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ECONOMY

▶ The **San Francisco Giants'** post-season run looks to be a boon to the Bay Area economy, according to initial reports from the city's hospitality industry. During the playoffs, sales at the **AT&T Park Dugout Store** were approximately 150 percent higher than on regular game days, and the store even had to add a temporary location across the street to accommodate the demand. The five Bay Area Dugout stores are reporting sales 20 times higher than previous years, when the Giants failed to make the playoffs (the stores also reported that one-third of all sales are for post-season merchandise). Restaurants around the ballpark have also noted a massive upturn in sales during the playoffs: Peter Osborne, owner of **Momo's**, **Pete's Tavern** and **Pedro's Cantina** (all located across from the ballpark) said that post-season sales have been nearly three times as high as regular game-day sales, and that he and his staff are seeing a ripple effect. Due to the increased sales, Osborne says, "My hourly employees stay at full-time status rather than scaling back...the tipped employees are benefiting and our vendors are benefiting." The playoffs have been a welcome event for hotels and taxi companies as well, since there are currently no major conventions in town. The **San Francisco Convention and Visitors Bureau** cannot estimate the impact of the playoffs, since they have not developed an estimation model for the playoffs because they happen so infrequently.

(San Francisco Chronicle, October 21, 2010)

▶ The **Bay Area Rapid Transit District (BART)** has broken ground on the **Oakland Airport Connector** project. The connector will enable passengers to travel between the Coliseum/Oakland Airport BART station and the airport in eight minutes on three-car trains, replacing the **AirBART** bus connector that currently services the 3.1-mile route. Project opponents say that the connector will increase travel time, as it will require more walking and escalators and will travel slower than the bus service. Those in favor of the project, however, feel that the connector will infuse the community with thousands of jobs (25 percent of the work has been earmarked for Oakland residents). Oakland Mayor Ron Dellums has said that the project will also give Oakland Airport a competitive advantage and provide convenience to travelers while minimizing air pollution. The \$484 million project is being funded through loans and money from one of BART's reserve funds, a necessary move due to the revocation of \$70 million in federal funding because BART had not sufficiently considered the connector's impact on minority and low-income populations in the area.

(San Francisco Chronicle, October 21, 2010)

San Francisco Bay Area Market Notes

ECONOMY (CONT.)

► San Francisco retail landmark **The Cannery** was foreclosed on by a lender after failing to sell for a minimum \$13.8 million bid at a public auction. Located at 2801 Leavenworth Street, The Cannery was once one of the largest fruit and vegetable canneries in the world. The century-old building was purchased by Leonard Martin in 1963 to save it from demolition, and was subsequently outfitted for leasing to tenants. The retail center suffered major damage in 2002 as a result of the **Haslett Warehouse** fire next door, and was purchased in 2007 by New Jersey-based **Vornado Realty Trust** for \$33.5 million. However, The Cannery is nearly 70 percent vacant and the owners were in default of an \$18 million loan as of May 2010. Real estate analysts still feel that The Cannery is a premium commercial real estate location in San Francisco, but the condition of the commercial real estate market would not allow investors to purchase the property and then spend the millions of additional dollars necessary to bring it up to high-end retail standards. Industry analysts also feel that the lender will try and sell The Cannery for more than \$13.8 million, but less than the \$23 million it was listed at previously.

(San Francisco Chronicle, October 16, 2010)

REAL ESTATE MARKET

► Home sales in the nine-county Bay Area continued to fall for the fourth consecutive month while the median sale price trended upward according to **MDA DataQuick**, a San Diego-based real estate tracking firm. More than 6,300 new and resale homes and condos were sold in the Bay Area in September 2010, down 5.4 percent from August and 19.6 percent year-over-year. September's home sales were the lowest for a September since 2007. John Walsh, president of MDA DataQuick, says that next spring could signal a burst of sales activity due to increased inventory. Walsh said, "Sales have been so low for so long... that significant pent-up demand is accumulating." Walsh also feels that the depressed sales figures are a result of either people waiting for prices to drop or for their job situation to stabilize. If the economy rebounds and interest rates and prices continue to fall – factors that may collide next spring – then the inventory could be released and sales will trend upward. The median sale price in the Bay Area rose to \$395,000 in September, an increase of 2.6 percent from August 2010 and 8.2 percent from September 2009; San Francisco and Napa were the only counties in the Bay Area to post year-over-year declines in median sale price. This was the twelfth straight month of year-over-year increases for the Bay Area's median sale price, although between November 2009 and July 2010 those increases were in the double-digits.

(MDA DataQuick, October 21, 2010)

BAY AREA HOME SALES				
COUNTY	Median Price Paid		Sales Volume	
	(ALL HOMES)	% CHANGE	(ALL HOMES)	% CHANGE
	SEPT. 2010	VS. SEPT. 2009	SEPT. 2010	VS. SEPT. 2009
Alameda County	\$371,000	3.6%	1,226	-27.1%
Contra Costa County	\$289,500	10.5%	1,323	-17.7%
Marin County	\$702,500	10.5%	216	-3.1%
Napa County	\$337,000	-6.4%	118	3.5%
San Francisco County	\$620,000	-4.6%	442	-17.5%
San Mateo County	\$571,500	0.3%	517	-17.1%
Santa Clara County	\$500,000	11.1%	1,477	-22.5%
Solano County	\$205,000	3.0%	543	-19.9%
Sonoma County	\$332,000	3.8%	472	-7.3%
Total Bay Area	\$395,000	8.2%	6,334	-19.6%
California	\$265,000	5.6%	33,176	-17.5%

