

Slew of new leases shows retailers still have the hots for Bay Area suburbs 🔑



Oversupply and the growth of online shopping is pulling the trigger on hundreds of dead or dying suburban malls across the country. But in the Bay Area, retailers are filling them up.

A slew of recent leases have meant new and under-construction retail developments in San Ramon, Concord and Livermore are almost fully occupied with tenant rosters that include some of the biggest names in the retail market.

Continued demand for the Bay Area's suburban space can be a head scratcher in terms of what's happening in other outlying retail markets throughout the United States. Customer traffic is plummeting, anchor tenants are dropping like flies, and empty shells of America's former shopping habits are littered throughout its new retail landscape. By 2020, research analyst Credit Suisse estimates that as many as one in four malls in the country could be out of business, many of which have served as anchors in their suburban communities for decades.

In the Bay Area, however, it's a different picture. Especially in the Tri-Valley – an East Bay pocket with some of the highest income levels in Northern California – the problem is undersupply.

"There is no other alternative in the Tri-Valley area, and it's a generous regional trade area," said [Jeff Dodd](#), the senior vice president of retail for City Center Bishop Ranch developer Sunset Development. "There is a lot of demand in a quality market with very few options."

That's something Dodd, and several other developers in the region, are quickly changing. City Center Bishop Ranch recently inked roughly 85,000 square feet of new deals with tenants such as upscale gym brand Equinox; [Williams-Sonoma](#) Inc.'s (NYSE: WSM) Pottery Barn, West Elm and namesake labels; Berkeley-based Fieldwork Brewing Company; Boba Guys; and several other clothing boutique, service, casual dining and entertainment concepts.

With two anchor tenants in place – Equinox being one, and luxury cinema The Lot as the other – the 300,000-square-foot development is expected to be fully leased once construction is completed later this year.

"For us, it has always been about leaning toward premium brands in each sector," Dodd said of Sunset's focus on bringing in entertainment, high-end retail and a variety of food uses to the San Ramon project. "The demographics and under-supply in the area provide us with the opportunity to create a premier destination. We're focusing on quality over speed."

CenterCal Properties – a Southern California developer behind the recently completed The Veranda center in Concord – focused on filling the 375,000-square-foot project with a broad base of discount, service, food and entertainment tenants.

The property recently inked a 4,400-square-foot deal with Sephora; a 5,040-square-foot agreement with Japanese noodle concept Broth Shabu Shabu; and will bring on a new Sutter Health Urgent Care facility to fill more than 1,600 square feet of space. All of the new tenants will be up and operating later this year, and the new leases will help push the lifestyle center's occupancy rate to 90 percent by this fall.

While most of the retail activity in recent years has zoomed in on Walnut Creek or Oakland, the Tri-Valley area's attractive demographics have made it an attractive landing point for developers hunting for the Bay Area's next retail hotspot. City Center Bishop Ranch, for example, is expected to capitalize on San Ramon's average household income of \$185,000 per year – higher even than Walnut Creek's \$140,000 per year – and the surrounding area's highly educated, affluent demographics.

But striking the perfect tenant balance isn't as easy as dropping in a movie theatre and a plethora of food options. any access, leasing or service issues will become even more pronounced by a mall's more isolated environment out in the suburbs.

The Hilltop Mall is the Bay Area's leading example of a failed suburban retail center, largely due to its reliance on traditional retail tenants – many of which have vacated their spaces over the past few years – and sprawling surroundings. A Los Angeles-based joint venture purchased the 77-acre mall last July for nearly \$24 million, and has started to lay the groundwork for a top-to-bottom makeover aimed at bringing retail tenants back to the mall.

Brokers have largely [called this plan](#) "wishful thinking."

To avoid that fate, retail developers are now hyper selective when it comes to filling new centers with tenants. Rather than the first-come-first-serve approach that dictated older leasing approaches, new retail properties are targeting tenants specific to the type of clientele they want to attract, and in City Center Bishop Ranch's case, Dodd said that's the affluent, experience-driven consumer.

And it doesn't hurt having starchitect [Renzo Piano](#) at the helm of the project's design.

"We're consciously trying not to be a shopping trip to the mall. We want to be the place that fits into someone's week multiple times," Dodd said. "The [brick-and-mortar] retail sector is the one experiencing the most change in the industry. At the end of the day, services and premium brands make up half the project."