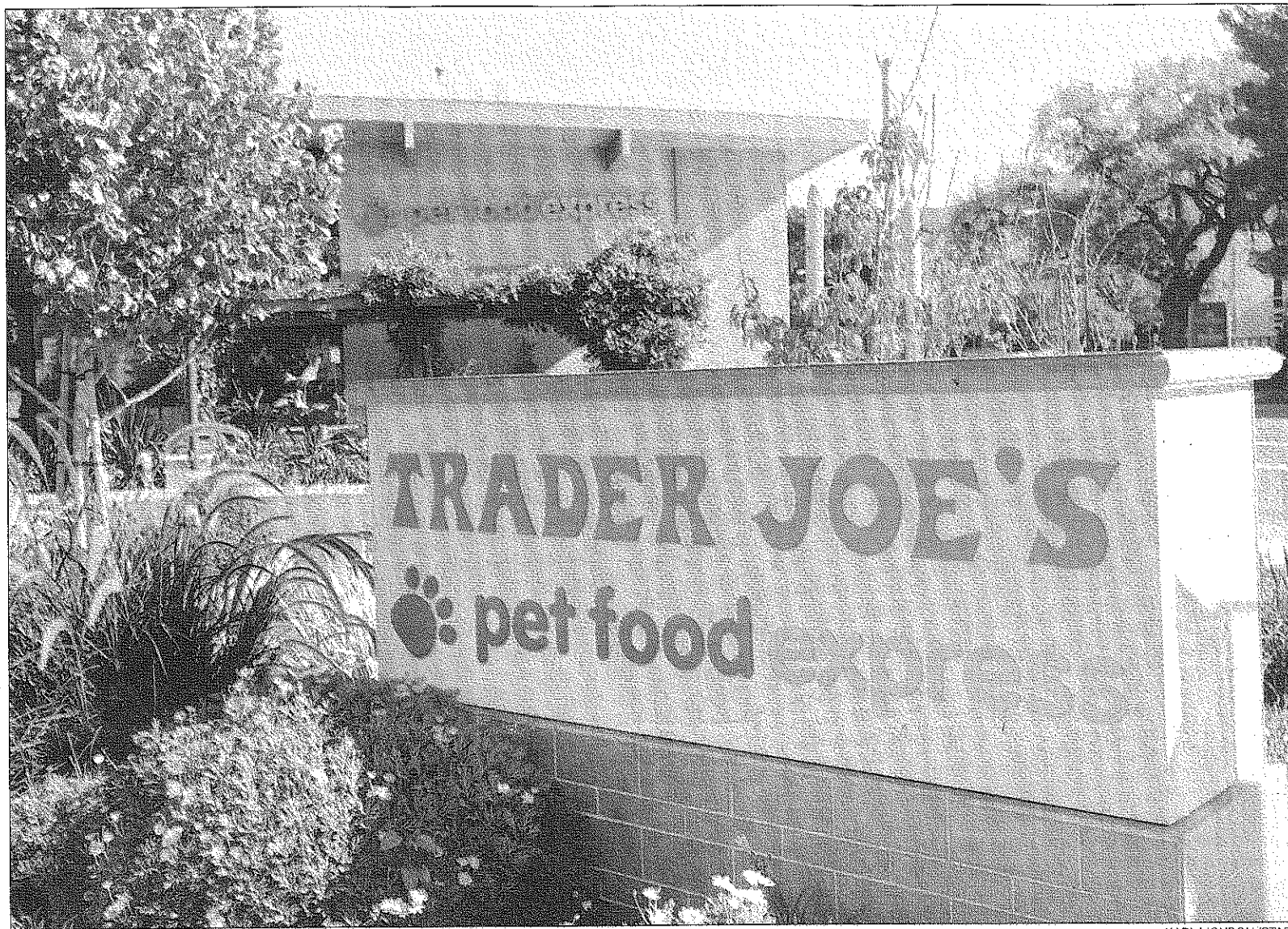


“A lot of retailers are being able to get into good locations at much lower prices. Landlords are being more realistic about the rents they want.”

