# Sausalito Business Advisory Committee

## **Current Market Conditions**

# February 11, 2014

### Commercial Office/Industrial Market – Bruce O. Huff, The Kimber Companies

The commercial leasing market in our area for offices, industrial space and design studios can be best described as stable. Going forward, our outlook for the immediate future is optimistic. After the beginning of the financial crisis in 2008, we did have a small shakeout of marginal firms. However the spaces were re-leased quickly and we have not any vacancy, until recently, in over two years. Our fist vacancy occurred this month and I anticipate that the space will be leased within 30 days.

The prosperity of commercial property owners is directly tied to the success and/or financial viability of our tenants. Property owners look at the tenant's current financial status, the outlook of the tenant's industry or profession, and the general health of the local, regional and national economies in when deciding whether or not a specific tenant is a good fit. These considerations will also affect the amount of space we will lease to any tenant and the amount of investment in improvements we are willing to contribute.

Schoonmaker Point has been fortunate that it has a healthy mix of commercial tenants. From small distributors to technology innovators, from recreational maritime businesses to financial firms, our market has always contained variety and, therefore, the success of our buildings is not wholly dependent upon a single industry. The single largest growth industry in our buildings has been what we affectionately call the "commercial arts" – highly artistic design firms, designers, advertising agencies, etc. We have witnessed a steady growth of these industries from the early 1990's to date.

Sausalito is a "boutique" market for office and design space. Our typical tenant, notwithstanding the industry in which they participate, has not significantly changed in the last 25 years. Our tenant profile is a small to medium sized, closely held company, where the principals live in Marin. They enjoy reduced commute times and easy access to San Francisco and the airports.

Our gravest concern is the state of our infrastructure. In the southern part of the Marinship, the vehicular circulation system is private, with no uniform method of maintenance or improvements. Our pedestrian improvements are virtually non-existent and we are hindered from forming improvement districts by state law and lack of participation by governmental agencies that own a significant part of the area. In addition, a vastly outdated zoning code actually seems to promote blight and discourage investment.

Using the Chair's suggested headings, I will try and summarize our current situation.

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### **OPPORTUNITIES:**

It does appear that the City of Sausalito is interested in reviewing the current situation (infrastructure improvements and land use policies) in an effort to allow the Marinship to be a fully contributing sector of the economy. If these efforts are successful, I believe that many of our issues will reach resolution. The federal government has also recently shown interest in addressing the infrastructure.

#### **ACTIONS**

The processes described above are now on-going and we will participate in the process to the fullest extent.

#### **OBSTACLES**

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The obstacles to the solutions that we desire are simply "to do nothing". At the current rate of deterioration of the infrastructure and some of the institutionalized blight in the area, the area could become inaccessible within the next 20-30 years. Some of the physical deterioration of buildings poses great fire and safety hazards and threatens the continued viability of an area that provides access to the waterfront for many residents and the housing for tax paying business enterprise.

I am optimistic that these challenges can be overcome and that our area of the Marinship will thrive if the current process ends in a favorable manner