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San Luis Obispo holds its own in commercial real estate market

While San Luis Obispo was busy weighing the pros and cons of a possible Target or an Ernie Dalidio development, Lee & Associates released its commercial real estate update, which showed that vacancy is actually down 33 percent from a year ago. The commercial vacancy rate for San Luis Obispo County is relatively small at just 5.2%. Representatives of Lee & Associates said the county is holding its own in the commercial department, despite the fact that there are about 500,000 square feet of vacant commercial space from Goleta to San Luis Obispo. Illustrating Lee's point are loads of new tenants lining up almost weekly to move into vacant spaces in SLO proper. Clarice Clarke of Lee & Associates said health food store New Frontiers will be taking over the old Circuit City space in the Irish Hills Plaza across the street from the proposed Target. It's not clear yet if New Frontiers is relocating to the 30,328-square-foot space or simply adding a second location. A popular clothing store will be moving in next door at the former Linens N' Things, and Steve Leider also hinted that Chipotle may be the next restaurant to hit the downtown area. "These tenants can be pickier," Clarke said. "The lease rates right now are good, and they're more cost-conscious." Leider said that the "market activity is back to 2004-05 levels" in the county. For the past four years, he said, the city has seen an annual average of 2 percent commercial growth. "The freefall is stopping," Leider said. "It's slowing down."