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## Walnut Creek feels like a million

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When Tiffany and Co. opened in downtown Walnut Creek in 2003, the city attained star status as an up-and-coming urban community beginning to rival San Francisco with its shopping and dining choices.

Now, Walnut Creek is upping the ante with luxury condominiums for people who want an urban atmosphere in a suburban area, priced as high as \$1.3 million.

"Who'd have thought that you'd be paying \$1 million for a condo in downtown Walnut Creek?" Mayor Sue Rainey said with a laugh. "I think that is a stunning surprise."

Although the housing market is considered to be slumping, the Mercer luxury condo project under construction on North California Boulevard is defying the odds by selling 17 of its 23 three-bedroom units, costing \$1.1 million to \$1.3 million, before they're even built. The project expects to open in the fall.

"The pricing is consistent with the demand for this type of living experience," said developer Jon Moss, senior vice president of Prometheus Real Estate. "It's a very unique environment. The retail in Walnut Creek is second to none in the East Bay."

Similar San Francisco condos cost about twice as much per square foot as the Mercer, Moss said.

Danville residents Ron and Jeanne Pearl are planning to sell their four-bedroom, three-bathroom, 2,400-square-foot house for at least \$1 million and move to a three-bedroom, 2.5 bathroom, 1,714-square-foot top floor, corner condo in the new Mercer. They don't need a huge house now that their children are grown and they're excited about walking to the Leshner Center for the Arts, as well as their favorite shops and restaurants and BART, they said.

"I'm looking forward to an eclectic mix of neighbors," said Jeanne, 60, who works in real estate marketing. "We've met several neighbors who are young couples, others more our age or singles that like the urban environment. But it will be an adjustment, because we haven't lived in a space like that for over 30 years with shared walls."

The only other new development in Walnut Creek selling \$1 million homes is Kinross Terrace. With 12 single-family homes ranging from 2,275 to 3,124 square feet, it offers an entirely different living experience than the Mercer and appeals to families who want space and privacy near the Diablo Hills Golf Course and Heather Farm Park, instead of urban hubbub. Although some families have already moved in, a few homes are still in the final stages of construction.

"Our per square foot price is fairly close to most of the nicer homes out in the Northgate and Arbolado area," said sales manager Terry Whittaker. "People like our location because it's within walking distance of one of the most beautiful parks in the city and it's also very secluded."

Like the Mercer, Kinross Terrace is not suffering from the sales slump seen in other real estate markets. The project sold seven homes before construction was completed, partially because Walnut Creek is a desirable community with great schools and not much land left to build on, Whittaker said.

In the Bay Area, about 7 percent of the total households -- or 145,391 -- are wealthy enough to purchase million-dollar homes at fixed interest rates, said Matthew Anderson of Foresight Analytics. Another 31,653 households could buy \$1 million homes using adjustable rate mortgages, bringing the total affordability to 8 percent.

That grows to 11 percent when you throw in buyers who can come up with 30 percent down payments -- largely through selling existing homes -- combined with adjustable rate financing, Anderson said.

"In Walnut Creek, the price point is high by national standards," he said, "but not quite as high as San Francisco or even downtown San Jose."

In fact, Walnut Creek looks like a bargain when compared to some other parts of the country and the world. The Mercer's highest priced condos sell for \$758 per square foot, but a square foot costs \$1,000 to \$1,500 in San Francisco, up to \$2,000 in New York City, \$2,300 in London and \$2,500 for luxury condos in Hong Kong, Anderson said.

The higher the square footage, the higher the price per square foot in high-density areas such as Hong Kong, where space is at a premium, he said. This has led to what some are calling "super luxury" condos commanding \$5 million and more for 2,000 to 2,500-square-feet.

But Walnut Creek is not Hong Kong or London. And although it has attracted some chic stores and restaurants, it's not San Francisco or San Jose either, said developer Mike Kriozere of San Diego-based Urban West Associates.

A high-rise luxury condo developer of projects up to 55-stories tall in San Francisco, San Jose and San Diego, Kriozere said there is a growing market for million-dollar units, but he's not worried about competition from projects such as the Mercer. One million dollars will buy a two-bedroom, two-bathroom condo in all three of his projects, but it would be in the lower third of a San Francisco high-rise and in the top half of a high-rise project in San Jose or San Diego, he said.

"Walnut Creek is a very nice suburb," he said. "It's very different."

Since the Mercer is only four stories high, Kriozere said, it can't rival the spectacular views his condos provide. Also, Walnut Creek is 40 minutes from downtown San Francisco, which has a more vibrant business center and a much larger selection of restaurants, nightclubs, retailers, theaters, museums and performing arts and sports venues.

Yet, Kriozere said there is a trend toward building upscale condos downtown near transit in other suburban communities such as Woodside, Atherton and Los Gatos. These appeal to singles who work in the area or empty-nesters who have friends in the community and don't want to leave and move to a big city, he said.

"There's a place for both," Kriozere said. "They're just people that are looking for something different."

Ron Pearl said he and his wife looked at condos in San Diego before deciding to purchase a unit in the Mercer. A 62-year-old retired regional claims manager for an international insurance company, Pearl said he's looking forward to locking his door and traveling, without having to worry about home maintenance or security.

And although he likes Walnut Creek, Pearl said he'd like to see more luxury condos stretching even higher into the air, enhancing the city's urban feel. But Walnut Creek voters quashed that idea decades ago, when they set height limits ranging from 20 to 89 feet across the city, making six-story buildings seem like high-rises.

Rainey said she's happy the Mercer is attracting buyers, but she doesn't anticipate it will spur a slew of similar luxury projects.

"For the most part, we're looking to satisfy a broad spectrum of the housing needs of our citizens, with some for seniors, some affordable and what I would call market rate units," she said. "We're not wanting to be the Mecca for million-dollar condos."

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