



San Marcos Repositioning Project

260 S Pacific St.
San Marcos, CA 92078

SITUATION

HPP purchased this property in 2015 from a large publicly traded corporation. The escrow was completed in less than thirty days, so HPP took an enormous leap of faith that its underwriting was accurate.

The property had been used for several decades as a manufacturing facility. The previous owner had removed several massive machines and completed localized environmental cleanup which left the floor in very poor condition. In addition, the high coverage of the site consisting of 210,000 square feet of improvements located on 9 acres of land, including a remote 2 acre parking lot, hindered the site's functionality and repositioning potential. Finally, the building included more than 25,000 square feet of antiquated 2-story office and minimal dock high loading, a fatal flaw in the modern era of supply chain industrial.

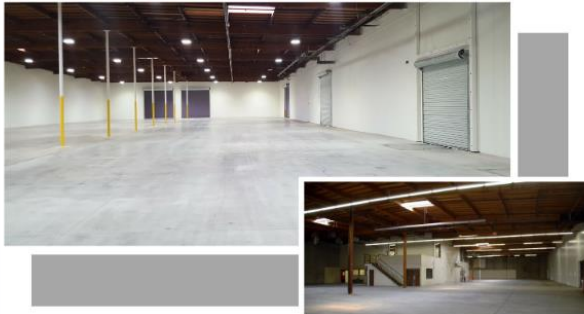
HPP proceeded with the acquisition because of the property's excellent location in North San Diego county, the large remote parking lot that could be converted to a yard or sold off separately, and the defensible cost basis at which the property could be purchased.



ACTION PLAN

In order to meet the demand in the submarket, HPP converted the property from a single tenant building to six units ranging from 15,000 sf to 40,000 sf. HPP demolished portions of the building and a 300,000 gallon water tank that contributed to the site's functionality challenges. HPP designed a site plan that included the engineering of a 4 position dock well that boasted modern truck turning and loading dimensions. Ultimately, the property was reduced to just 170,000 square feet but four of the project's six units were served by multiple loading docks that significantly increased their appeal.

HPP spared no expense in converting the property into a modern institutional quality project. A \$1 million EPDM roof was installed with 2% skylights and state of the art LED interior and exterior lighting. More than 30,000 square feet of new flooring was poured, new landscaping was installed, exterior and interior painting completed and a fully renovated office environment was developed. Finally, a state of the art ESFR fire suppression system was constructed to make the property a fully competitive warehouse property.



RESULTS

Upon the completion of its repositioning, the property was rapidly leased to six tenants and eventually sold to a national investment firm.