

# SKYRISE SPOTLIGHT SAN FRANCISCO


**CUSHMAN &  
WAKEFIELD**

Cushman & Wakefield is pleased to provide this *Skyrise Spotlight* on San Francisco, a snapshot of land development trends and activity for high-rise properties. San Francisco is highly sought after by both institutional and private capital investors, largely due to its high tech and financial service occupiers. With its stunning scenery, views, and geography, San Francisco is visited annually by about 25 million tourists, including about 6 million business visitors. Let's start with some numbers:

**Unemployment Rate  
in San Francisco:**

**2.1%**

**Office Vacancy Rate  
in San Francisco:**

**7.7%**

**Average Two-Bedroom  
Rental Rate in San  
Francisco:**

**\$4377/MO**

**Office Market Size  
in San Francisco:**

**82 MSF**

**Average Office Asking  
Rate in San Francisco:**

**\$75.74 PSF**

**Median Home Price  
in San Francisco:**

**\$1,325,600**

San Francisco's distinction of having the nation's highest median home price and residential rental rates is well known, but new development forges on despite evidence that many San Franciscans have had enough. Developing high-rises in San Francisco, is, in a word, a "bloodsport." In 1986, in response to a then-booming economy and a fear of "Manhattanization" of the Financial District of San Francisco, voters passed Proposition M which limits the annual construction of office space to 950,000 square feet per year. This is divided between 875,000 square feet for large projects and 75,000 square feet for small projects under 50,000 square feet. The space under the cap accumulates during economic downturns, when there is little incentive to build. However, during boom times, like the current one, developers are crawling over one another to create homes for companies willing to pay high rents for new space, in many cases upward of \$100 per square foot.

Currently there are about 2.9 million square feet available under the cap for large projects, however,

## Developing high-rises in San Francisco, is, in a word, a "bloodsport."

there are 8.9 million square feet of pending projects competing for this allocation and another 590,000 square feet of pre-application projects. For the smaller projects - also called "49ers", as many of the projects are just under 50,000 square feet - there is about 904,000 square feet of space available under the cap with about 274,000 square feet of pending projects and 117,000 square feet of pre-application projects.

Office space allocation is essentially a beauty contest. Developers compete to design not just thoughtful and beautiful buildings, but also to offer substantial community benefits, affordable housing, transit improvements, and public open spaces. There is not a pre-set order of construction for the pending projects. Developers risk years of carrying costs in addition to their other project costs and they risk that the market rate for their office space will be sufficient to cover their all-in costs. Hence we see a lot of office transactions structured with option payments during the multiple years it takes to get entitlements and a building permit.

### THE REWARD

If all the stars line up just right, as they did for developer John Buck with his 750,000-square-foot Park Tower project, it means a 100% pre-lease during construction to Facebook. For office developer Jay Paul, it means the office portion of his new 181 Fremont tower a couple of blocks west was 100% leased during construction to Facebook subsidiary Instagram. For developer John Kilroy, it means an entire 736,000-square-foot building leased during construction of his new Exchange project to Dropbox.

### COST OF SKYRISE LAND

We track land sales for high-rises on a price per developable square foot, versus simply the price per square feet of land. Following are recent sales.

## RECENT HIGH-RISES IN SAN FRANCISCO

### PARK TOWER AND TRANSBAY 250 HOWARD STREET

<b>Developer:</b>	Golub Real Estate and The John Buck Company
<b>Master Tenant:</b>	Facebook, 100% Leased During Construction
<b>Site Size:</b>	0.61 Acres
<b>Land Price:</b>	\$172,500,000
<b>Developable SF:</b>	752,000 SF
<b>Price SF:</b>	\$229.00
<b>Year Land Purchased:</b>	2015
<b>Year Development Completed:</b>	2018



### SALESFORCE TOWER 415 MISSION STREET

<b>Developer:</b>	Boston Properties and Hines
<b>Master Tenant:</b>	Salesforce
<b>Site Size:</b>	1.15 Acres
<b>Land Price:</b>	\$191,816,196
<b>Developable SF:</b>	1,420,000 SF
<b>Price SF:</b>	\$135.00
<b>Year Land Purchased:</b>	2013
<b>Year Development Completed:</b>	2018



