



## **BKM Capital Partners acquires Canyon Industrial Center in San Diego for \$70 million**

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San Diego, CA BKM Capital Partners (BKM), a vertically integrated institutional fund manager, has acquired the Canyon Industrial Center for \$70.2 million. The multi-tenant industrial park is located in San Diego's Kearny Mesa submarket.

Situated at 9424-9560 Chesapeake Dr., Canyon Industrial Center features 198,728 s/f of space in 13 buildings, with 31% office component. It offers 49 units ranging in size from 552 to 18,953 s/f. Built in 1979, the park features 14- to 20-foot-clear ceiling heights, ample parking, and 56 grade-level and 7 dock-high doors, and is located a mile away from three major freeways.

"This transaction offered an irrefutable opportunity to secure a critical mass of infill light industrial concentration in a key Central San Diego industrial submarket at a 42% discount to replacement cost," said Brett Turner, BKM's senior managing director of acquisitions and dispositions. "We have a great asset in a great location, and our planned value-add capital improvement and leasing plan will only elevate the appeal of the property even further, attracting Central San Diego's most discerning tenants."

BKM plans to invest more than \$1.7 million to bring Canyon Industrial Center from Class B to Class A status, including upgrades to its roofs, HVAC systems, parking lots, paint, signage, and landscaping. Also planned are spec TIs to demolish and re-tenant two large industrial units totaling 32,000 s/f into four small-bay suites averaging 8,000 s/f. The park's ideal low-office finish configuration will allow BKM to focus its attention on cosmetic improvements.

The firm also intends to replace the park's management and leasing operations with its in-house team, creating an onsite property management office in one of the two currently vacant units. BKM will also work to correct a 30% rental deficiency through a combination of new leases and renewals, taking advantage of freestanding buildings' ability to meet existing tenants' growth requirements.

Canyon Industrial Center is 99% leased to 46 tenants in various industries, with a weighted average lease term of 2.4 years. A full 92% of the park's existing leases, representing 182,559 s/f of net rentable area, are set to roll over during BKM's planned hold period at an average of one unit per month. The firm is also transitioning the property's leases from industrial gross to NNN, improving cash yield and institutional operating characteristics.

The expansion and ramp-up of San Diego's life science industry in recent years has helped to shrink the region's light industrial inventory. Specifically in the nearby Sorrento Mesa/Sorrento Valley

submarket, more than 2.2 million s/f of multi-tenant industrial product, representing 83% of original inventory, has been converted to life science use, displacing a significant number of traditional industrial tenants.

“An estimated 500-plus industrial tenants have been displaced from Sorrento Mesa and Sorrento Valley,” said BKM’s CEO, Brian Malliet. “With no new industrial projects currently planned or under construction in either submarket, and a Central County vacancy of just 2.7% at year-end, we expect to have maximum leasing leverage once we complete our improvements at the Canyon Industrial Center.”

BKM represented itself in the transaction. The seller, a global investment advisor, was represented in the transaction by the Cushman & Wakefield team of Jeff Cole and Jeff Chiate, executive vice chairmen, and Bryce Aberg, vice chairman.

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