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CIM Group Makes Waves in Hollywood

By [Kelsi Maree Borland](#) | Los Angeles

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The high-profile office tower is located in Hollywood.

LOS ANGELES—The **CIM Group** has sold 1800 N. Highland Ave., an 87,000-square-foot office tower. The details of the sale, including the name of the buyer and the sales price, were not disclosed; however, sources unrelated to the deal tell GlobeSt.com that the **Souferian Group** purchased the property for an estimated \$45 million. The Hollywood submarket is currently experiencing a revitalization, especially in the office sector, and this property is in a prime location on Hollywood and Highland.

CIM Group purchased the property in 2004 for \$14.9 million, according to sources. The investor performed a significant renovation program to reposition the asset as a class-A office space. The capital improvements included a new glass and steel façade that fills the property with natural light, the demolition of interior walls to create an open floor plan and updated common areas and a lobby. The property also features 160 onsite parking spaces and has large-scale advertising on the exterior, providing an additional revenue stream. The property is 86% occupied by a roster of tenants that includes **Live Nation**. The CIM Group declined to comment on the transaction, while the Souferian Group did not respond to a request for comment.

"There is a lot of new product under construction that is essentially going to double the high- to mid-level office supply in the market. We are now seeing very large blocks of space relative to what Hollywood has historically had to deliver, and it is being gobbled up very quickly by large credit tenants that are coming from outside of the market," **John P. Tronson**, a principal at **Avison Young** and a market expert unrelated to the deal but familiar with the property, tells GlobeSt.com. "That is a new phenomenon for Hollywood. The market is improving dramatically and these tenants are reestablishing it as being a very desirable office market. The rental rates that are being achieved in the new product are 50% more than what were typically good deals in the past. That is buoying the rental rates for the first-generation product that is still out there. Consequently, we have seen a very high increase in rental rates, both asking and achievable. The sale of 1800 Highland is a great example of someone that sees the sub \$3.00 existing office rents as having a tremendous amount of upside."

Kilroy Realty's Columbia Square development and **Hudson Pacific Properties' ICON at Sunset Bronson Studios** are the two largest developments in the Hollywood market. At Columbia Square, Kilroy recently **inked leases** with **Viacom**—for 180,000 square feet—and private workspace collective **NeueHouse**, while Hudson Pacific Properties **signed a major deal** with **Netflix** for 200,000 square feet at ICON. As Tronson mentioned, these types of major tenants are contributing to the rise in rental rates and, therefore property values. However, the sales price of this property is slightly inflated, according to Tronson. He estimates that \$10 million to \$13 million of the sales price is directly related to the large-scale, super-graphic advertising on the side of the building, which has a huge impact on the property's revenue stream.

Tronson anticipates that the Souferian Group will invest additional capital into the building to push rents even further. It is likely that the investor will also hold the property for the long term.

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About Our Columnist



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