Source: MDA DataQuick, October 21, 2010

San Francisco Bay Area Market Notes

RETAIL

► **The Exploratorium**, the San Francisco-based hands-on science museum, has broken ground on a new \$300 million project along the Embarcadero waterfront. The nine-acre campus will occupy Piers 15 and 17 along the northern waterfront, which have fallen into disrepair since the century-old piers are no longer used. Construction has already begun on Pier 15, which will house the museum's exhibits, classrooms and training facilities. Pier 15 will allow the museum to expand its operations, having grown out of its current residence at the **Palace of Fine Arts**. The Pier 15 facility will also allow oceanographic research vessels to dock and upload newly acquired science data, which will then be transmitted to the museum's visitors and other museums worldwide. The project is funded through \$209 million in private donations; a capital campaign headed by the chairman of the museum's board, George W. Cogan, is currently underway to secure the remaining \$91 million needed to complete the Pier 15 project.

(San Francisco Chronicle, October 19, 2010)

► Grocery chain **Trader Joe's**, long expected to move into the former **Tower Records** location on Market Street, has reportedly abandoned its plans to move into the space. The main sticking point seems to be a provision imposed by the **San Francisco Planning Commission**, which stated that Trader Joe's would have to charge customers for parking in order to dissuade shoppers from making short driving trips to the store. Additionally, **Radio Shack** was supposed to move across the street to make way for the grocery store, but has not done so. In an effort to keep Trader Joe's at the table, Castro Supervisor Bevan Dufty has presented options to the Planning Commission for alleviating traffic in the already congested area (such as prohibiting left-hand turns from Market Street onto 16th and Noe streets). According to Scarborough Research, Trader Joe's is the second most-popular grocery store in the Bay Area, as 35 percent of all Bay Area adults shop at a Trader Joe's every week; the grocery chain has increased its market share by more than nine percent over the past three years.

(SFGate.com, October 21, 2010; Scarborough Research, July 2008-2010)

GROCERY STORES SHOPPED						
	2008		2009		2010	
	Grocery Stores Shopped*	Market Share	Grocery Stores Shopped*	Market Share	Grocery Stores Shopped*	Market Share
Grocery Stores Shopped*	5,584,400	100%	5,637,100	100%	5,771,700	100%
Safeway	3,717,700	67%	3,636,400	65%	3,926,000	68%
Trader Joe's	1,839,600	33%	1,916,900	34%	2,007,300	35%
Lucky	1,499,500	27%	1,660,000	29%	1,707,700	30%
Whole Foods Market	689,100	12%	593,000	11%	756,100	13%
Food Maxx	503,500	9%	627,100	11%	648,300	11%
Raley's Supermarkets	468,600	8%	435,200	8%	475,300	8%
Nob Hill Foods	440,500	8%	427,400	8%	471,500	8%
99 Ranch Market	323,400	6%	391,400	7%	434,500	8%
Smart & Final	295,500	5%	346,500	6%	366,300	6%
Food 4 Less	307,500	6%	301,200	5%	288,200	5%

*Past seven days

Source: Scarborough Research, July 2008-2010

San Francisco Bay Area Market Notes

RETAIL (CONT.)

► Hardware supply retailer **Lowe's** has opened a new store on the border of the Bayview district and Bernal Heights in San Francisco. The big-box store is the first of its kind to open in the city in recent years, which some hope will begin an era of economic revitalization in the area. Lowe's has already had a positive impact on the community: it hired most of its 200-person staff from the surrounding neighborhood. There are still opponents to the store who feel that Lowe's will steal customers from small businesses around the city, will not reimburse for lost jobs and taxes and may lead to more super-stores in the city. However, San Francisco has instituted temporary zoning controls in the area that prohibit other big-box retailers from opening without special approval.

(SFGate.com, October 30, 2010)

TECHNOLOGY

► The four major wireless carriers in the U.S. – **Verizon, AT&T, Sprint** and **T-Mobile** – are planning to roll out 4G services to the Bay Area by the end of the year, delivering data at speeds 10 times faster than today's 3G networks. While the higher-speed networks will not address the issue of dropped calls and weak connections, they will allow users to quickly download pictures and music, play multiplayer online games and make video calls without a Wi-Fi connection. Verizon will begin its 4G services in 38 major metropolitan areas by the end of the year, including San Francisco, San Jose and Oakland, with download speeds between two and five megabits per second; AT&T will roll out an enhanced 3G network by year-end, and has plans to run trials of its 4G network in Dallas and Baltimore (although the Bay Area has not been mentioned as a roll-out site, many industry analysts predict that it will be included since it was the epicenter of the smartphone revolution); Sprint is currently running 4G networks in 55 markets, and will add San Francisco to that list by the end of the year (instead of using the LTE technology of its competitors, Sprint uses WiMAX, which it says boasts greater capacity and consistent quality for its customers); T-Mobile has already rolled out a HSPA+ network with "4G speeds" in the Bay Area, with average speeds of five megabits per second.

(San Francisco Chronicle, October 8, 2010)

MARKET NOTABLES

Quick Facts about the San Francisco DMA

	Market Adults	% of Adults
San Francisco DMA Adults	5,771,700	100%
Willing to Travel 25+ Miles to Shop		
Outlet Mall	2,002,200	35%
Automobiles	2,220,300	38%
Electronics	1,204,800	21%
Furniture	1,608,200	28%
Major Appliance	1,352,000	23%

Source: Scarborough Research, July 2010