

Market Street's boomtown vibe

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different addresses, including the St. Francis Theater, now there is a huge hole in the ground at the west side, from which a crane is working on the top-down demolition of the 1907 building that most recently, on the ground floor, housed the main Social Security office. This stretch is slated to become a six-level, 250,000-square-foot minimal, Market Street Place, opening in 2015.

Leasing agent Ju says he's found a tenant for the entire 24,000-square-foot 969 Market St. building, where Pearl Arts & Crafts operated until early 2010. The inside is gutted with a major overhaul taking place.

Next door, the Wilson Building, a seven-story brick edifice built in 1901, is being converted into 55 studios and 12 one-bedroom apartments, architect Alex Koucouris of BDE Architecture told The Extra. And they're expected to open later this year, Koucouris said. Permit documents indicate it's a \$4 million renovation.

Sandwiched between that site and the 15-story David Hewes Building, which reportedly sold recently for \$17 million, on the corner of Sixth Street sits the tiny, single-story building housing Oxford Street clothiers. The Hewes Building, named after the early San Francisco contractor and developer who provided the golden spike that Leland Stanford ceremonially hammered to complete the first transcontinental railroad in 1869, recently became headquarters for BlackRock LLC, the Burning Man company.

On the other side of the street is the venerable Warfield Theater, built in 1922, which still gets 'em lined up around the block when the latest hot band hits town. The other Warfield storefronts are covered with plywood since the building was purchased from David Addington by Group I, which is transforming the seven 5,000-square-foot floors of office space into a "modern, green building with flexible office and retail" space available this summer. Music-streaming Spotify announced in May it had leased three floors.

Eastward beyond the Crazy Horse strip club next door is a seedy stretch that is, from all appearances, enjoying its last gasp. On June 13, the Department of Public Works posted notices on 966 and 964 Market, ordering the owners "to repair, reconstruct and/or improve" the buildings.

On June 7, San Francisco Business Times reported that Group I, developers of the Warfield space, had purchased "a run-down stretch of one- and two-story retail buildings on the 900 block of Market Street" from the Loan Star Fund, "which foreclosed on the property after a former owner defaulted." The purchase price was approxi-

mately \$16 million.

The site, described as 25,557 square feet of "unentitled" space, meaning the land is worth more than the buildings standing on it, is known as the 950 Center for Art & Education, an effort spearheaded by Elvin Padilla, former director of Tenderloin Economic Development Corp. It is touted as becoming a 12-story, 300,000-square-foot building that includes a 75,000-square-foot arts and education center and 225,000 square feet of housing and retail space, including about 250 housing units.

Partnering with Group I are the San Francisco Foundation, the Kenneth Rainin Foundation and the Thacher family, which reportedly owns an adjacent parcel. S.E. Foundation has awarded two grants, totaling \$450,000, to try to ensure that the development embraces the arts community. Other sponsors include the Walter & Elise Haas Fund, and the Columbia and Wallace A. Gerbode foundations.

The block from Sixth to Seventh looks much as it did at the height of the blight. Though there's little construction, some buildings sold recently.

At the corner of Sixth Street, the four-story, 1908-vintage brick building on the ground level houses newbie Pearl Deluxe Burgers and longtime lessees Taqueria Can-Cun and Layne's Jewelers. Next to them is a pair of two-story buildings, from 1911 and '09, respectively, home to Hospitality House's arts workshop below the Luggage Store Gallery. They and their neighbors have been here for a while.

The seven-story brick Eastern Outfitting Building at 1019, where Tsering once sold Tibetan artifacts, sold recently for \$9.5 million.

Most of the mid-block is open for business until you hit the doomed nude dance hall, Market Street Cinema, built in 1912 and now "closed temporarily for remodeling," which leaves Crazy Horse as the last strip club standing on Market Street. The six-story 1912 Aida Hotel is next door at 1083 Market, sharing its street frontage with Boost Mobile and Rainbow Pizza.

A boarded-up, single-story 1920 building, most recently home to Merrill's drugstore, sits next door to the also boarded-up 1905 eight-story Grant Building on the corner of Seventh, at 1095 Market, a stagnant shell since the San Francisco Study Center, which publishes the The Extra, fled in December 2010.

But there's lots going on across Seventh Street. On the ground floor of the Odd Fellows Temple, with its 1909 facade and vertical sign, workers are busy remodeling for a CVS Pharmacy that will replace a slum-fixture check-cashing site.

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PHOTOS BY LISE STAMPFLI

Market Street Place, top, is the largest development on the block from Fifth Street to Sixth, a 250,000-square-foot mini mall. Above: Buildings are being demolished, floor-by-floor, to make way for it.



Rents are skyrocketing as office space gets gobbled

Realtors optimistic — also cautious

BY MARJORIE BEGGS

SQUARE — THE TECH INNOVATOR that makes it almost too easy to exchange money for goods and services via a handheld device — in September will move into 1455 Market St., the many-angled, huge building with its stepped-back 22-story tower. Square's deal with commercial real estate broker Cushman & Wakefield is the largest nongovernment lease in the neighborhood, making the building a million-square-foot symbol of dreams coming true for mid-Market.

Square will occupy five floors — 332,000 square feet — 1½ times Twitter's 215,000 square feet a block away. Among Realtors, Twitter gets the credit for triggering the grit-busting of mid-Market, but the Square deal confirms it as fact.

