

## Small gets big on Mid-Market in San Francisco

Investors snap up forgotten buildings



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It's little buildings' time to shine in the Mid-Market corridor.

Now that technology giants like Twitter, Square, Yammer, and Dolby have pounced on every large block of space on Market Street between Fifth Street and Van Ness, tenants and investors are turning attention to some smaller, long-forgotten gems.

At 1019 Market St. San Francisco-based Cannae Partners and financial partner Westport Capital Partners LLC are repositioning the Eastern Outfitting Co. building, a 75,000-square-foot structure with Corinthian columns and a five-story bay window. The investors bought the building for \$9.5 million, about \$125 a square foot. Contractor Howard Wright is in the middle of a \$9.5 million renovation that will highlight the building's wooden beams, brick walls, high ceilings, and view down onto Market Street to the north and Stevenson Street to the south.

Meanwhile, at the Warfield Office building, Group I is doing a full renovation to get it ready for [Benchmark Capital](#), the Silicon Valley venture capitalist group. Benchmark Capital has taken three floors in the 42,000-square-foot building and Spotify has reportedly signed a letter of intent to relocate there as well. (Spotify and Group I declined to comment.) Also, Google CEO [Eric Schmidt](#)'s Innovation Endeavors is taking a floor in the building, according to broker sources.

At 1019 Market, [Jay Atkinson](#) of Cannae Partners said he and partners [Bob Basso](#) and [Jamin Seid](#) scoured South of Market and Showplace Square before finding a historic Mid-Market building that could be adapted for the creative user 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 multi-family," he said.

For decades, the seven-story 1909 Eastern Outfitting building, designed by [George Applegarth](#), had a following among architects and historic preservationists.

The 1979 book "Splendid Survivors," San Francisco Architectural Heritage's guide to downtown San Francisco, described it as "a handsome example of an enframed window wall with a pair of giant Corinthian columns framing a large, angled bay window."

The book says the building had been regarded as a "leader in the expected rejuvenation of this part of Market Street" but that "unfortunately little else has followed its lead." Architect and Engineer magazine called it "an example of simple monumental design adapted to the practical requirement of a commercial business."

The family trust Cannae bought the building from had owned it for 40 years, bringing it up to current seismic standards in 2000 in hopes of landing a dot-com tenant. But the crash of 2001 put that notion to rest and the family partially filled it with the sort of tenants that had been there previously — a hodgepodge of garment businesses, artists and others. There were sealed doors and little offices with non-bearing walls scattered throughout the seven floors. Sheetrock and ceiling tiles covered up the brick and woodwork, according to Basso.

"This building was ridden hard for a long time," said Basso.

Studio TMT is the project architect for the renovation and [Mark Geisreiter](#) and [Matt Kroger](#) of the CAC Group are handling the leasing. Geisreiter said the building has attracted a steady stream of potential tenants — mostly tech, but also architecture and education groups.

"Every broker in town has walked or driven by that building hundreds of times, but I don't think it was on anybody's radar," said Geisreiter. "You see people's eyes light up when you get into the space, it's so cool."

The building is one of the few commercial properties in the Mid-Market that is included in the so-called Twitter zone, 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," Geisreiter said. "It's going to be a creative environment."

[Eric Clapp](#) of Westport Capital Partners, which has offices in Los Angeles and Connecticut, said that the Mid-Market story is becoming well known around the country. He sees the evolution in the context of other subdistricts that have gained favor in San Francisco, from Jackson Square to SoMa to Mission Bay.

"This isn't the first time it's happened — there have been different submarkets that have been discovered and transformed in San Francisco over the years," he said. "Now it's Mid-Market's turn."

J.K. Dineen covers real estate for the San Francisco Business Times.

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