



## **Competition Soars: Investors Seek to Dominate San Francisco Skyline**

*SF sees highest rent growth in U.S. over past 12 months according to JLL's Skyline Review*

**SAN FRANCISCO, March 18, 2014** - - "Game on" seems to be the sentiment of buyers aggressively seeking office properties across the skyline markets of the United States. From local High Net Worth Investors (HNWIs) to international sovereign wealth funds (SWFs), competition is fierce for those planting their stake in iconic properties towering over American cities. San Francisco, posted the highest rent growth among all of the Skyline cities over the past 12 months at 9.6 percent. Skyline properties in the 'City by the Bay' have posted a phenomenal 80.7 percent growth in rents, a figure more than four times the nearest competitor over a 36 month period.

In short: it's a good time to be a San Francisco Skyline landlord. Thanks to intense capital demand, rents among Trophy assets are soaring, even more so than rising leasing demand, according to [JLL's Spring 2014 U.S. Skyline Review](#).

"Market fundamentals in the North and South Financial Districts continue to perform extremely well both because of the continuing demand among tech companies in the southern portion of the market and the commitment by many professional services and financial firms to stay in place in the northern part of the market," said Christopher T. Roeder, an international director in the San Francisco office of JLL.

"In the NFD we are seeing the highest trophy rents at the top of the best buildings track close to that \$100 per square foot level again, but the real story throughout the market is that there are now just handful of very large blocks of space – those offering 100,000SF or more -- to accommodate significant tenant expansions or major tenants coming into the market," said Roeder.

JLL's proprietary Skyline report identifies and tracks micro-segments of 43 city centers across the nation. The Skyline features Trophy and Class A buildings where tenants and investors alike focus demand for office space in a flight to quality and efficiency. [Check out the themes that shape the U.S. skyline.](#)

Competition for office properties across skyline cities in 2013 propelled vacancy levels to an average 13.4 percent and 170 basis points below the U.S. office sector.

"We've witnessed a number of significant trades of Skyline assets in the last 12-18 months. However, with asset pricing for prime, Class A office properties approaching, or in some cases exceeding, replacement cost, the emerging trend is the return of major Skyline developments, especially in SOMA and locations with close proximity to the Transbay Terminal development area," said Michel Seifer, managing director in charge of JLL's Capital

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Markets Group in the Western Region. In fact, San Francisco is one of three markets – along with Houston and New York – that dominate most of the new Skyline office development currently taking place in the U.S.

“Trophy properties are far outperforming the broader market with respect to occupancy levels and rents and a similar tightening exists in value-add properties. This squeeze from both ends is expected to have a significant impact on the properties in the middle as tenants are being priced out of their former go-to options,” said John Sikaitis, Managing Director of Research at JLL.

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