

## *East Village vacancies*

# Most of downtown S.D. retail market remaining stable

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*The Daily Transcript*

**DOWNTOWN SAN DIEGO** — While much of the retail market in downtown San Diego, appears to be more than holding its own, the same can't be said for the East Village area.

The **Cushman & Wakefield** Urban Property Group reports that the East Village vacancy was 23.6 percent as of the end of June.

The East Village submarket had 58,209 square feet vacated during the second quarter.

Much if not most of that empty space was in the ground floor retail portions of condominium buildings near Petco Park such as The Mark at 877 Island Ave. and the Strata Apartments at 969 Market St.

Not all of the vacant retail space in the East Village is at the base of condominium properties.

There is approximately 3,175-square-feet of available and divisible space in the Padre Parkade parking structure.

Jack Illes, a broker with **Cassidy Turley BRE Commercial** Urban Strategies Group, said the problem with some of these spaces is they may

never have been suitable for retail in the first place.

"In some cases the spaces was mandated when it didn't make sense," Illes said.

"You get odd-shaped spaces, storefront limitations and then there are the signage restrictions. **Venissimo Cheese** (at 871 G St.) has a sign about the size of a slice of cheese," he said.

Illes said another problem facing prospective retailers and the landlords who are leasing the spaces to them are required six-foot setbacks from the sidewalks.

"That puts you six feet away from your customers," Illes said.

Although Illes expressed some fundamental frustrations and nearly a quarter of the East Village's retail space is still vacant, Corinna Gattasso, director of Cushman & Wakefield's Urban Property Group in San

Diego, said she has been very encouraged by leasing activity and interest.

"It is leasing at a steady pace. We just signed **Bub's at the Ballpark** (in the Simon Levi Building at Seventh and J streets) and we are under contract with numerous other tenants in the area," Gattasso said.

Earlier this year a partnership controlled by Padres owner Jeffrey Moorad paid \$5.71 million for the 30,000-square-foot Showley Brothers Candy Factory at 900 K Street.

Gattasso said while leases have yet to be signed for the space, "the Padres are currently evaluating the highest and best options for the building and the community."

DiamondView Tower had some issues last year with tenants that reportedly weren't paying their rent, but Gattasso said these have been resolved and prospective tenants are negotiating on each of the three remaining retail spaces.

Earlier this year, a pair of ground floor condo units totaling 15,300 square feet in the 21-story, 179-unit Alta condomini-

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# Downtown

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um at 575 Sixth were sold for \$7.34 million to an investor.

Cushman & Wakefield reported the Marina District has the next highest retail vacancy as of the end of the second quarter at 16.2 percent.

Approximately 8,361 square feet were vacated in the Marina submarket in the second quarter.

The Pinnacle Condominiums at 550 Front St. in the Marina District was another complex that had at least some ground floor retail space available.

The East Village and the Marina District may have a ways to go before becoming a landlords' market, but Gattasso says the rest of downtown retail is stabilizing quite well despite some recent negative absorption.

"Even though direct net absorption is still negative, the numbers are improving and should return to positive levels in 2011," Gattasso said.

The mid-year retail report by the Urban Property Group shows downtown's year-to-date direct absorption at a negative 46,212 square feet, a notable improvement over the same period in 2009 when the market recorded negative activity totaling 199,784 square feet.

Current vacancy of 11.9 percent is nearly on par with the 11.6 percent vacancy rate a year ago.

"We expect (downtown) vacancy will gradually decrease,

likely reaching single-digits by the end of the year," Gattasso said.

The Cushman & Wakefield report shows that the downtown core, bounded by Broadway, Eighth, A and Union streets; led downtown retail activity with 34,300 square feet of positive absorption.

Cortez Hill followed with 20,843 square feet. The vacancy rates for the two areas were 14.2 percent and 9.4 percent, respectively.

The Urban Retail Group report shows that space vacated by tenants is now being more quickly re-absorbed.

Gattasso said despite the fact that **Bondi** at 333 Fifth Ave, **Design Within Reach** at 393 Seventh and **Gracie Boutique** at 181 W. Market Street have closed, "we have quickly found quality replacements for these spaces with **Donovan's Martini Bar**, **Bub's at the Ballpark** and a cafe.

Other retailers and restaurants that recently opened their doors downtown include **Panera Bread**, **Spicy Pickle**, **Wine Steals**, **Proper**, a gastro pub, **Quality Social**, **Fluxx**, **The Melting Pot**, **Nutrition Zone**, **Noble Experiment** and **French Twist**.

Many more have signed leases and will open later in the year.

These include **San Diego Beer Co.**, **Giovanni's Trattoria**, **Crab Hut**, **Albert's Fresh Mex**,

**Brian Malarkey's Searsucker** restaurant, **Hodad's**, **6th Avenue Gourmet Market**, **The Wine Loft** and **Tommy Pastrami**.

Jonathan Segal's new development, **The Q**, at 750 W. Fir St. has also attracted **Bencotto Italian Kitchen**, **Red Velvet**, a wine bar, and **Influx**, a café.

"Restaurants with attractive price points, particularly under \$20 per entrée, are succeeding," Gattasso said.

"**Cucina Urbana** and **Proper** are terrific examples of this, and other restaurants are similarly refining their concepts. Hamburger-themed concepts are also tremendously popular now with **Five Guys**, **Burger Lounge** and **Smashburger** all expanding ...," Gattasso added.

Landlords have lowered their rates to bring in these tenants, but even with rates that may be a \$1-per-square-foot less than they were three years ago, filling ground floor retail spaces may still be difficult.

This is especially true in the case of a financially-troubled property such as the **Vantage Pointe** condominium tower on B Street on the edge of the downtown core.

"Vantage Pointe is a beautiful building ..." said Gattasso. "The right tenant will come along that will complement the building and the neighborhood. We have had a tremendous amount of interest from grocery stores."

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