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Potrero project selling despite mortgage crisis

BY J.K. DINEEN
 San Francisco Business Times

With new homeowners upstairs and organic groceries below, the Potrero is springing to life.

Potrero Hill's biggest mixed-use development on the former S&C Ford site, developer Henry Lambert's 165-unit project welcomed its first residents last week-end. Meanwhile, workers at Whole Foods — the city's largest at 39,000 square feet — are stocking shelves with "tree free" NewLeaf notebooks and Burt's Bees Body Lotion in anticipation of a Sept. 12 opening.

The project is significant for Potrero Hill, where some neighbors have battled to squash market-rate housing and preserve the appealing mish-mash of warehouses, furniture design studios and retail that define the sunny, low-key neighborhood. And as one of the more affordable new projects — one-bedrooms run about \$599,000 — it's also seen as a barometer of how the subprime-driven credit crunch will impact new San Francisco developments.

So far, the answer seems to be not very much. Thus far, 105 units are spoken for, including 85 percent of the phase one north building, and 33 percent of the south building, which went on sale two weeks ago. Alan Mark, president of the Mark Co., said the sales are outpacing expectations.

"We were aiming for 12 a month and are selling 18," he said. "These people are dying to move in. There is an untapped market on Potrero Hill."



"We sort of speed-shopped through," says Greer about choosing a Potrero unit.

Henry Lambert, who pioneered SoMa luxury condos with the Brannan, said the project "has a reasonable chance of winning." The combination of the Whole Foods and a "settled" city residential enclave set it apart from much of the new inventory in Mission Bay and SoMa, Lambert said. He said the new realities of the credit markets may mean that buyers have to pay a "small premium extra" in down payment or monthly payments, but that the vast majority of those drawn to the Potrero have "good jobs and reasonable savings."

"It's over Whole Foods, the price is right, and it's a settled community. It's

not like you're waiting to see what the retail in the neighborhood is going to be," he said.

Like the SoMa Grand, Symphony Towers, and the Hayes, the Potrero is targeting first-time homebuyers, according to Adam Koval, publisher of the online new development journal Socketsite. He said with banks tightening up lending criteria, the entry-level condos will be "a great barometer" of the credit crunch's impact on new development in the city.

"If there is any shake out in the market, that is there where it will register," he said. While the absorption at the Potrero

has been steady, the fact that 60 units still remain reflects a weaker market.

"Two years ago, it would have gone into a lottery and sold overnight," said Koval. Potrero buyers include a combination of 25-to-35-year-old first-time homebuyers and empty nesters buying a second home, according to the Mark Co. Half of the buyers are 25 to 35; 75 percent are unmarried. About 75 percent currently live and work in the city.

Studios start about \$460,000, one-bedrooms \$599,000, and two-bedrooms \$739,000. Buyers are generally looking at the Hayes and the SoMa Grand, although Mark said an unusual number of Potrero buyers are not looking anywhere else.

Home buyer Laurie Greer, who works at Advent Software, said she and her architect boyfriend didn't spend much time looking elsewhere. Having lived in Russian Hill, Greer wanted a neighborhood that was funky in an only-in-San Francisco sort of way, but quieter than mid-Market or lower Nob Hill. Only the Potrero met her criteria.

"We're decisive — we don't like to look at every possible option," she said. "We sort of speed-shopped through."

Greer said the Whole Foods was also a big selling point. The Potrero Whole Foods is the only one in California with a spa and a full-service bistro. Lambert said he sees the neighbors using Whole Foods in the "way that people went to the corner bar for a martini a generation ago."

"That is what is going on in 2007," he said.