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New SoMa Grand fuels property rush

Condo tower signals neighborhood's shift from beat to sweet

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Photo: Najib Joe Hakim

"I can walk to everything I do," says Nina Gruen, with husband Claude in their new digs.

The opening of the **SoMa Grand** condo complex, coupled with the influx of 3,000 workers from San Francisco's new federal building, is creating a land rush for investors and restaurateurs looking to get a foothold on and around the long-downtrodden stretch of Mission Street between Sixth and Ninth streets.

A neglected building that long housed a garment factory and car stereo business, 1161 Mission St. sold in 2005 for just over \$100 a square foot. Now two years later, impresario Jon Mayeda said he can't keep up with the offers he gets on the five-story, 75,000-square-foot property across from the SoMa Grand, which he now values at \$300 square foot, or \$22.5 million.

"We are getting letters every other week and three or four calls a week," said Mayeda, a partner in Circolo Restaurant & Ultra Lounge. "People are always asking me about it."

The 260-unit SoMa Grand is springing to life this week, with the first closings executed Dec. 5. Moving trucks scheduled to arrive this weekend. Sales have been modest thus far with about 90 units under contract.

While some condo buyers have been hesitant to invest in an area long overrun by drug peddlers and vagrants, the project has caught on among people willing to take a chance that the gritty corridor has the potential to become an exciting and eclectic enclave. In addition to the Thom Mayne-designed federal building, the area will benefit from the beginning of construction at Trinity Plaza, which will eventually include 1,900 rental apartments at Eighth and Market streets.

Adam Chall, a partner with **TMG Partners**, which developed the SoMa Grand with AGI Capital, said the rate of change has been mind-boggling.

"This neighborhood story is happening faster than we can explain it to people," said Chall.

Plenty to eat

But even before the new wave of residents move in, the dollars have been pouring in. At 138 Sixth St., an organic restaurant and catering business, Split Pea Seduction and Jersey Tomatoes, has opened. At 121 Seventh St. is Custom Burger/Lounge, a gourmet burger spot and bar. Around the corner from the SoMa Grand, at 139 Eighth St., **Chez Papa** owner Jocelyn Bulow has created Bossa Nova, a Brazilian tapas spot and nightclub.

On Sixth Street, renovations are under way for two cafes, a Vietnamese restaurant, an optometrist and large produce/grocery market, according to Jenny McNulty, executive director of **Urban Solutions**, which works with small businesses in depressed areas. Most of the available retail spaces along Sixth Street are now spoken for.

"You don't see it yet -- a lot of these retail spaces are leased and in the midst of tenant improvements," she said. "By March, you are going to see a really different landscape."

In addition, Joie De Vivre's Chip Conley has invested heavily in the area, signing on to provide services at the SoMa Grand and taking over management of four nearby hotels. One of those, the **Hotel Britton** on the corner of Seventh and Mission streets, will be reinvented as the Good Hotel and will feature an eatery called the Good Restaurant. **Slanted Door** owner Charles Phan plans a bistro on the ground floor of SoMa Grand, as well.

Economists see good times ahead

Among the new SoMa Grand owners are land use economists Claude and Nina Gruen of **Gruen & Gruen Associates**. Empty-nesters who are still cleaning out their 3,500-square-foot hilltop house in El Cerrito, the Gruens looked at some of San Francisco's fanciest new buildings. They considered the Four Seasons, the Ritz-Carlton and the St. Regis.

But ultimately the Gruens were drawn to the dynamics of a changing district. The Gruens bought two penthouses on the 22nd floor for a 2,400-square-foot unit with a 350-square-foot deck. Depending on size and views, penthouses in the building are priced between \$1,000 and \$1,200 a square foot.

"We think it's going to be a short time period before this area is transformed rather dramatically," said Nina Gruen.

The Gruens compare the neighborhood to the 500 block of Howard Street, where they moved their business in 1974. At the time, it was desolate and suffering from the flight of industry and warehousing. Now it's the heart of Foundry Square and the transbay district.

"That took 15 years -- this will take five years or less," said Nina Gruen. "I don't have 15 years."

Nina Gruen, who attends opera, symphony and ballet and is on the board of several arts organizations, said the neighborhood has everything she needs.

"It's flat. I can walk to my office in 18 minutes. I can walk to the opera in 12 minutes. I can walk to Yerba Buena in 12 minutes and **Bloomingdale's** in five minutes. I can walk to everything I do."

In the Mid-Market, she said she sees a potential for a truly mixed building with a mix of ages. Gruen said she was also turned off by the fact that many buyers in the super-deluxe projects are globe-trotters with two or three other residences.

"I don't want to live in a building where 60 percent of the owners are sporadic visitors," she said. "And it may sound funny, but I don't want to be with just people my own age."

Adam Koval, publisher of the real estate web site Socketsite, said sales at the SoMa Grand are probably behind pro formas. He said property is competing with the Potrero and Symphony Towers on Van Ness, projects that have some smaller units starting in the \$500,000s.

He said the area of SoMa is unique in the amount of capital being simultaneously dumped in a small area without much existing housing. In a real estate downturn, that can make a big difference.

"People are saying if the market isn't appreciating as much, my return is going to come from neighborhood appreciation," Koval said.

Dealing with crime

Still, petty crime remains an issue on and around Sixth Street, where addicts continue to openly smoke crack and vagrants persist in relieving themselves in doorways. San Francisco Police Lt. Steve Mannina said the quality-of-life crimes continue, but there have been improvements.

"Crime has diminished somewhat, partly because of the federal building," he said. "Officers who patrol down there are seeing improvements."

Christian Noto, whose Split Pea Seduction serves about 100 lunches a day, sees about 30 percent of trade coming from the federal building. Noto is hoping that SoMa Grand and Trinity Plaza will bring a new crop of customers.

"Some people are scared of Sixth Street, but it hasn't been so bad," he said.

Meanwhile, the days of bargain development sites in the neighborhood may be fading, according to Phil Chen of Sybarite Investments, an investor in 1161 Mission St. He said a developer has bought the property next to 1161 Mission St. and plans to build lofts there.

"Everyone is holding out for more money," Chen said. "We have canvassed the three blocks around our building. Either it's already been sold or people are asking for too much."