

# Tarlton snags Office Depot distribution center in Menlo Park for \$36M

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Tarlton Properties will expand its life-sciences-focused Menlo Business Park after picking up a large property at 1315 O'Brien Drive with plans to give the building a major high-tech facelift.

Tarlton and capital partner Principal Real Estate Investors paid \$36 million, or \$165 per square foot, last week for Office Depot's 217,000-square-foot distribution center, according to public records. The 10-acre site is adjacent to the partners' 16-building life-science campus, which counts as tenants hot companies like Intersect ENT, Avalanche Biotechnologies and Topera Inc.

"An important piece in our plan is to continue providing life science space for companies who want to be close to Stanford," said John Tarlton, president and CEO of Tarlton Properties. "There's more and more folks from all over coming to this area to develop their life-sciences technology."

The deal comes almost exactly a year after Tarlton brought in Principal as an equity partner in the campus, first developed by Tarlton Properties in the 1980s. The deal allowed Tarlton to renovate space and embark on additional projects, including a new, 80,000-square-foot incubator. (Read more here.)

Menlo Park's life sciences industry has become an important economic driver in the city, with several companies — including Acclarent, Forte Bio and CS Bio — regularly appearing on the city's list of the Top 25 sales-tax generators.

Jim Cogan, economic development manager for the city, said the pickup "is good news for Menlo Park."

"John Tarlton is committed to ensuring that his tenants are ground-breaking life-sciences companies that provide Menlo Park with good jobs and strong tax revenue," Cogan said.

Office Depot last fall announced it would close the distribution facility and put it up for sale following its acquisition of OfficeMax. With the existing space in the business park largely full, Tarlton saw the Office Depot site as the perfect opportunity to grow.

Tarlton was already familiar with the asset: The company actually sold it to Office Depot's predecessor, Boise Cascade Corp., back in 1986 for \$5.1 million.

"They built the country's first wire-guided, automated pick-and-pull warehouse in that location," Tarlton said. (Translation: The project was leading edge back in the day.)

Up next: A "more-than \$10 million investment" to upgrade the facility, Tarlton said. Tarlton plans to divide the property into two projects: a 70,000-square-foot warehouse/logistics center, and a 140,000-square-foot facility that will target life-sciences companies.

"It's going to be absolutely, knock-your-socks-off fantastic," he said of the latter. "We're going to do a two-story lobby, an exterior amenities space, a rooftop terrace and conference center."

Longer term, Tarlton could add additional development to the site,



The Office Depot distribution center in Menlo Park has a new owner, and soon will have a new purpose.

given the city of Menlo Park's ongoing general-plan update process, he said. "We'll have an opportunity to develop the site further," he said. "There's a portion of the lot right now that's just an open field."

Tarlton believes the campus has plenty going for it, including access to the Peninsula via Highway 101, and the East Bay thanks to the Dumbarton Bridge. Facebook's arrival in the area has also generated a ton of interest in the area and brought housing developers to the neighborhood.

The transaction was arranged by a Cushman & Wakefield team led by Walt Stephenson, John McManus, Mike Sidney and John Coons. Kidder Mathews is the listing agent for the campus.

Office Depot said at the time of the sale announcement that some employees affected by the facility's closure would be offered positions at the company's distribution center in the East Bay. A state layoff notice filed this month said that about 74 people would lose their jobs at the site effective Feb. 27.