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Shelved stores leave space for new projects

Housing pops up where veggie aisles once stood

San Francisco Business Times - July 28, 2006

by [Steve Ginsberg](#)

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The recent death of dozens of neighborhood supermarkets throughout the Bay Area means the birth of opportunity for land-starved developers.

Grocery chains such as **Albertsons** and **Kroger Co.** are closing smaller Bay Area stores, leaving strip malls and medium-sized parcels empty. Many of these sites will be replaced by other types of retail or turned into housing, while some will sit vacant for months.

Kroger has closed 23 of its Ralph's supermarkets in Northern California, and Albertsons is scheduled to close even more stores at the end of July.



Najib Joe Hakim

Brennan is having difficulty replacing a Cala Foods in the Haight with a Whole Foods market.

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"There are 38 Albertsons alone earmarked for

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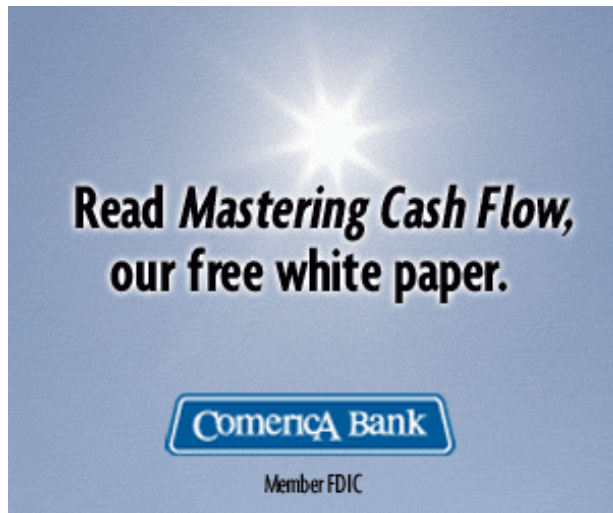
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closing in Northern California, and there are others on the watch list," said Matt Holmes of **Retail West Inc.** "In such a tight real estate market this will be the biggest land grab in the last 15 years.

"It's an opportunity for a developer to get in at below market rates. You can get in for half to buy a leasehold compared to the current market rates. I've got to think these sites will be pushed as mixed use developments," Holmes said.

Holmes is trying to broker a deal in San Francisco's Haight district where Whole Foods will build a new store on the site of a closed Cala Foods. Overall, he estimates at least 30 percent of the grocery stores slated to close will be converted to other uses. Food chains that may

move into San Francisco include Wild Oats, Nob Hill Grocers, Raley's and **Trader Joe's**. Among the non-food retailers looking at the sites include **TJ Maxx**, **Ross Stores**, **Walgreens** and several fitness centers, Holmes said.

Twenty Ralph's stores are in play around the Bay Area. Ben Lazzareschi of Walnut Creek's **John Cumbelich & Associates** said much of the interest for these sites has come from other national chains in the food business. One offer for 15 sites has been made but he wouldn't say who made it. Deals are likely to be announced within the next four months. The national players are looking, but want to do for multiple sites, he said.

"The grocers get first swing and after that you will get the on-off deals with pet stores and other regional operators," he said.

Many neighborhoods affected

In land-constrained San Francisco, the closure of seven Cala Foods and two Albertsons creates redevelopment opportunities in Noe Valley, the Mission, Richmond and Sunset districts. But developers need to pass San Francisco's rigorous review process that has kept larger chain retailers from overtaking the city.

Redevelopment of supermarket sites moves more quickly outside San Francisco. In Contra Costa's unincorporated El Sobrante, Albertsons anchored a strip center on Valley View Drive, but within 18 months after the grocer closed in 2004, 45 single family homes were developed and have been sold with prices exceeding \$700,000. The entire strip center vanished to make way for the homes. Of the seven supermarkets that have closed in the past five years in Contra Costa, just two were replaced by grocers while the other three were converted to housing or to other forms of retail.

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