

**BKM** Capital Partners

Unlocking Potential and Driving Innovation  
in Light Industrial Investments

## Value-Add Case Study



**SOUTH BAY PORTFOLIO | FREMONT, CA**

# INTRODUCTION

BKM's South Bay Portfolio encompasses 16 acres of prime industrial land in Northern California's Bay Area, featuring five buildings at acquisition and spanning 221,651 square feet within one of the nation's most supply-constrained and innovation-driven markets.

The East Bay has evolved into one of the most dynamic industrial markets in the country, driven by its concentration of technology companies, advanced manufacturers, and research institutions. With direct access to a highly skilled labor pool, robust transportation networks, and one of the wealthiest consumer bases in the U.S., the region supports a wide array of industries—from life sciences and clean tech to e-commerce and precision manufacturing. The area's combination of world-class innovation, limited developable land, and strong demographic fundamentals continues to position the South Bay as a premier destination for modern industrial tenants.

## PROPERTY OVERVIEW

Acquired in late 2018 for \$49,055,000, BKM purchased the South Bay portfolio as a rare chance to reposition a three-asset, institutional-quality multi-tenant industrial portfolio at a 30% discount to replacement cost. Located just 27 miles from the Port of Oakland and 20 miles from the heart of the infamous Silicon Valley, the 221,651-square-foot portfolio featured a mix of biotech and manufacturing-based uses. Upon purchase, the assets were 94% occupied across 13 tenants, with unit sizes between 4,800 and 42,500 square feet and rents 20% below-market. Featuring a 59% office buildout across the three assets, BKM recognized an opportunity to reduce obsolescent office-heavy suites and convert them into more flexible, logistics-friendly industrial space.

Originally acquired by Stockbridge in 2009, the portfolio was managed under a strategy that prioritized stability but did not fully align leasing efforts with the evolving Fremont submarket. Upon acquisition, BKM was awarded the unique opportunity to leverage its vertically integrated platform and proven local expertise. With a track record of repositioning assets in the South and East Bay, including strong performance at its nearby Bayside portfolio, BKM felt well equipped to implement targeted improvements, refine leasing strategies, and capitalize on one of the tightest industrial markets in the country.

### SHORELINE BUSINESS CENTER

- » 84,115 SF
- » 2 Buildings
- » 7 Units

### BAYSIDE BUSINESS CENTER

- » 94,720 SF
- » 2 Buildings
- » 6 Units

### GATEWAY CORPORATE CENTER

- » 42,816 SF
- » 1 Building
- » 1 Unit

# OPPORTUNITY



## Aesthetic Appeal

- » Well-located along the San Francisco Bay, offering immediate access to one of the strongest industrial and R&D corridors in Northern California.
- » Portfolio consists of functional multi-tenant buildings with flexible configurations that can accommodate a wide range of users.
- » Strategic upgrades in landscaping, paint, and signage—paired with selective interior modernization—will elevate curb appeal and position the portfolio competitively against other leading landlords in the submarket.



