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Swig Co. Adds 115 Sansome to Portfolio

By Brian K. Miller

SAN FRANCISCO-The Swig Co. has added 115 Sansome to its portfolio for just north of \$30 million, local industry sources tell GlobeSt.com. The historic, 128,838-sf financial district office building at Bush and Sansome streets is 95% leased but has substantial near-term rollover. The seller was an affiliate of Prudential Insurance Co.

Jeanne Myerson, CEO of the locally based buyer, says the 14-story building will provide expansion options for tenants in its other office buildings. Indeed, almost the entire building will need to be released over the course of the next three years. Nearly half of the building (59,000 sf) is controlled by the NYSE under a master lease that expires in 2009.

The first 10 floors of the North Financial District building were constructed in 1912 as the headquarters for Standard Oil. The next three floors were constructed a few years later. The 14th floor and the roof-deck surrounded 15th-floor penthouse were added in 1945. The building sits on a 9,200-sf lot and most floors have 9,000-sf floor plates.

Annual lease rates in the building range from the high teens to the mid \$20s. The expectation is that as leases roll, improving market conditions will allow Swig Co. to release the space at higher rates.

The current average full-service asking rate in the Financial District is in the mid \$30s per sf per year, up about 20% from one year earlier. Financial District vacancy is in the low double digits. If annual net absorption continues to come in at around 1.2 million sf, vacancy will continue to fall and rates will continue to rise, with vacancy hitting single digits sometime in 2008.

The Swig Co. now owns 1.5 million sf in seven San Francisco office buildings. It also owns a Downtown development site that could hold another 350,000-sf building. Outside the city limits but nearby, it owns Kaiser Center in Oakland, Mountain Bay Plaza in Mountain View and the Fairmont Hotel in San Jose.