— Curt Scheve, commercial broker, Colliers International



KARL MONDON/STAFF

Pet Food Express is opening its latest store in the old Elephant Pharm location on South California Boulevard in Walnut Creek. The pet products company has chosen the high-priced location because it's betting people will take good care of pets despite financial woes.

Bay Area retailers in expansion mode

■ Real estate bargains beckon many stores looking to grow

By George Avalos

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A number of retailers have defied the glum economy and are opening new Bay Area locations amid the tough times. Some are low-cost merchants that cater to those on tight budgets. Others don't typically fit into a discount category.

“A lot of the retailers who are expanding do well in recessions,” said Stevan Buxbaum, an executive vice president with Buxbaum Group, an Agoura Hills-based retail appraisal and consulting firm.

Yet most, if not all, of the retailers that are expanding are doing so because they can parlay attractive land or building prices brought on by a commercial real estate slump into property purchases or affordable rents.

“This is a chance to increase market share at the expense of

their competitors,” said Steve Cutter, president of Lockhouse Retail Group.

Who's expanding and opening stores locally? Here's a sampling:

■ 99¢ Only Stores is launching a Fremont store at a former Smart & Final site.

■ Pet Food Express has opened in downtown Walnut Creek at a former site of the now-defunct Elephant Pharm retail chain.

■ Costco Wholesale Corp. is opening a warehouse store in Hayward.

■ BedBath&Beyond has moved into a former Linens 'n Things store in Vallejo.

■ Home Concepts Furnishings has opened a furniture store in Pleasant Hill.

■ Marina Foods is opening one of its Asian grocery stores in Fremont.

■ Seafood City has opened a supermarket and retail complex in Concord in a store location once operated by the failed Circuit City.

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firm.

■ Citi Trends has opened a discount apparel and retail store in downtown Oakland.

“We are focused on value and giving good bargains to our customers,” said Jeff Gold, president and chief operating officer with 99¢ Only Stores. “Our approach is very much in fashion in these economic times.”

99¢ Only is offering a variety of items for less than \$1 at the new store it will open at a former Smart & Final store in Fremont, Gold said.

“Over half of our items are true consumables,” Gold said. “We are offering produce, food products, beverages, hardware, sporting goods, toys, gift items, everything for a dollar and under.”

Some of the growing retailers are confident enough in their expansion efforts that they bought the sites they are entering.

99¢ Only paid \$3.2 million for the 17,000-square-foot building it obtained in Fremont. Elsewhere in Fremont, Marina Foods paid \$4.5 million for a 30,000-square-foot building. And in Concord, a

partnership affiliated with Seafood City paid \$10.4 million for a 63,000-square-foot building.

The prices for those retail buildings range from \$165 to \$188 a square foot.

Earlier this year, some retail properties in downtown Walnut Creek traded for around \$400 a square foot.

In contrast at the height of the retail and commercial property boom of a few years ago, investors were paying \$500 to \$700 a square foot for retail buildings in Walnut Creek's posh downtown.

“A lot of retailers are being able to get into good locations at much lower prices,” said Curt Scheve, a Colliers International commercial broker. “Landlords are being more realistic about the rents they want.”

Some merchants believe they can steal a march from their foes by jumping into sites in a downbeat economy.

“The furniture segment has emptied out to some degree,” Scheve said. “More nimble local operators, which is what Home Concepts is, are able to come in and fill the void and gain market share.”

That was the case with Bed, Bath & Beyond, which capitalized on the implosion of a big rival.

“Bed, Bath & Beyond is expanding because Linens 'N Things went away,” Buxbaum said. “They have less competition and are staking out some territory.”

Even some categories that could be classified as discretionary are seeing expansion.

Pet Food Express is betting that through thick and thin, people will make sure they take care of their pets. That's one reason the retailer likes the idea of going into a high-priced locale such as Walnut Creek.

“People love their pets and we are all about taking care of pets,” said Michael Levy, president of San Leandro-based Pet Food Express.

Pet Food Express is eyeing even more growth.

“We are in negotiations with a number of other sites in the Bay Area,” Levy said.

The pet store attempted to land the site about three years ago, but Elephant Pharm grabbed it first. Elephant Pharm's failure offered a chance that Pet Food Express didn't miss.

“These expanding retailers are being opportunistic,” Cutter said.

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