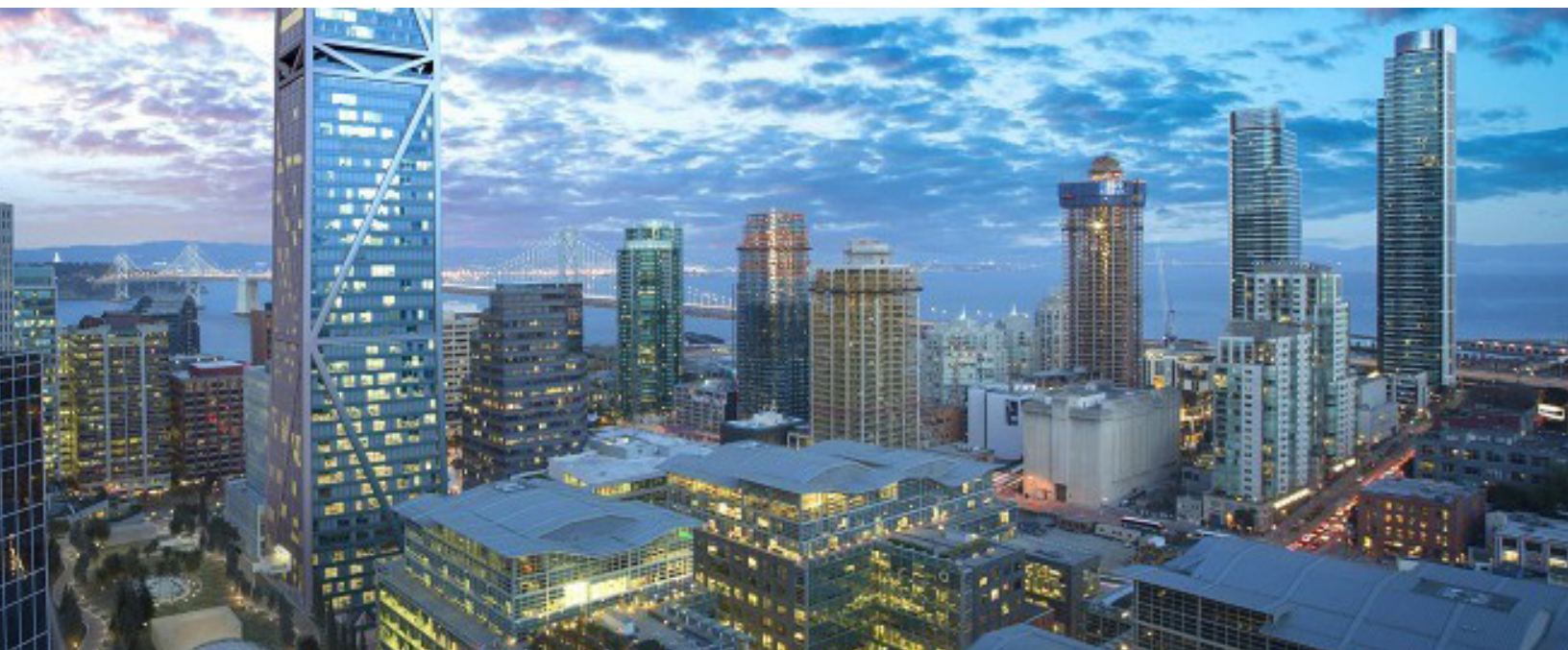


## RECENT HIGH-RISES IN SAN FRANCISCO



### KILROY'S EXCHANGE | 701 - 737 16TH STREET

<b>Developer:</b>	Kilroy Realty Corporation	<b>Developable SF:</b>	715,000 SF
<b>Master Tenant:</b>	Dropbox, 100% Leased During Construction	<b>Price SF:</b>	\$133.00
<b>Site Size:</b>	3.25 Acres	<b>Year Land Purchased:</b>	2014
<b>Land Price:</b>	\$95,000,000	<b>Year Development Completed:</b>	2018



