



Thorofare Funds \$41.46 Million Life Science Conversion Loan in Sorrento Mesa

By Ray Huard | Originally published on SDBJ.com on June 22, 2023

King Street Properties, based in Boston, has made its first foray into the San Diego life science real estate market with the acquisition of a Sorrento Mesa office building that it plans to convert to lab space.

“We made a strategic decision to make the West Coast a priority, specifically San Diego,” said Sonia Taneja, West Coast market leader and managing director of King Street Properties.

“We had been assessing the market for a number of years in San Diego,” Taneja said. “This opportunity just met the mark.”

The 60,518-square-foot building on a four-acre site at 5825 Oberlin Drive is a single-story structure, “which lends itself well to conversion,” Taneja said.

“We plan to reposition the building to move-in ready, catering toward users in the kind of 15,000-square-foot range,” Taneja added. “We see that as really an underserved segment

in the market. A number of small buildings have been demolished to make way for larger development project to cater to large users.”

Due for completion in mid-2024, the renovation will retain the existing office space in the Oberlin Drive building, adding lab space and upgrading amenities, such as outdoor work areas.

Taneja declined to say how much King Street will spend on renovations.

A \$42 million acquisition loan was provided by Thorofare Capital, Inc., based in El Segundo.

David Perlman, managing director of Thorofare, said that the company “has identified the life science theme as a primary investment target for 2023, especially in the top five life science markets.”

San Diego is ranked third in the nation for life science, behind Boston and the San Francisco Bay area.

Life Science Outperforms

Based in Boston, King Street owns and manages more than three million square feet of property with 4.5 million square feet in development.

Most of the firm’s assets have been in Greater Boston, New York and North Carolina.

In California, King Street is developing a 485,000-square-foot life science project in Burlingame, and Taneja said the firm plans to expand its holdings in San Diego.

“Similar to any market that we enter, we intend to create a portfolio of (San Diego) real estate,” Taneja said. “We’re looking forward to expanding our presence in San Diego.”

King Street’s move into the San Diego market comes as others have paused their investment in life science.

“We have faith that the life science sector is going to outperform other real estate classes in the marketplace,” Taneja said. “The market has cycles, as we all know.”

Coming out of the first quarter of 2023, CBRE reported that the San Diego County life

science real estate market had an overall vacancy rate of 5.6%, ranging from zero in the State Route 56 corridor to 14% in Del Mar Heights/Torrey Hills.

In Sorrento Mesa, the vacancy rate at the end of the first quarter was 8.4%.

CBRE reported that countywide, there were 12 new life science projects under construction at the end of the third quarter with 16 conversions under way, such as the King Street project.

Accompanying that was a slump in venture capital funding, although commercial real estate brokers generally predicted that funding would pick up in 2024.

“There are still a number of companies that are getting funding,” Taneja said. “What we look at is, there are many diseases without treatments or cures and companies today are better than ever able to solve these challenges.”

King Street Properties

Founded: 2002

Headquarters: Boston

Founders and Principals: Thomas Ragno and Stephen Lynch

Business: Real estate investment and management

Employees: 23

Website: kingstreetproperties.com

Contact: contact@ks-prop.com

Notable: King Street Properties owns and manages more than 3 million square feet of property and has 4.5 million square feet in development

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