



ARE THE TAPS HERE TO STAY?

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A “perfect storm” of sorts has led to the craft brewery phenomenon throughout our nation, with particular success in San Diego County. Several factors have led to the growth of this seemingly unstoppable industry such as Stone Brewing’s leading success and principles, the expanding Innovation Hub in Southern California, the developing palates of “Gen Y”, and the overseas attraction to our popular potions.

Most new craft breweries lease facilities while providing a particular local charm and range in size from 1,000 SF to 8,000 SF. However, this size is quickly outgrown as the industry evolves and the best, brightest and tastiest begin adding farm to table fare, bottling, canning, distribution, and most recently, overseas distribution. As a result we are seeing many small craft breweries evolve from small leasing tenants to larger property owners or occupiers.

The largest of our craft brewing commercial property owners is, not surprisingly, Stone Brewing with Greg Koch at the helm. His passionate and very successful 18+ year run of Stone set the initial stage for the positive craft brew sensation in North San Diego County. With roots beginning in an obscure 7,100 SF facility in San Marcos, Stone has developed into one of the major property owner/users in North County. In the Escondido area alone, Stone’s commercial real estate occupancy stands at nearly 260,000 SF, the majority of which they own. Stone also has plans for a 50 room hotel on Citracado Parkway in Escondido, and they are in negotiations for a 128,531 SF operations facility in Vista. Their 22,000 SF Liberty Station facility in Point Loma contains a restaurant, retail store and 10 barrel system. They also operate tap rooms in Oceanside, South Park and the San Diego Airport. In addition to their other US facilities, Stone is on the way to becoming the first American company to own and operate a craft brew operation (20,775 SF in Berlin), in Germany. At present, Stone occupies approximately 300,000 SF of commercial real estate throughout San Diego County.

Other notable North County commercial occupier/owners in our beer enthusiast community are:

- Lost Abbey (Stone’s Sister Brew House) in over 25,000 SF in San Marcos, with plans to expand to a 100,000 SF facility in the next few years
- Daniel Love’s Mother Earth, which occupies approximately 20,000 SF in Vista consisting of their brew house facility, the very popular downtown tasting room and neighboring home brew supply store
- Pizza Port with their 37,000 SF Bressi Ranch flagship facility plus their Carlsbad, Ocean Beach and Solana Beach pizza pubs
- Belching Beaver, which currently occupies 10,000 SF, plans to expand into a 6,000 SF building in downtown Vista
- In Oceanside, Jeff Bagby (a former Pizza Port brewer) just launched Bagby Beer Company, an approximately 8,000 SF craft beer/pub compound

Several big names in the mid-county include:

- Alesmith, which currently occupies 20,000 SF in Miramar as well as a new 105,600 SF leased building (80-barrel brew house) scheduled to open early 2015;
- Ballast Point, which occupies a 9,000 SF brew pub in Little Italy, and a new, state of the art, 107,000 SF craft brew location also in the Miramar area;
- And Green Flash Brewing Company, which occupies 45,000 SF in Mira Mesa and has recently confirmed that they have leased a new 12,275 SF site in Poway.



It's also no secret that San Diego is known as an *innovation hub*, which includes many bright, collaborative and enthusiastic entrepreneurs, exemplified by the craft brewers throughout the county. These talented and ambitious devotees are accelerating an "open-source" craft that is in line with the common culture of San Diego. Craft brewers and craft beer enthusiasts have been, and continue to be, pioneers in developing a culture that contributes to the enjoyment of our city and has added a draw for tourism that only benefits our market. With a collaborative spirit and passion aimed at this incredibly creative part lab/part culinary skill, it's no wonder that craft breweries have carved their very own important niche.

As craft breweries look to make their mark overseas, they turn to efficient and expedient methods to distribute their prized beers to foreign countries, while incorporating cost efficiency. Many, such as Pizza Port, Iron Fist, Saint Archer, Manzanita, Mission, Ballast Point and Hess are exporting internationally. For overseas shipping, each of these companies is either bottling and/or canning their brew, canning being the more efficient means in providing a longer shelf life. The desire to expand into foreign countries, with their anticipated appetite for our celebrated craft brews, is one of the factors that drives craft breweries to increase their commercial real estate footprint. Other factors include crowd popularity with their beer offerings, local and national distribution, and a desire to expand their business to include food components.

With varying, year-round craft brew activities, beer aficionados are rarely left without an event to revel in and this fact is not lost on the "Gen Y" multitudes. Gen Y's have been fortunate enough to come of drinking age in the midst of a craft brew revolution and have, in turn, developed their drinking palates on some of the world's best brews. Most brew tasting rooms have excellent social, creative vibes that appeal to many in the Gen Y crowd. As this younger generation develops their sophisticated palate on premium craft brews, there is promise that they remain lifetime customers.

With a current count of 93 brew houses throughout San Diego County, craft breweries account for over 1 million square feet of occupied commercial property, providing a seemingly endless supply of tap experiences.

This is a sensation that is here to stay and will continue to touch the commercial landscape of our suburban-urban county for decades to come. As Craft Breweries evolve and grow their footprints the Taps will remain.

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