

Port opens expected cash cow



(Courtesy art)

The Port of San Francisco evicted tenants of three piers for safety reasons, but the rebuilt structures could become valuable commercial property.

David Smith, The Examiner
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SAN FRANCISCO -

“The Piers” along the Embarcadero, a \$55 million public-private project expected to command above-average rental rates and provide revenue to the beleaguered port, opens today, and experts say the office space hits the commercial real estate market at an opportune time as vacancy rates continue to drop.

The port evicted tenants of piers 1 ½, 3 and 5 several years ago due to the safety hazards presented by seismically unfit support structures, but the rebuilt structures could soon be home to some of the priciest commercial space in The City, creating a market all their own.

After the commercial real estate market bottomed out during the summer of 2003, the market rebounded due to local companies expanding, outside companies coming into The City and office space being converted into other uses, said Frank Fudem, the senior vice president at NAI BT Commercial, a commercial real estate firm.

“Some kinds of space are actually in short supply, and one of those types is bay-view space,” Fudem said. “The space on those piers is really a market unto themselves.”

The historic rehabilitation project of piers 1 ½, 3 and 5 runs 1,000 feet along the Embarcadero between Washington and Broadway streets, and has 60,000 square feet of office space — 40,000 of which is still available — and 17,000 square feet of restaurant and retail space.

The project includes almost an acre of public access.

This is the third rehabilitation project along the 7.5-mile waterfront, coming after Pier 1 and the Ferry Building, as the port continues to face nearly \$1 billion in waterfront maintenance costs to fix aging and rotting structures.

San Francisco Waterfront Partners signed a 66-year lease with the port, bringing the port roughly \$50,000 in revenue annually for 15 years, after which it climbs to \$750,000, port spokeswoman Renee Dunn said. The 15-year reduced rate stems from rent credits the leasing firm earned for restoring the piers, and is an example of the public-private partnerships the port hopes to form in conducting future essential repairs to the waterfront.

San Francisco Waterfront Partners leases office space at prices between \$65 to 75 per square foot on a net-lease, nearly double the average office space price of \$39.40 in the northern Financial District, said Alicia Esterkamp, the director of marketing and leasing for the firm.

The company hopes to have the leases signed by the end of March next year and tenants moved in by the middle of next year, she added.

“We’ve held strong throughout the whole market fluctuation in the belief that the product we’re providing will be able to maintain these rents,” she said, as officials are looking to rent the space to financial service providers, such as hedge fund companies and investment services.

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