Small gets big on mid-market in San Francisco

Innovators snap up forges' buildings

It's little building's time to shine in the mid-market corridor.

Now that technology giants like Twitter, Square, "Kemper," and "Dolby" have purchased an entire block of space on Market Street between Fifth and Sixth streets, San Francisco tenants and investors are turning attention to some smaller, long-forbidden gems.

At 1019 Market St., San Francisco-based Carmine Partners and Handl Partners purchased Versatile Capital Partners LLC's interest in the Eastern Outfitting Co. building, a 75,000-square-foot structure with street-level columns and a five-story bay window. The investors bought the building for $5.3 million, about $112.8 square foot. Contractor Thermal Tower is in the middle of a $3 million renovation that will highlight the building's wooden beams, brick walls, high ceilings, and view down onto Market Street to its north and Stevenson Street to its south.

Meanwhile, at the Warfield Office building, Group is doing a full renovation to get it ready for Benchmark Capital, the San Francisco venture capital group. Benchmark Capital has taken three floors in the 42,000-square-foot building and is reportedly going to double the value to relocate them as well. (Rotoft) and Group I decided to convert Warfield, CEO Google. CEO Eric Schmidt's innovative Endeavor is taking a floor in the building, according to broker sources.

At 1019 Market, Jay Ackman of Carmine Partners said his and partners Bob Basis and John "W" have been on the market for some time before finding a historic mid-market building that could be adapted for the creative class that now dominates the San Francisco leasing market.

"Mid-market is definitely a new submarket within the city, but it's quickly becoming a very proven one, considering the amount of institutional investment pouring into office, retail, or multifamily," he said.

For decades, the seven-story 1909 Eastern Outfitting building, designed by George B. Applegarth, had been following a hardworking and humble preservation.

The 1919 bar "gilded with turquoise," San Francisco Architectural Heritage's guide to downtown San Francisco, describes it as "an example of retail and office use that has flourished. Architect and Builder magazine called it "an example of simple, monotone design adapted to the practical requirements of a commercial business.

The family then Carmine bought the building from owned it for 45 years, bringing it up to current seismic standards in 2006 in hopes of leasing a decent floor. The intact of $2,000 per month to rent and the family partly rented it with the sort of tenants that it has always been there previously — a hedgehog of garment businesses, attorneys, and others. There were white tables and off-white offices with in an Arctic view that scuttles through the snowy floors. Brickfront and ceiling tied cover the brick and woodwork, according to Basis.

"This building was hidden away for a long time," said Basis.

Studio 180 is the project architect for the renovation and Mark Gezelter and Matt Kruger of the CAC Group are handling the leasing. Gezelter said the building has attracted a "wholly different sort of potential tenants — mostly tech, but also other and education groups.

"Every broker in town has walked in or driven by that building hundreds of times, but I don't think that it's as good as it was," said Gezelter. "People's eyes light up when you get into the space. It's cool.

The building is one of the few commercial properties in the Los Altos corridor that is included in the so-called "Silicon Valley," which means that tenants leasing space in the building will not have to pay the city's 1.5 percent payroll tax on employees hired after the company moves into the building.

"We've had tenants already in the neighborhood and every submarket in the city," said Gezelter. "It's going to be a creative environment."

Eric Capp of Wespac Capital Partners, which has offices in Los Angeles and Connecticut, said that the mid-market story is becoming well known around the country. "We see the evolution in the contact of other submarkets that have gained steam in San Francisco," he said. "It's how's the market's turn."

"This is the third time it's happened — there have been different submarkets that have been discovered and developed in San Francisco over the years," he said. "How's the world's market's turn."

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