## Financial Appeal

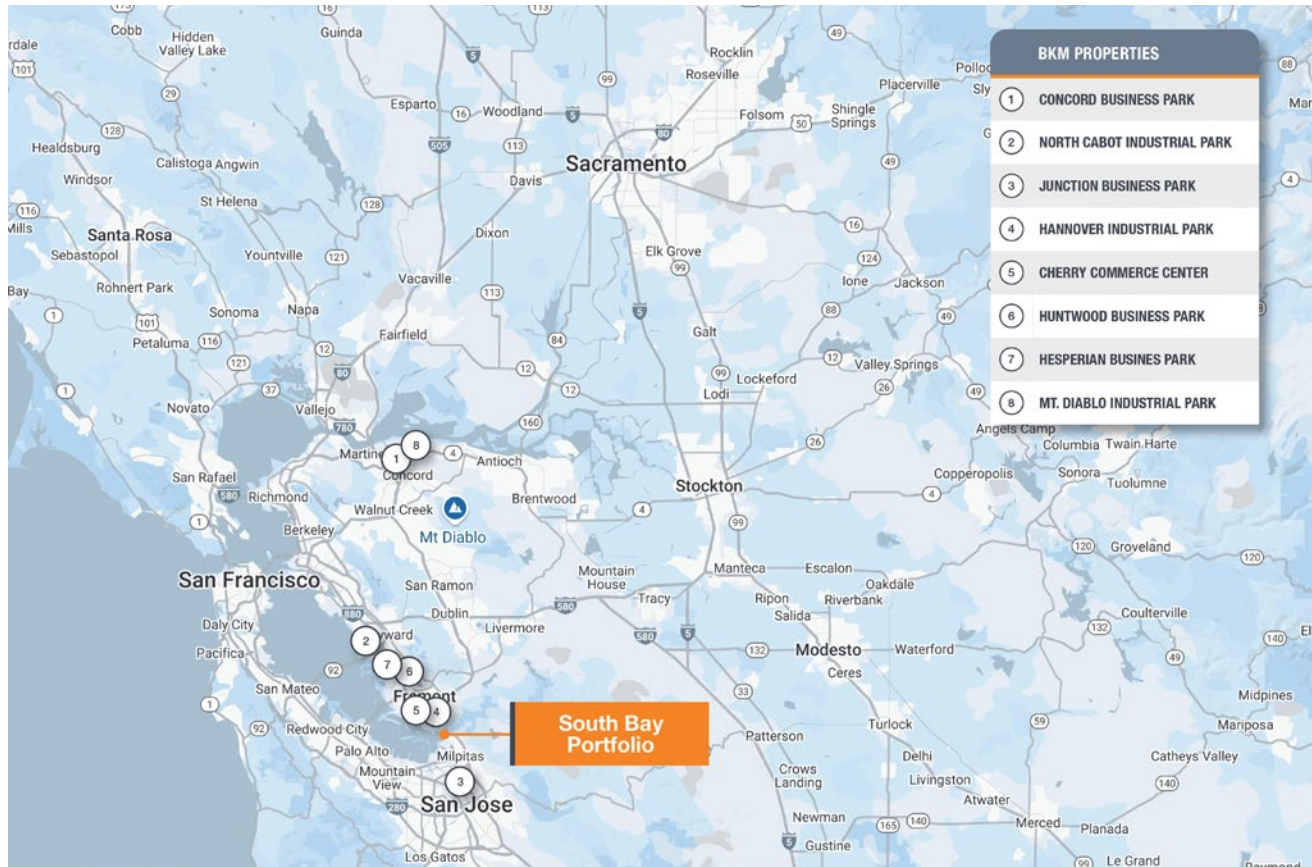
- » Significant mark-to-market opportunity with in-place rental rates averaging \$1.18 PSF, 20% below current market rates. This 50% of NRA will be marked-to-market over the hold period.<sup>1</sup>
- » Opportunity for an alternative exit strategy to sell off the single-tenant building leased to a nationally recognized credited tenant. The building is fully leased through mid-2028 and provides stable cash flow to the next buyer.
- » Acquire the asset for \$221 PSF at a 6.0% in-place cap rate, which represents a 30% discount to replacement cost (\$315 PSF).

BKM's current Bay Area portfolio encompasses over 1.2 million square feet across 10 projects. Backed by deep market knowledge and a fully integrated management platform, BKM is well-equipped to drive quick lease-up while maximizing asset performance.

<sup>1</sup>Data at Acquisition.

