



Commercial



Development Booming Along East Bay I-580 Corridor

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The Tri-Valley sunset

By Michele Chandler

Rising property values in San Francisco are finally rippling out to surrounding communities, helping to fuel a flurry of development in the East Bay.

Major multifamily, retail and office projects are going up along an important stretch of Interstate 580 that includes the neighboring cities of Livermore, Dublin and Pleasanton.

Retail is driving much of Livermore's activity.

The Livermore Premium Outlets opened just before Christmas in 2012. Now, owner Simon Property Group of Indianapolis, Ind., is adding 120,000 square feet to the upscale retail destination located at Interstate 580 and El Charro Road. Construction, set to start in July, will boost the outlet's total size to 670,000 square feet.

"When it's finished, it will be the largest outlet center in California," said Catherine Ralston, Livermore's economic development manager. The addition moved forward after the retail center's initial phase far outpaced expectations for projected sales and visitors, leading to robust demand from additional stores wanting to move into the complex, Ralston said.

The success of Livermore Premium Outlets also prompted a second retail project that will be built just to the south of the outlet center.

The Shoppes at Livermore is being built by Summit, N.J.-based real estate firm RedMill Capital and will include 75,000 square feet of restaurants and retail space. While those tenants have not been announced, Ralston said the second high-end retail center will absorb stores that couldn't get into the popular outlet mall.

A mixed-use complex in downtown Livermore at 1934 First Street also is moving forward in a space formerly occupied by a now-shuttered Chevrolet dealership.

The nearly five-acre site, which must still be taken through the entitlement process, will include retail and multifamily residential space, according to real estate firm Cushman & Wakefield, which is marketing the property for owner

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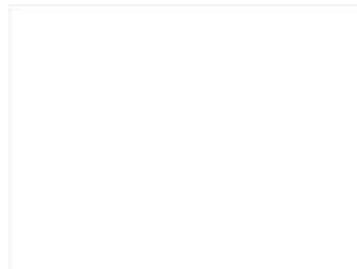
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Barry Swenson Builder of San Jose. Currently permitted uses could include multifamily, attached single-family residential or office commercial construction, according to Cushman & Wakefield.

During and immediately after the economic downturn, the First Street property sat dormant. "But the developers now feel there is enough of a market to bring it back and are re-evaluating the project to see what exactly they want to get built out there," Ralston said. "We expect it to move forward in a relatively quick manner, since the housing market is strong right now."

While the average home sale price in Livermore has risen to \$550,000—just shy of the market's all-time peak—residences in the community are now going for \$700,000 to more than \$1 million, Ralston said.

New retail development is taking center stage in Dublin, where the Persimmon Place shopping center complex is under construction and expected to open next spring, said Pete Knoedler, the senior vice president of investments for Jacksonville, Fla.-based Regency Centers Corp., developer of the \$55 million complex. Knoedler works out of the company's Walnut Creek office.

The 152,500-square-foot shopping center at Hacienda Drive and Dublin Boulevard is anchored by Whole Foods Market, Nordstrom Rack and HomeGoods. The complex sits alongside the city's existing retail hub near the intersection of I-580 and I-680.

"Over the past couple of years, Dublin has seen kind of a repositioning. There's a lot of positive development energy," said Lori Taylor, Dublin's economic development director. "There has been a lot more high-quality retail moving in, so we're optimistic that we'll continue to capture some of those uses."

To expand its commercial base, Dublin is offering incentives to help companies offset the cost of improvements with a reimbursement of up to 50 percent of their annual sales tax for a period of five years. The city also has pledged financial assistance to businesses that upgrade or install new sewer capacity.

"It did help us to some extent," Regency's Knoedler said of the incentives. "We just felt the site was strong enough, and we could get the rents that were strong enough to justify the development costs for the project."

Major recent activity in Pleasanton includes an ownership change for the California Center and its 1 million square feet of office space.

San Francisco-based Swift Real Estate Partners recently bought the California Center, according to Pamela Ott, Pleasanton's economic development director. "We're very optimistic that [Swift] will continue repositioning the center and bring tenants into that space," she said.

With the departures of key tenants including Ross Stores Inc. from the California Center, Pleasanton's overall office vacancy rate for the first quarter of 2014 stands at 16.1 percent, according to commercial real estate brokerage Colliers International. If the California Center complex was removed from the equation, Colliers reported that Pleasanton's Class A market vacancy would be just 4.57 percent.

The sprawling Hacienda Business Park, Northern California's largest mixed-use development, also has new housing and medical space in store.

Earlier this month, cloud-based software firm Veeva Systems disclosed in a regulatory filing that it had agreed to the \$24.5 million purchase of a 141,250-square-foot building at 4280 Hacienda Drive to use as its headquarters. Veeva is currently located in the Hacienda development on Chabot Drive.

Sacramento-based multifamily developer St. Anton Partners is building a 168-unit apartment complex in Hacienda. In addition, John Muir Health and Tenant Healthcare's San Ramon Regional Medical Center are in a joint venture development of a 96,000-square-foot outpatient medical clinic, set to open next year.

Image courtesy of Touring & Tasting

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9:00 am - View Details
CCIM Northern California - Luncheon Meeting

5:30 pm - View Details
BOMA Oakland/East Bay - Family Night: A's vs Giants and Tailgate Party

5:30 pm - View Details
USGBC Northern California - Green Around the Globe

JUL 9 Wed
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BOMA Silicon Valley - EV Charging Stations How-To Workshop

11:30 am - View Details
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5:00 pm - View Details