"We call it the Twitter halo, or the Twitter effect," says Zach Siegel, an executive director in the San Francisco office of multinational Cushman & Wakefield. "It legitimized the area. Square and others began to take mid-Market seriously after Twitter moved in." Not to be ignored is the fact that Twitter inventor Jack Dorsey also founded Square.

More leasing is in the works for 1455 Market, owned by Hudson Pacific Properties, which bought it two years ago from Bank of America. Another well-known tech company is likely taking a floor [90,000 square feet], Siegel says, and leases have been signed for the Department of the Environment and the Municipal Transportation Agency's operations and control center. And BoFA still occupies some of the building.

"Technically," Siegel said, "only 50,000 square feet is vacant now." But there's still plenty of office space elsewhere in the neighborhood. Cushman & Wakefield's first-quarter 2013 "Office Snapshot" for the Civic Center/mid-Market cites a 14.6% vacancy rate for the inventory of 2.7 million square feet of office space along Market from Sixth Street to Gough and north to Turk. That's not counting any owner-occupied and government buildings. The average rental rate is \$42.98, about \$3,500 a month for 1,000 square feet.

Jones Lang LaSalle, another multinational corporation specializing in commercial real estate, also recently began surveying mid-Market as a city submarket, but its boundaries are much larger, taking in the entire payroll tax-exemption area — Market Street from Fifth Street to Gough, deep into the Tenderloin and south to Howard Street.

Jones Lang LaSalle's "Office Outlook" for the first quarter of 2013 also shows plenty of empty space: Of mid-Market's 4.9 million square feet of office inventory, 1.1 million — 23.4% — remains vacant, but is dropping smartly from three years ago when it was 31.4% empty, according to Julia Georgules, JLL research manager.

Its data on today's high rents are similar to Cushman & Wakefield's, but Jones Lang LaSalle also has 2010 numbers for comparison. Average asking rents for office space then were \$27.82 per square foot. Three years later they have jumped to \$49.94. That means the monthly \$2,320 rent on a 1,000-square-foot office in 2010 costs \$4,090 today.

Anyone trying to lease office space these days knows how fast the cost is rising. In November, John Updike, the city's director of real estate, told S.F. Business Times, "My standing joke is that the good news is that mid-Market is wildly successful, and the bad news is that the mid-Market is wildly successful. It's all positive until we are out looking for space." The city in February leased most of 1155 Market, three floors and 100,000 square feet, with options on two more floors, which would almost fill the building.

Siegel cautions about putting too much confidence right now in any stats on mid-Market — his company's or any others' — and they shouldn't be taken as gospel.

"We need to be careful until we have longer-term data," he says. "The fact is, mid-Market is a fairly small submarket relative to the central business district, and there's not a lot of history for it. That's why I tend to be reluctant to use the statistics, as one big event can really change things."

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PHOTOS BY LISE STAMPFLI

The Renoir at Seventh Street, top, is being remade into a boutique hotel, a \$40 million renovation, expected to open in 2014. Center: The scaffolding from the Market Street Place demolition shrouds the sidewalk below. Left: The old Strand Theater has been bought by ACT and is being remade into a costume shop and 299-seat theater, a \$10 million renovation.

Merchants still plagued by dirt, drugs — but hopeful

BY TOM CARTER

THE LONG-AWAITED turnaround has the optimistic Market Street retailers wondering when it will be completed and how far the uplift will reach. Those are the retailers who own their buildings or have long leases. They seem to be sitting pretty as rents and property values rise around them. But in Market's most depressed blocks, businesses say their sidewalks are the pits and relief can't come soon enough.

MARKET STREET ASSOCIATION: 'VERY OPTIMISTIC'

Carolyn Diamond, the part-time executive director of the 75-member

Market Street Association, sums up the outlook for a rebirth as "hopeful."

Diamond has been as close as anyone to the street's frustrating years. She spearheaded the startup committee for Redevelopment's Mid Market Planning Advisory Committee, then served 13 years on the PAC only to see Redevelopment go out of business and all the planning shelved.

"So much has fallen by the wayside," she says from her fourth-floor Flood Building office. "But all these improvements are going to be a reality. The members are very optimistic."

She has talked to the new tech companies about how to get involved

in the neighborhood but only one, Group I, which isn't even getting the payroll tax break, has joined the association. "I think it's the mayor's office job to recruit them."

Her association covers Market from the Ferry Building to Octavia Street. The three dismal blocks of Market, she notes, have a "strong push" for the arts and culture, but lack "the political will" to move forward.

"They will change but not as quickly as upper Market, where Twitter is," she says.

As for the public toilet curse, "it's a tough nut to crack." She knows of one business that threw a man out for

urinating in the store, but the man returned in defiance, dropped his drawers in the store and defecated.

"As you build the critical mass, it doesn't mean the bad things go away."

PEARL'S: 'STILL BLIGHTED'

"Seeing the construction and hearing that new businesses are coming in, I'm hopeful," says Sylvia Yi, owner of Pearl's hamburger haven at Sixth and Market. "But streets are still blighted. It's the same offenders, too, the same offenses — drug use, drug dealing, decency law violations, sex acts in the

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Damen Armen, Dollar Store



Sylvia Yi, Pearl's Deluxe Hamburger



Al Choi, Piper's Jeweler's

PHOTOS BY TOM CARTER