## NEARBY BKM PROPERTIES

### KNOWLEDGEABLE MARKET OWNER



## WHY WE LOVED THIS DEAL

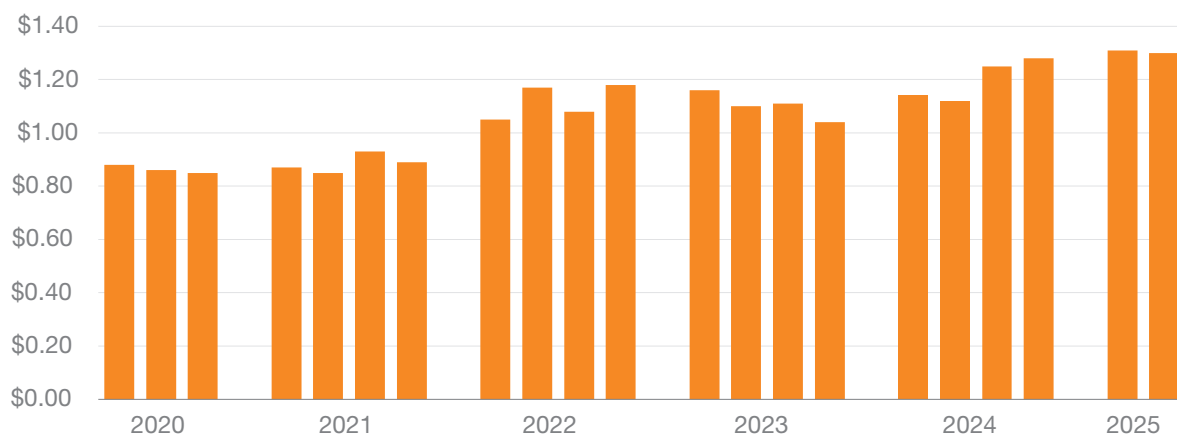
- » **The property is strategically located off Interstate-880 in Fremont**, providing excellent access to East Bay markets to the north, San Jose to the south, and Palo Alto to the west.
- » **The portfolio is comprised of clear heights ranging from 13ft to 21ft, providing the flexibility to accommodate tenants of all sizes.** Generous loading areas and an office finish of approximately 59% provides excellent devisable layouts to conform to modern multi-tenant users.
- » **The property was acquired with a diversified rent roll of 13 local, regional, and nationally recognized tenants.** The top five tenants accounted for roughly 60% of the total square footage, with no single tenant accounting for more than 20% of the total square footage.

## CURRENT MARKET DYNAMICS

- » **The Silicon Valley has the highest asking rents in the country**, at \$2.48/SF as of Q2 2025.<sup>1</sup>
- » The Bay Area is a highly supply-constrained market, limiting competition for small-bay product. **East Bay and North Contra Costa have no small-bay product under construction, and the Hayward submarket (0–25K SF) has averaged just 1.1% vacancy since 2015.**<sup>2</sup>
- » **Silicon Valley has the highest GDP per capita and the second largest concentration of fortune 500 companies nationwide**, driving consistent demand for both investment in the region and warehouse space to support evolving logistics infrastructure.<sup>3</sup>
- » Leasing so far in H1 2025 has hit 7.8M SF in the Bay Area, with **71% of leases transacted consisting of small-and mid-bay space**. Rates are also up 7% QoQ, reflecting the increased concentration of technology users occupying space.<sup>4</sup>



East Bay / Oakland Asking Rents, 2020-2025



Source: Savills, Q2 2025.

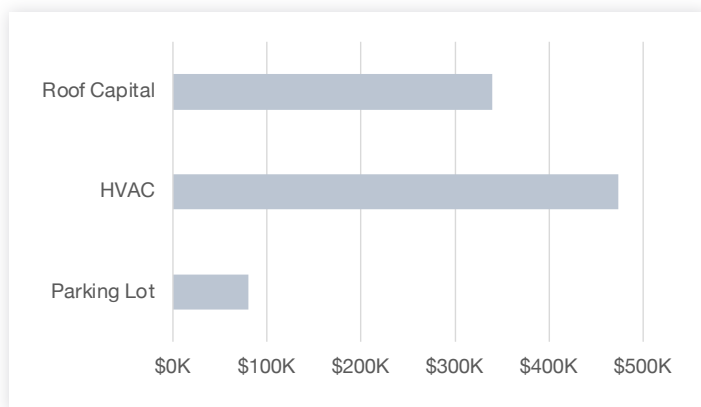
<sup>1</sup>Newmark, Q2 2025. <sup>2</sup>CBRE Research, Q4 2024. <sup>3</sup>Cushman and Wakefield, Q1 2025. <sup>4</sup>CBRE Research, Q2 2025.

## EXECUTION PLAN

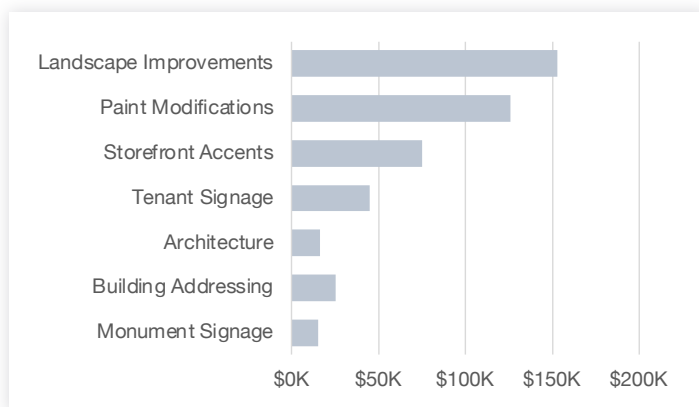
**BKM completed a \$2.7M capital improvement initiative** to elevate the South Bay Portfolio and unlock its full potential in the competitive Fremont market. **The plan included \$751K for tenant improvements and \$614K in speculative build-outs**, which delivered modern, flexible suites to meet the needs of today's diverse tenant base. **Another \$894K was directed toward critical building systems**—including roofing, HVAC, and life safety. Complementing these structural upgrades, **an additional \$454K was invested in cosmetic enhancements** such as refreshed paint, updated landscaping, modern signage, and improved parking areas.

