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"We're always looking at expanding," says Numi Tea CEO Ahmed Rahim, who seeks a new HQ.

Food fuels East Bay

Companies feast on cheap space for expansions

BY **ILANCA TORRES**
San Francisco Business Times

Once the home to major food-making factories, the East Bay now nourishes specialty food makers looking to expand despite the recession. The region's industrial market is suffering one of its worst slumps in recent years, but food

manufacturing and distribution companies still maintain a healthy appetite for growth. "The food makers have been under the radar and not hit as hard," said Jesse Lucas, a broker with Lee & Associates in Oakland. "The real stable food companies are using this time to expand and lock in good leasing rates."

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Virgin America gaining altitude

Five more cities on airline's radar

BY **ERIC YOUNG**
San Francisco Business Times

After slowing growth for a year, Virgin America Inc. plans to expand the number of cities it serves by as much as 50 percent starting in 2010.

The airline's executives are considering five cities for new service: Atlanta, Dallas, Austin, Toronto and Vancouver, B.C. Virgin America flies to nine cities currently and in November will begin serving its tenth city, Ft. Lauderdale, Fla.

The low-cost airline slowed expansion last year as the global economy entered free fall. Now, Virgin America's improved financial performance and desire to grow revenue spurred its renewed push into new cities.

The 2-year-old company, based in Burlingame, has not turned a profit. But it is filling its planes, selling more than 84 percent of its seats in May, the latest month available. That is slightly better than all U.S. airlines as a whole. Its first-class seats are selling at about the

BY THE NUMBERS

The Burlingame-based airline has boosted sales and lowered cost per mile ...



... but losses continue to mount.



Note: Data represent the 12 months ending in March of each year. SOURCE: U.S. Department of Transportation.

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THE NEWS 43

EAST BAY: Broker: 'Lately, it seems as if 3 out of every 4 deals is food-related'

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Lucas just represented Chef's Warehouse, a company that provides gourmet food products to restaurants, in a deal to lease 40,000 square feet at 31177 Wiegman Road in Hayward. The lease is an expansion for the firm, which operates globally and has an office in San Francisco.

In Oakland, Numi Tea — which expects to double its revenue in the next five years — currently leases about 30,000 square feet and is seeking new space between 50,000 and 70,000 square feet to move to within two years.

"We're always looking at expanding and we're always looking to stay in Oakland," said Ahmed Rahim, CEO and co-founder of the 10-year old company. The firm specifically wants a facility that is sustainable and environmentally friendly.

The East Bay has a long history with food makers going back more than 100 years, but many of the big names, such as Kellogg's and Granny Goose, packed up years ago. Smaller specialty firms such as Numi, Sugar Bowl Bakery, Blue Bottle Coffee and DoBake Bakery have since moved into the region.

"The Bay Area has a deep food culture, and a lot of the producers that want to be here like Peet's Coffee or Semifreddi's," said Joe McManus, a broker with Cushman & Wakefield, who worked on DoBake's 120,000-square-foot lease in Oakland two years ago. "They want to be close in. They want to visit their customers in local areas."

The East Bay has the industrial space, qualified workforce and easy access to



Owner Andrew Ly's Sugar Bowl Bakery is one of the East Bay's sweet success stories.

other parts of the Bay Area that attracts food-producing companies, said Brent Meyers, president and CEO of the Corporation for Manufacturing Excellence (Manex), a San Ramon-based consulting firm.

In the past, the East Bay's proximity to the Port of Oakland and sources of raw materials for food products made it a prime location for large-scale manufacturing, said Keith Sutton, business development director with the East Bay Economic Development Alliance.

Like the rest of the East Bay's manufacturing industry, Sutton said, food-making operations have become much more specialized.

Manufacturing jobs in the East Bay have

shrunk by 25 percent to 87,900 in July 2009 from 116,500 in July of 2000, according to the California Employment Development Department. Despite the decrease, food manufacturing jobs still make up 19,300 or 22 percent of the manufacturing industry's total East Bay workforce.

"What's here now are specialty food manufacturers and food that has been consumed quickly and has a short shelf-life," Sutton said. "A lot of the manufacturing that's done here is because the market's here or because the companies have a trained workforce."

Many of the East Bay's newcomers are growing. Santos Spice Co., an importer and wholesaler with a focus on Indian and Asian products, bought a 26,400-square-

foot warehouse in Hayward earlier this year. The San Leandro-based company has more than 200 customers in the Western U.S. and expects to go nationwide.

Revolution Foods, a provider of healthy school lunches, moved into a 21,000-square-foot facility in Oakland last fall. Its revenue has grown to more than \$10 million during the 2008-2009 fiscal year compared with \$7.15 million the year before.

Asian-themed retailer 99 Ranch recently paid \$2.5 million for a 34,500-square-foot warehouse at 2821 Faber St. in Union City to serve the Southern California retailer's growing store count in the Bay Area. The chain has 10 stores here and two in development in Concord and Pleasanton.

Demand for food products made locally, ranging from artisan bread to gourmet desserts, has stayed strong.

"Food manufacturers are pretty much the only manufacturing segment that's held up during the current economic downturn," Meyers of Manex said.

Sectors such as furniture makers or manufacturers with ties to the NUMMI auto plant in Fremont have been pulling back significantly, said Joe Fabian, a broker with Cornish & Carey, leaving plenty of space for other users such as food makers, which have "been very consistent."

Fabian said landlords have also cut lease rates significantly, making it easier for tenants to commit.

"Lately, it seems as if three out of every four deals is food-related," Fabian said. "Even in a recession or bad times, people still need to eat."

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