

## IN THIS ISSUE:

- ▶ Bayer HealthCare to occupy space at the UCSF Mission Bay campus.
- ▶ Bay Area home sales decrease year-over-year; median sales price up nearly 22 percent from April 2009.
- ▶ San Francisco's Parkmerced apartment complex is close to defaulting on loans worth \$500 million.
- ▶ Tesla Motors will use the vacated NUMMI factory to build its Model S electric sedan.
- ▶ Hewlett-Packard recorded profits of \$2.2 billion in the second quarter of 2010.

## ECONOMY

▶ German pharmaceutical giant **Bayer HealthCare** is expected to move into a space near the **UCSF Mission Bay** campus, filling the void left when **Pfizer** decided not to use San Francisco as its biotech hub. The Bayer location will house a U.S. Innovation Center at 455 Mission Bay Blvd. South; 65 researchers from Bayer's Richmond facility will be relocated to staff the new Mission Bay location. While Bayer will only occupy half of the space that Pfizer was slated to use, the other half will be taken up by **Nektar Therapeutics**, a San Carlos-based biotech firm. Regis Kelly, director of the UC-sponsored research center **QB3**, feels that more biotech companies may be looking to invest in Mission Bay as the economy improves. The Innovation Center will be the second large investment that Bayer has made in the Bay Area recently; the company decided last September to spend in excess of \$100 million over four years to update a facility in Berkeley.

(SFGate.com, May 17, 2010)

▶ **Chevron Corp.** has announced that it will cut nearly 1,000 jobs in the East Bay as part of a previously announced restructuring plan. The company will cut 620 jobs from its San Ramon headquarters, and another 305 jobs will be eliminated from its Concord offices; there have been no announced layoffs at Chevron's Richmond refinery as part of this round of cuts. These cuts come as part of a plan announced in January to restructure its refining and marketing operations which – despite the rising price of oil – have struggled to maintain profitability.

(SFGate.com, May 14, 2010)

## REAL ESTATE MARKET

▶ San Francisco's **Parkmerced** apartment complex is expected to announce that loans on the property are in default, joining a growing group of properties that have been affected by the recent real estate collapse. Real estate analysts estimate the loan amount to be approximately \$500 million, most of which is due in October of this year. According to Seth Mallen, an executive vice president with **Stellar Management** (a co-owner of Parkmerced), the property and its lenders have started conversations with a company that specializes in handling defaulted loans in order to support the loan payments. This announcement comes shortly after Parkmerced proposed a \$1.3 billion expansion plan to replace its townhouses with 7,000 new units.

(SFGate.com, May 25, 2010)

# San Francisco Bay Area Market Notes

## REAL ESTATE MARKET (CONT.)

► Decreased activity in lower-cost areas drove the nine-county Bay Area's April home sales below the year-ago level but more sales in the high-end areas helped buoy the median sales price, according to **MDA DataQuick**, a San Diego-based real estate tracking firm. Slightly more than 7,000 homes and condos closed escrow in the Bay Area in April 2010, up by 0.2 percent from March but down by 1.9 percent year-over-year. Only 368 newly constructed homes were sold in April, the lowest such mark for an April since 1993. While some of April's activity may have been deferred until May as buyers decide to use the California state tax credits for new home buyers, a season of uncertainty is entering the Bay Area's housing market, according to John Walsh, president of DataQuick. According to Walsh, "The housing market will gradually be decoupled from government stimulus and be on its own again." Walsh also feels that factors such as continued unemployment, the possibility of more distressed properties entering the market and rising interest rates could hinder any further recovery. Despite these challenges, Bay Area buyers are increasingly interested in high-value homes as evidenced by the April 2010 median sales price of \$370,000, up by 21.7 percent from April 2009 (but down 2.6 percent from March). Analysts feel that the median price would be higher if high-end financing such as "jumbo" loans and adjustable rate mortgages (ARMs) were easier to obtain (although high-end financing restrictions have loosened a bit in the recent months).

(MDA DataQuick, May 20, 2010)

BAY AREA HOME SALES				
COUNTY	Median Price Paid		Sales Volume	
	(ALL HOMES)	% CHANGE	(ALL HOMES)	% CHANGE
	APRIL 2010	VS. APRIL 2009	APRIL 2010	VS. APRIL 2009
Alameda County	\$350,000	21.0%	1,319	-9.5%
Contra Costa County	\$273,000	21.3%	1,635	-3.8%
Marin County	\$659,000	12.6%	245	40.8%
Napa County	\$335,000	6.3%	104	5.1%
San Francisco County	\$692,500	10.2%	428	6.5%
San Mateo County	\$580,000	11.5%	556	25.2%
Santa Clara County	\$489,000	20.7%	1,656	3.1%
Solano County	\$202,000	12.2%	591	-17.6%
Sonoma County	\$318,000	9.7%	469	-13.3%
<b>Total Bay Area</b>	<b>\$370,000</b>	<b>21.7%</b>	<b>7,003</b>	<b>-1.9%</b>
California	\$255,000	15.4%	37,481	-1.3%

Source: MDA DataQuick, May 20, 2010

► Between \$22 million and \$25 million in grants and funding will be coming to support Bay Area housing initiatives, courtesy of the **Ford Foundation**. The funding is part of a \$200 million commitment to nationwide metropolitan areas in the hope that the projects funded will be models to other communities. The Bay Area's portion of the funding includes \$12 million to \$15 million in grants, with another \$10 million going towards low-cost loans or other financing options. The money, which will be awarded over the next five years to specific projects, will also help to fund 25 proposed transit villages around BART stations and transportation hubs.

