

Related Topics:

[Lease Agreements](#) | [Joint Ventures](#) | [Contracts Law](#) | [Leasing Industry](#) | [Real Estate Agents](#) | [Commercial Rental Property](#) | [Office Property](#) | [Banking & Finance](#) | [Real Estate](#) | [Commercial Property](#)

Biggest Century City lease deal in 6 years signed.

By Berton, Brad

Publication: [Los Angeles Business Journal](#)

Date: [Monday, February 7 1994](#)

You are viewing page 1

In the biggest Century City lease transaction in six years, two of that area's most coveted tenants have collectively renegotiated their existing commitment to the signature Century Plaza Towers and renewed their tenancy there into the next century.

The new deal reflects the dramatic turn the Westside's office markets have taken since their existing commitment was jointly consummated in the mid-1980s. The pact significantly reduces the rent the two firms -- accountancy Kenneth Leventhal & Co. and law firm Cox Castle & Nicholson -- pay for the approximately 121,000 square feet of offices they occupy.

It eliminates the two-and-a-half years remaining on the tenants' existing 10-year lease as a new 12-year arrangement becomes effective immediately. Leventhal and Cox Castle, both of which specialize in real estate services, and Century Plaza Towers' Prudential Realty Group-led owners have agreed not to reveal financial specifics of their new arrangement.

But one Westside broker "guesstimated" the tenants likely reduced their "total occupancy costs" by as much as 20 percent. Another broker, who recently participated in negotiations with the tower's ownership, said the overall reduction may actually be between 30 and 40 percent.

Leventhal and Cox Castle have both been headquartered in the 2.2 million-square-foot complex's south tower at 2049 Century Park East since 1976 -- a year after the "twin towers" opened.

Cox Castle and Leventhal had initially teamed up to negotiate with the towers' owners when they collectively renewed their tenancies for 10 years in 1986 -- when Century City was considered a "landlord's market." Then as now, Cox Castle Managing Partner Mario Camara and Leventhal L.A. Managing Partner Jack Rodman -- both veteran real estate experts in their respective disciplines -- negotiated for the paired tenants without outside representation.

"Leventhal handles the market and economic analysis; Cox Castle handles the legal side," Rodman explained.

When overbuilding began driving "effective" market rents downward as the 1990s approached, Rodman and Camara initiated discussions about a possible lease extension as early as 1988, Camara noted. The effort didn't prove fruitful, and a new round of discussions over a new or extended lease began in 1990 and continued for about a year -- but again didn't culminate in a deal -- Camara said.

Then in late 1992, an extended series of sessions leading to the just-consummated transaction commenced, Camara explained. A pending change in the property's ownership in part explains the lengthy negotiating timetable.

When the just-concluded discussions began, affiliates of Chicago-based real estate giant JMB Realty Corp. managed and leased the towers and held a substantial joint venture interest in the Delta Towers Joint Venture, the partnership that owns the property. As such, Camara and Rodman were negotiating primarily with Ernest Johnson, who was senior vice president with JMB Office Leasing Co.

But as those lease negotiations reconvened, JMB reportedly agreed to relinquish its partnership interest in Delta Towers to a Citicorp Real Estate-led lender consortium in lieu of overdue debt stemming from JMB's acquisition of that interest. That transaction hasn't been formally consummated, but Prudential affiliate Premisys Real Estate Services assumed management and leasing responsibilities at the towers last March -- and Citicorp executives presumably reviewed major tenancy deals.

"This didn't speed up the negotiating process," Camara conceded.

Amid the transition, the towers' new negotiating team -- Scott Chalmers and John Ollen of Premisys and Prudential Realty's Marianne Lowenthal -- fought to retain the big tenants in an ultra-competitive environment.

"We were besieged and inundated with proposals from real estate consultants of every description," Camara noted.

Premier Westside and downtown L.A. properties were aggressive bidders, and the size of the two tenants' joint requirement was sufficient to trigger efforts to finance new developments, Camara and Rodman related.

The firms considered proposals to anchor the next phase of Santa Monica's Water Garden project, and to sublease IBM Corp. offices at downtown's Wells Fargo Center. Broker teams even

proposed that the two tenants link up with a third big Century City service outfit -- the Greenberg Glusker Fields Claman & Machtinger law firm -- but Greenberg ended up renewing at its long-term home. But Gary Weiss, managing director with brokerage Julien J. Studley Inc., said negotiations with Santa Monica and downtown parties weren't much more than tactics to generate more leverage with the Prudential team.

"There's no way they were going to go west of the 405 (freeway) or downtown," he commented.

Although Camara said the new deal entails a "significant reduction in occupancy costs" for the tenants -- and presumably a related reduction in the owners' revenues -- the Cox/Leventhal renewal is seen as an important victory for the towers amid today's soft office market conditions.

"Premisys has been extremely aggressive in retaining tenants at the towers, although some people will say they're beating the market instead of meeting it," commented Mike Geller, executive vice president with Westside brokerage First Property Realty Corp.

The new deal's terms "probably set a benchmark for the towers, but not necessarily for the Century City submarket," he added, noting that he's "glad they both decided to stay while other Westside law firms are thinking about moving downtown."

Chalmers noted that Premisys has closed nearly 370,000 square feet of renewals, expansions and new-tenancy deals since taking over the property's leasing responsibilities last March. "No property on the Westside -- maybe none in the entire county -- has leased that much space during that period," he added, noting that the towers are now 81.5 percent leased.

Rodman and Camara agreed that their landlords' commitment to renovating the property and maintaining it as a "landmark" commercial center was also instrumental in their decision to stay.

Rodman also stressed that the joint negotiating tactic was the key to striking a favorable deal. "Other firms should consider teaming up like this," he suggested. "It's a compelling factor when 10 percent of a property's tenancy is threatened; it gets the landlord's attention."

But the bottom line for the tenants is the reduction in rental expenditures -- typically a service firm's second-largest cost after payroll -- Rodman added. "It makes us that much more competitive; we can offer our clients better fees," he noted.