

THURSDAY, OCTOBER 15, 2009 000 SECTION C

BUSINESS

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<ul style="list-style-type: none"> ▲ Dow +14.80 (10,015.86) ▲ S&P 500 +18.83 (1,092.02) ▲ Nasdaq +32.34 (2,172.23) ● Dollar \$1.00 = ¥89.33 & 0.670 ● Gold -0.30 (\$1,064.70) ● Silver +0.068 (\$17.91) 	<ul style="list-style-type: none"> ● Oil +1.03 (\$75.18) ● Fed. funds unchanged (0.12%) ● 30-year bonds +0.07 (4.27%) ● 30-year fixed rate mort. 4.87% ● 1-year T-bills 0.39% ● 10-year note +0.07 (3.42%)
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CVS selling Longs offices

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 Contra Costa Times

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WALNUT CREEK — CVS Caremark Corp. is hanging on to nearly every drugstore it obtained through its \$2.84 billion purchase of Longs Drug Stores Corp., but it's a different story for several East Bay offices CVS inherited through the deal.

Two office buildings, the former Longs headquarters in downtown Walnut Creek and a Longs subsidiary office complex in Antioch, are up for sale. And CVS is attempting to sublease an old Longs building in the Shadelands business park.

The CVS purchase of Longs was great news for the company's retail employees, due to the dearth of store shutdowns following the transaction. The aftermath was far more grim for non-retail employees. CVS eliminated about 860 office and administrative Longs jobs in the East Bay at the end of 2008.

Those cutbacks made the buildings surplus properties that CVS doesn't want to keep.

Here is what CVS seeks to unload or lease, according to the Jones Lang LaSalle commercial property brokers who are handling the asset dispositions:

- An 80,000-square-foot building at 141 N. Civic Drive in Walnut Creek is up for sale. That's the former headquarters of Longs.
- A 54,000-square-foot building at 5065 Deer Valley Road in Antioch is on the sales block.
- A 51,000-square-foot building at 575 Lennon Lane in Walnut Creek is being offered for sublease.

Brokers involved in the sales or sublease discussions wouldn't comment about possible prices. But some market watchers believe the two buildings that are up for sale might fetch \$135 to \$140 a square foot. A year ago, the Walnut Creek headquarters building would likely have been worth as much as \$275 a square foot.

That would put a value of \$11 million on the larger downtown Walnut Creek building and a price of \$7 million on the smaller Antioch building, if they sold today.

"We've been getting better interest in the downtown Walnut Creek building than I would have expected, given today's economy," said Larry Bell, a broker with Jones Lang. A wide range of suitors has emerged for the former Longs headquarters.

"We are getting interest from residential developers, commercial developers, we have even had some retail development interest," Bell said.

An offer has been made on the downtown Walnut Creek building as well as the Antioch building, he added. CVS was evaluating the purchase offers.

Some tenants are eyeing a rental of the Longs sublease space in the Shadelands, said Kevin Mishelke, a Jones Lang LaSalle broker.

"We have had some interest," Mishelke said. "But the Shadelands has always been a sleepy submarket of the North 680 Corridor."

Medical uses have emerged lately as viable operations to occupy space in the Shadelands, located northeast of Walnut Creek's downtown.

The attempt to sell the buildings will have to confront the reality of a commercial real estate market whose values have plummeted for more than a year, said Ed Del Beccaro, a senior managing partner with Colliers International, a commercial realty firm.

"Price points for buildings have fallen month by month since September 2008 when the meltdown began," Del Beccaro said. "We expect them to fall an additional 10 to 15 percent" for another six to nine months.

Nevertheless, CVS doesn't have to be in a rush to sell the buildings.

"The properties that are selling now are primarily distressed properties, because the bank is under pressure to sell them," Del Beccaro said. "CVS has the luxury of not having to sell the Longs buildings. They are not distressed properties."

Timing is the key factor in the fate of the buildings.

"In ordinary times, the downtown building would be a gem," Weil said.