(San Francisco Business Times, May 18, 2010)

# San Francisco Bay Area Market Notes

## RETAIL

► **Tesla Motors** is joining forces with Toyota Corp. to buy the recently shuttered **NUMMI** auto plant in Fremont. The \$50 million investment from Toyota will allow Tesla to use the facility to build the **Model S**, a \$50,000 electric sedan scheduled to be released in 2012 (Tesla has plans to build as many as 20,000 Model S units per year). The two companies also plan to build a Toyota automobile with a Tesla drive-train, which would go to market before the Model S. The re-opening of the NUMMI plant is expected to bring hundreds of jobs to Fremont, as Tesla is hiring approximately 50 people per month (including former NUMMI workers) and expects to have 1,000 workers in Fremont in the next several years; nearly 4,700 unionized auto workers were laid off when the auto plant closed. Tesla will pay approximately \$42 million for the NUMMI facility, but will use \$465 million in previously secured federal loans to open the plant; the \$50 million will be paid to Tesla after its initial public offering.

(San Francisco Chronicle, May 21, 2010; SFGate.com, May 27, 2010)

MAKE OF VEHICLES OWNED/LEASED						
	2007		2008		2009	
	SF DMA Adults*	Market Share	SF DMA Adults*	Market Share	SF DMA Adults*	Market Share
<b>Vehicles Owned/Leased</b>	<b>5,513,500</b>	<b>100%</b>	<b>5,584,400</b>	<b>100%</b>	<b>5,637,100</b>	<b>100%</b>
Toyota	1,360,800	25%	1,592,500	29%	1,637,500	29%
Honda	1,020,600	19%	1,208,100	22%	1,200,000	21%
Ford	1,223,500	22%	1,162,800	21%	1,010,600	18%
Chevrolet	769,800	14%	720,300	13%	890,500	16%
Dodge	448,000	8%	425,800	8%	442,400	8%
Nissan	348,700	6%	400,300	7%	386,400	7%
BMW	292,800	5%	246,200	4%	309,100	5%
Lexus	263,600	5%	235,200	4%	298,300	5%
Acura	219,700	4%	247,600	4%	287,400	5%
Volkswagen	283,300	5%	237,200	4%	245,500	4%

\*SF DMA adults in households that own/lease specified vehicle makes

2007 Total Market Adults = 5,513,500; 2008 Total Market Adults = 5,584,400; 2009 Total Market Adults = 5,637,100

Source: Scarborough Research, July 2007-2009

► **Tastes on the Fly**, a San Mateo-based boutique airport restaurateur, has selected **Equator Coffees & Teas** to be the featured coffee retailer for its new location in **San Francisco Airport's Terminal 2**. Equator will be featured at **Napa Farms Market**, a Ferry Building-style marketplace within Terminal 2, and will be Equator's first retail store in its 15-year history. Michael Levine, Tastes on the Fly's founder and COO, feels that Equator's commitment to sustainability makes it an excellent partner, since Terminal 2 is receive the Silver Leadership in Energy and Environmental Design certification from the U.S. Green Building Council. Napa Farms Market is scheduled to open in Spring 2011.

(SustainableIndustries.com, May 27, 2010)

# San Francisco Bay Area Market Notes

## RETAIL (CONT.)

► **Equity Office**, the landlord of the **Ferry Building Marketplace**, have created seven new kiosks for retail "niches" to be leased by current tenants and developing businesses. Charles Phan, executive chef of **Slanted Door**, will open a kiosk to sell housemade stocks, dressings and wholesale spices. Other tenants occupying the kiosks will be: **Beekind** (honey); **Benedetta** (skin care); **Mariposa Baking Company** (an Oakland-based, gluten-free bakery); **Pepples Donuts** (vegan donuts); and **El Porteño Empanadas**. The niche spaces are scheduled to open across from **Out The Door** and **Sur La Table** by June 1, 2010.

(SFGate.com, May 18, 2010)

## TECHNOLOGY

► Palo Alto-based **Hewlett-Packard (HP)** beat analysts' estimates after reporting sales of \$30.8 billion in the second quarter (net profits rose to \$2.2 billion from \$1.72 billion in the same period last year, an increase of 28 percent). HP credited increased PC sales along with companies phasing out older servers and purchasing new ones as the reasons for the dramatic profit increase (PC sales make up half of HP's sales). Industry analysts predict that HP's good fortunes will continue, as global spending on information technology is forecasted to rise by five percent in 2010 (HP is the world's largest IT supplier). HP has also been in the news in recent months for its acquisition of **Palm Inc.** and the pending release of **Slate**, HP's tablet PC.

(San Francisco Chronicle, May 19, 2010)

## MARKET NOTABLES

Quick Facts about the San Francisco DMA

	Market Adults	% of Adults
San Francisco DMA Adults	5,637,100	100%
<b>Places Visited Outside the Continental U.S.*</b>		
Hawaii	1,169,900	21%
Other Mexico	681,100	12%
France - Germany - Italy	656,200	12%
Vancouver, B.C.	437,400	8%
Other Europe	431,100	8%
Japan - China - Far East	427,300	8%
Puerto Vallarta - Mazatlan	424,400	8%
Baja - Cabo San Lucas	413,300	7%
England - Ireland - Scotland - Wales	386,500	7%
Other Canada	374,100	7%
Other Asia	355,100	6%
Alaska	326,700	6%
Cancun - Cozumel - Yucatan	276,600	5%
Other Caribbean	257,500	5%
Central or South America	202,800	4%
Other place outside continental U.S.	159,500	3%
Bahamas	152,400	3%
Australia - New Zealand	123,500	2%
Middle East	87,200	2%
Africa	78,500	1%

\*Past three years

Source: Scarborough Research, July 2009