### THE SKYSCRAPER CENTER | 181 FREMONT STREET

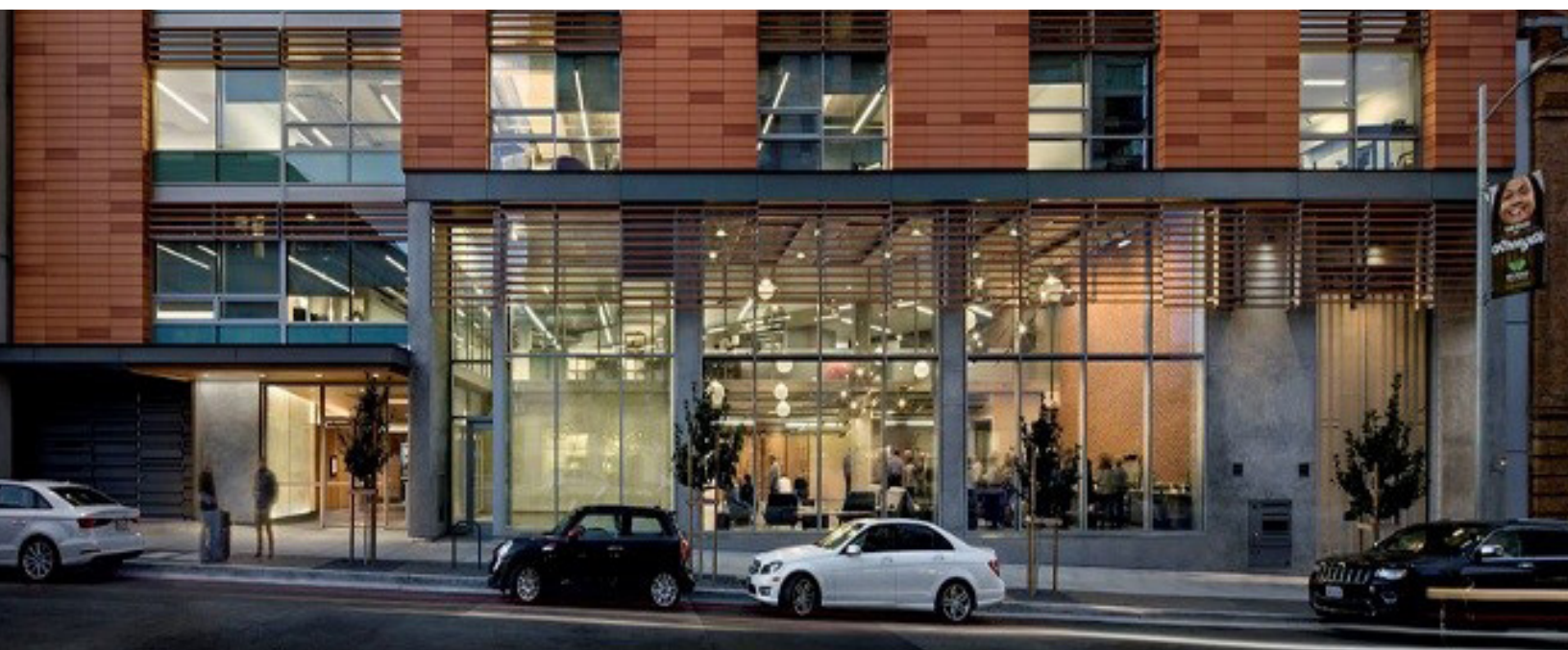
<b>Developer:</b>	Jay Paul Companies	<b>Developable SF:</b>	436,000 SF
<b>Master Tenant:</b>	Instagram, 100% Leased During Construction	<b>Price SF:</b>	\$163.00
<b>Site Size:</b>	0.35 Acres	<b>Year Land Purchased:</b>	2013
<b>Land Price:</b>	\$71,000,000	<b>Year Development Completed:</b>	2018



## RECENT HIGH-RISES IN SAN FRANCISCO

### 345 BRANNAN | 301, 303, AND 345 BRANNAN STREET

<b>Developer:</b>	Kilroy Realty Corporation	<b>Developable SF:</b>	293,000 SF
<b>Master Tenant:</b>	GM Cruise, 100% Leased During Construction	<b>Price SF:</b>	\$63.00
<b>Site Size:</b>	1.30 Acres	<b>Year Land Purchased:</b>	2012
<b>Land Price:</b>	\$18,530,000	<b>Year Development Completed:</b>	2015



### SKSRE | 270 BRANNAN STREET

<b>Developer:</b>	SKS	<b>Developable SF:</b>	182,000 SF
<b>Master Tenant:</b>	Splunk, 100% Leased During Construction	<b>Price SF:</b>	\$150.00
<b>Site Size:</b>	0.90 Acres	<b>Year Land Purchased:</b>	2014
<b>Land Price:</b>	\$27,225,000	<b>Year Development Completed:</b>	2016



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## ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter

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