Orchard Partners snaps up Synaptics HQ

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Orchard Partners and Apollo Global Real Estate Management have purchased the Santa Clara headquarters of Synaptics Inc., and will pump money into a major renovation as soon as the tech company moves out.



Orchard Partners will renovate 3120 Scott Blvd., which it just purchased from Synaptics. ARC TEC is working on the design.

The joint venture paid about $12.6 million for 3120 Scott Boulevard, a 78,000-square-foot office/R&D building, according to an SEC filing. Synaptics was the seller as well as the occupant.

But don't expect Synaptics, a developer of touch-screen technology, to be in the market for a new home: The company struck a deal last year to acquire 1109-1251 McKay Drive in San Jose for a new, 161,000-square-foot headquarters.

Synaptics paid $12.1 million for the property, according to a securities filing. The seller of that campus was South Bay Development Co.

Synaptics Senior Vice President Jim Harrington said last year that the company would move north of 400 workers to the McKay Drive facility, which can hold more than 700. Synaptics will lease back the Scott Boulevard building until it's ready to move to its new headquarters.

"We like to own our campus so we can make it our own," Harrington said at the time. "As a company that's growing in headcount, we'd have had to lease more space in another building to continue in this location."

Shares in Synaptics closed at $38.98 on Tuesday. The company reported revenue of $143 million in the fourth quarter.

For Orchard Partners, the deal represents a bet on renovating older buildings in well-located submarkets. The building is in the thick of a commercial building boom: The Sobrato Organization and Menlo Equities are both putting up large new spec campuses within spitting distance, and Nvidia Corp. is building a 1 million square foot campus across the road.

Orchard Partners' Mike Biggar told me that well-placed, renovated buildings can compete with and benefit from the new buildings coming on the market. The partnership intends to put in a new facade and three-story entry lobby, renovate indoor common areas and restrooms, break up some private offices into open office space and install an outdoor amenity area. The architecture ARC TEC has been retained to work on the design.

"There appears to be tenant demand for both areas of the market -- for new buildings and well-positioned, market-ready buildings where people like us have invested capital," Biggar said. "We'll be priced at a level below the new construction, but for a newly renovated building."

The acquisition is in line with Orchard Partners' strategy, which focuses on core and value-add investments. The company has acquired more than 6.6 million square feet of office/R&D space, valued at more than $650 million, since 2007. Apollo Global Management has about $113 billion of assets under management.

Kidder Mathews' Jim Maggi, Dave Vanoncini and Jimmy Cacho represented the buyer and seller. The leasing assignment also will be handled by the Kidder Mathews team, as well as Christian Marent and Rob Shannon of CBRE.

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