

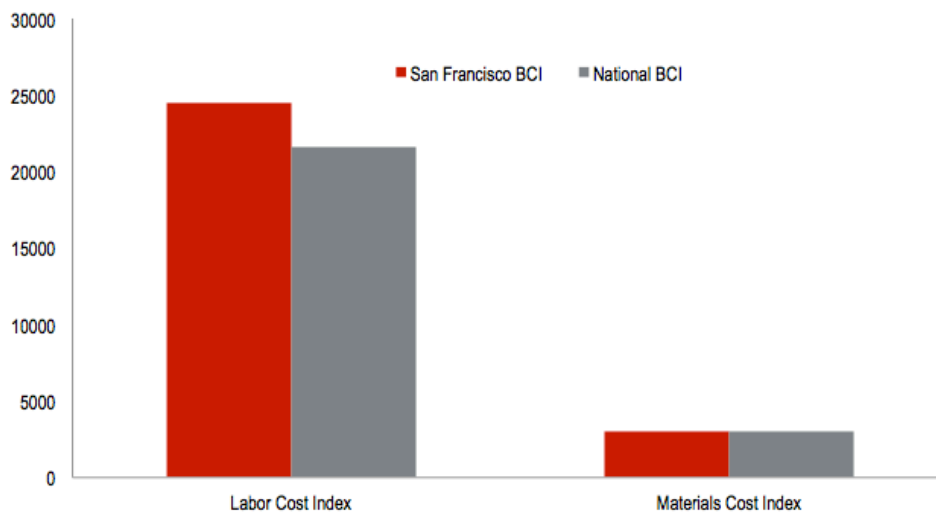


Tech Growth Drives Bay Area Office Construction and Tenant Improvement Costs Higher

SAN FRANCISCO BAY AREA – January 12, 2016 – Overall construction costs for commercial office buildings and tenant improvement projects will continue to rise in the San Francisco Bay Area through 2016 and perhaps as far out as 2020, according to research analyzed by project management experts at JLL.

JLL’s analysis of national and regional labor and materials data suggests that while the price of construction materials is likely to trend downward in 2016 – the result of a relatively weak housing market and reduced demand from China – labor costs are likely to drive overall costs higher, especially in San Francisco which already has higher than average labor costs in the construction sector.

San Francisco has significantly higher than average labor and lower than average materials costs.



Source: JLL Research, ENR

JLL research shows the rate of San Francisco’s office construction growth is the highest in the nation at 6 percent year-on-year and JLL is currently tracking more than 7.5 million square feet of office construction in San Francisco and Silicon Valley, a strong proportion of which is pre-leased.

Much of the demand for new space and build outs is being driven by the expansion of the Bay Area’s tech economy.

JLL estimates that average tenant improvement costs for tech or creative space are \$175 to \$200 per s.f. versus just \$100 to \$125 per s.f. for traditional Class A office space. Adding the bells and whistles necessary to differentiate the brand and create an exciting environment for employees to work and be productive in isn't cheap.

"Tech companies in the Bay Area are constantly faced with the need to compete with each other for talent. Their space needs to be functional, but it also needs to provide ample amenity areas to lure in prospects and retain top talent. Features such as game rooms, roof decks, nap rooms, fitness areas, coffee bars, and cafes are prevalent in most of our client's offices, so having increased TI dollars to cover these costs can be very important," says Danielle Friend, Senior Project Manager for JLL San Francisco's Project and Development Services division.

However, JLL's project management teams can and do help Bay Area companies to manage TI budgets and build outs more efficiently by becoming the tenant's expert counsel.

"Many of our tech clients want to put their unique stamp on their office space and the amount of TI dollars they receive from the landlord can vary greatly. One way we are helping them accomplish this within budget constraints is by integrating custom graphics and artwork, which is a relatively low-cost solution which can have a large impact on the overall design of the space," says Alex Holton, Senior Vice President and Office Lead for Project and Development Services at JLL San Francisco.

As an example, mobile game discovery and monetization platform [Chartboost](#) decorated its conference room walls with images from video games such as Super Mario Brothers and Donkey Kong in order to reinforce the company's culture of playfulness and fun, while simultaneously paying homage to their game developer clientele. Similarly, grocery delivery service [Instacart](#)'s internal design department created full-sized wall graphics of produce in order to bring the 'supermarket' feel into its corporate headquarters.

JLL's Project and Development Services teams in the Bay Area help clients like Chartboost and Instacart to realize a unique vision and personality for their workspaces and ensure that each project is delivered on time and on budget. Chartboost's 46,000 square foot home in San Francisco was completed in less than five weeks with more than \$175,000 in cost savings. In the case of Instacart's 57,000 s.f. headquarters, the company had quickly outgrown its existing space and needed space to accommodate its rapid growth. JLL took on a 20-week project and completed it in just 14 weeks, saving the client \$31 per square foot in construction costs through value engineering.

For more on JLL's PDS capabilities, visit: <http://jllpdsnorthwest.com>

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