In alignment with the original business plan, **BKM sold off the single tenant building in the portfolio in March of 2021 for \$14.5M**, leaving two properties in ownership for the remainder of the hold.

### Structural Improvements



### Cosmetic Improvements



## EXTERIOR IMPROVEMENTS

**Paint:** BKM refreshed the portfolio's dated exterior with a modernized color palette, creating a clean look across all buildings. The updated scheme improves visibility and delivers a stronger street presence, aligning the portfolio with competing assets in Fremont.

**Signage:** New monument and directional signage was installed at each asset, incorporating modern design elements and consistent branding. Uniform tenant plaques were also added to establish a cohesive identity across the campus.

**Landscape:** Outdated landscaping was replaced with drought-tolerant, low-maintenance plant materials, lowering operating costs while elevating curb appeal. The removal of overgrown foliage significantly reduces long-term water costs while providing increased visibility of tenant storefronts.

EXTERIOR PORTFOLIO TRANSFORMATION



# INTERIOR IMPROVEMENTS



REDUCE  
OFFICE %



DIVIDE  
UNITS



ACCENT WALLS/  
CARPET TILES



POLISHED  
CONCRETE

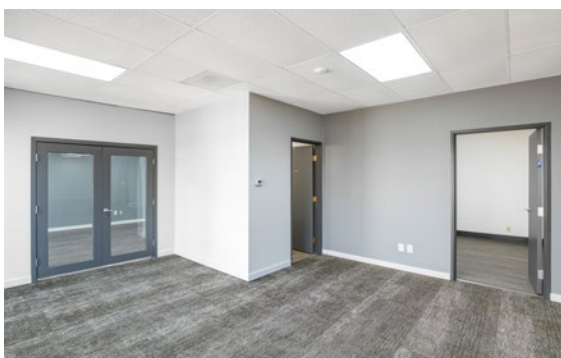


IMPROVED  
LIGHTING



NEW/UPDATED  
RESTROOMS

BKM enhanced the property's interiors to align with the evolving tenant mix, which is now increasingly focused on advanced manufacturing and biotech users. The original 59% office finish created an opportunity to reconfigure units in support of these sectors' unique needs. To modernize the interiors, BKM delivered its standard package across the vacant suites, installing new carpet, lighting, paint, and fixtures to replace outdated finishes and ensure the spaces were market-ready.



## OPERATIONAL HIGHLIGHTS

- » **Realized a 19.2% Gross IRR and 2.5x equity multiple** at sale in December 2024
- » **74% appreciation in property value** between purchase and exit of the asset
- » **32% increase in NOI** between 2019-2024
- » **93% increase in in-place rents between acquisition and recapitalization**, far outpacing rent growth in the region during the same timeframe
- » **17.9% average quarterly leasing spreads throughout the hold**, with peak spreads reaching 136% in Q1 2024
- » **24% average annual mark-to-market increases** on lease expirations between 2021 and 2024
- » **Rolled 25% of the suites in the portfolio** to meet market standards

**32%** Increase

In **Net Operating Income**  
since acquisition

**19.2% | 2.5X**

**Gross IRR and Equity  
Multiple** at sale

**74%** Increase

In **Property Value** between  
acquisition and sale

## CONCLUSION

Through strategic capital improvements, disciplined execution, and deep local expertise, BKM Capital Partners successfully repositioned the South Bay Portfolio into one of Fremont's most competitive Class A industrial campuses. By modernizing space layouts, enhancing functionality, and aligning with evolving tenant demands, BKM captured substantial rent growth and asset appreciation far exceeding market benchmarks. The project's impressive performance matches that of BKM's broader industrial portfolio, underscoring the strength of the company's vertically integrated platform and ability to unlock value in core U.S. markets.

## CONTACT US

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