego.

The seller was Eric Graves of EAG Group LLC of Point Loma.

ACRE Investment Real Estate Services' Chris Robinson represented the buyer.

Norm Root of Apartment Consultants Inc.

represented the seller.

The property comprises six 1-bed/1-bath units and three 2-bed/1.5-bath units. The apartments range in size from 567 square feet to 818 square feet with rents averaging between \$895 to \$1,300 a month, according to The CoStar Group.

The complex is near Trolley Barn Park, bus lines, schools, coffee shops, restaurants, and boutiques. The property also includes storage spaces, patio area, and a laundry room facility.

# Prices

Continued from page 1

home purchase, and a majority of first-time

buyers reporting one or more financial challenges, the uptick we've already seen may price some first-timers out of the market."

[thor\\_biberman@sdtranscript.com](mailto:thor_biberman@sdtranscript.com)

## San Diego Daily Transcript

(USPS 146-660)

Published daily except Saturdays, Sundays and New Year's Day, Dr. Martin Luther King Jr. Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day by Daily Journal Corporation. 2652 Fourth Avenue, Second Floor, San Diego CA 92103. Periodical postage paid at San Diego California.

**SUBSCRIPTION RATES:** One year \$89.

Filings are taken from public records as a convenience for our subscribers and republished without prejudice or liability. The Daily Transcript is not responsible for errors and omissions. Under no circumstances will any matter of record be withheld from publication in this paper.

This newspaper does not assume responsibility for the views expressed in published correspondence or contributed notes or articles.

Material published in the Daily Transcript is compiled at substantial expense and is for the sole and exclusive use of subscribers. The material may not be republished, resold, or used in any manner, in whole or in part, without the consent of the publisher. Any infringement will be subject of legal redress.

**POSTMASTER:** Send address change information to: Circulation Dept., Daily Transcript, 2652 Fourth Ave. 2nd Floor, San Diego, CA 92103-9774

## INDUSTRY INSIDER

## Withers Bergman partner motivated by family, colleagues

*(Editor's note: The Daily Transcript is running an occasional interview series with San Diego's leaders in real estate, development and construction. If you know of someone we should chat with next, please send suggestions to Doug Sherwin at [doug\\_sherwin@sdtranscript.com](mailto:doug_sherwin@sdtranscript.com).*

**M**arjorie Burchett is a real estate partner with the law firm Withers Bergman. She joined the firm in August and has worked across major residential, commercial and mixed-use development projects in California for the last 30 years.

**Daily Transcript: What book are you currently reading?**

**Marjorie Burchett:** If books I have just purchased and will read next count, that would be: "How to Raise an Adult: Break Free of the Overparenting Trap and Prepare Your Kid for Success;" "Yes Your Teen is Crazy!: Loving Your Kid Without Losing your Mind;" and for my book group, "Hotel du Lac." I have piles of books I will read someday. . .

**DT: What shows are you watching?**

**MB:** All the late night comedy shows that can fit on the DVR, also "One Mississippi," "Goliath," and "The Killing" on Netflix/Amazon.

**DT: What is one thing you can't go without?**

**MB:** Daily dog walks with my husband and 2 dogs at Sunset Cliffs.

**DT: Out of the office, where can we find you?**

**MB:** Running around with my twins in the car, spending time with girlfriends anywhere, walking with spouse and dogs.

**DT: My favorite San Diego restaurant is...**

**MB:** We have so many options now, that is difficult! I am going to say Bertrand at Mr. A's because of the wonderful food, incredible view and, as a native San Diegan, long time special spot here!

**DT: How did you get interested in law, and why did you choose to focus on real estate?**

**MB:** My father worked in the building industry, as the owner of a flooring and interiors company that put carpet and drapes in many San Diego developments in the 1960s and '70s; I grew up in model homes and construction sites. My doodles were floor plans.

My grandmother started to sell San Diego real estate during WWII while her husband was overseas and had a very successful career for many years into her 70s. That was all just



Tom Kurtz/Special to the Daily Transcript

Marjorie Burchett, a real estate partner with the law firm Withers Bergman, enjoys her family, her two dogs and the intellectual challenge of her legal job.

background that didn't seem like career material for me at that time (I wanted to be a teacher or social worker).

In college, as an idealist who wanted to make the world a better place, I became very interested in government and urban planning, and then got my first job after graduation at a land-use agency at the County of San Diego. I met so many wonderful industry folks there on the public and private side. I have always had an interest in place and design.

I was impressed with the lawyers I met in

needs.

**DT: What motivates you to come to work every day?**

**MB:** I love the intellectual stimulation and collegiality of working with smart motivated people. I also love to help provide for my family in this way – it's a bonus.

**DT: Who is your business role model?**

**MB:** All strong successful women – it's not easy, and if you are able to do it, you are awe-

---

**In college, as an idealist who wanted to make the world a better place, I became very interested in government and urban planning, and then got my first job after graduation at a land-use agency at the County of San Diego.**

---

my brief government career and decided to go to law school (where real property was the most tedious class stuck in the middle ages). I was fortunate to get my first job at Luce Forward Hamilton and Scripps, which had a strong real estate group, that I was part of for over 30 years (through 2 recent mergers), working with every possible type of real estate and transaction.

I love this industry and the tangible aspect of working with projects from concept to completion and beyond. I am very happy at my new firm that is focused on private clients, and am enjoying more personal relationships with clients who have a large variety of real estate

some in my eyes and deserving of adulation.

**DT: What are the biggest challenges facing the development of mixed-use projects today?**

**MB:** From the legal perspective, it is creating a scheme that will last the test of time, and provide for a governance by the owners that is fair and reasonable (since people are not necessarily naturally that way).

I love working with a team of other professionals, including experienced property manager, who can provide input on how to best balance control issues between the various land uses to create a successful project

in the long run.

**DT: Has the commercial real estate community fully recovered from the recession or is there still progress to be made?**

**MB:** I am not an economist, but am aware that while the market has recovered for the most part, it has changed and is continuing to evolve, as the need for real estate is changing in terms of office and retail. Those that are ahead of the curve on trends and are in a position to be nimble will succeed.

**DT: Is it tough to get a project financed?**

**MB:** Equity requirements are higher, but have been for some time. Future performance must be assured with credit tenants or operations. Joint ventures with equity partners are common rather than conventional financing.

**DT: We've heard the struggles recent law school grads have had finding jobs and paying off their student loans. What advice would you have for anyone considering going into the legal field?**

**MB:** Use your career center and really know where the jobs are and focus on those geographical areas and fields of law. If you can find a law firm (or public interest firm) job to start, you will often get better exposure and training than in-house positions, particularly in the client relations area that can't usually be replicated in-house corporate jobs.

To reduce legal expenses, companies appear to be doing a lot of hiring, and like to hire at the junior level to keep salary costs down. If you can't find a job, find a way to volunteer your legal skills to a worthy cause and get some great experience and help others – it's very difficult to do that once you are more established (and you may be able to defer you loans while you do this as I understand it).

**DT: What are you most excited about for 2017?**

**MB:** No more distracting elections, everyone can get back to work in this stronger economy and shaping our future. I am so excited to see the continued impact of the Millennial generation on the innovation economy – a rising tide that raises all boats.

## Reprints

For Reprints, E-Prints and Frames of articles in The Daily Transcript, please contact Jeremy Ellis at [jeremy@reprintPros.com](mailto:jeremy@reprintPros.com), (949) 702-5390 or online at [www.reprintPros.com](http://www.reprintPros.com).