



Nixon Peabody named a best place to work.

Law firm named a top U.S. employer by FORTUNE® Magazine.

**FORTUNE®
100 BEST
COMPANIES
TO WORK FOR
2007**

Nixon Peabody LLP has been recognized by FORTUNE® Magazine as one of the "100 Best Companies to Work For"® in 2007. Companies chosen for the list excel

in every area – job satisfaction, opportunities, benefits, compensation, and communications. The opinions of a company's own employees matter most in the selection process.

Employee satisfaction and client satisfaction are Nixon Peabody's highest priorities, so we're not only a great place to work, but a great place to do business. We salute other organizations who are receiving recognition for their workplaces as well.



NIXON PEABODY LLP
ATTORNEYS AT LAW

600 attorneys. 15 practice areas. 15 cities.

Two Embarcadero Center • San Francisco, CA • nixonpeabody.com



"It's new and modern and has a pleasant feel to it," says Renne of her office.

Class B office buildings entice A-list tenants

BY J.K. DINEEN
San Francisco Business Times

Rents in Class B financial district buildings spiked 23 percent in the fourth quarter, a dramatic jump that shows a narrowing gap between sleek newer highrises and downtown's classic historic buildings, according to a Colliers International study.

After lagging behind Class A increases for much of the last three years, a survey of quality Class B buildings — well-maintained buildings constructed before 1965 — showed an average rate of \$31.47 per square foot during the fourth quarter of 2006, a 25 percent increase over the averages seen during the first half of 2006, according to Scott Harper, managing director of Colliers International.

The Colliers report shows a handful of Class B deals between \$35 and \$40 a square foot, including one for \$39 at 501 Second St. and one for \$38 at 222 Sutter St. Average Class A asking rates in the central business district are about \$40 a square foot, but rooms with a view have been going for much higher.

"Quality Class B buildings have separated themselves from the pack and are competing with Class A Buildings," said Jim Sobel, senior vice president at Colliers.

Many factors are driving the increases, including the rising cost of tenant improvements, an escalating price for top view space, and office-to-condo conversions. Over the past 24 months, 460,311 square feet of office space has been removed from the market to be converted to housing.

When former City Attorney Louise Renne was looking for new office space for her law firm, at first she wanted top-notch Class A space. But after an exhaustive search of financial district spaces, the firm — Renne Sloan Holtzman Sakai — found with rising Class A rents and \$50-a-square-foot tenant improvement costs, it could no longer afford the sort of suite it occupied at 50 California St.

Instead the firm ended up at 350 Sansome St. for \$29 a square foot in space that was already built out.

"They really wanted bright and shiny Class A," said Andi Katter, the Commercial Partners broker who represented Renne Sloan. "But they ended up saving a ton of money and they like it better.

That was important: "We represent public agencies and public interest groups and our rates are not as high as firms that represent large corporations," said Renne.

"It's new and modern yet it has a pleasant feel to it," she added.

Sobel, the broker who leases 350 Sansome, said the Renne Sloan deal was "the start of a trend."

Harper of Colliers said he sees the rising B rates continuing as more tenants who signed five-years deals at the bottom of the market in 2002-2003 are priced out of the view space they are in.

"Tenants are left to choose between generic commodity space in Class A buildings and historic buildings with character, not to mention operable windows," he said.

Greg Fogg, a senior vice president at Staubach, who represents tenants, said it's too early to assess the Class B numbers.

"One quarter's worth of activity doesn't speak to a trend — you have to have a sustainable level of activity," he said.

Fogg said the market is being driven by highly segmented ownership, with investors who bought their buildings in the current sizzling market needing to meet certain pro formas that are driving up asking rates. Over the past 24 months, 28 percent of total Class B space has traded hands.

"We still maintain that there are ample opportunities in the \$20s for tenants who have an intelligent process to help them identify the various pockets of the market that exist," Fogg said.

jklineen@bizjournals.com / (415) 288-4971 ■

Corrections and Amplifications

- The article "BitTorrent to stream digital downloads in high definition" (Jan. 12-18 issue) incorrectly identified the number of BitTorrent users. There are 135 million.
- "Seismic shift: Hospitals eye quake break" (Jan. 12-18 issue) misinterpreted comments by Jan Emerson, spokeswoman for the California Hospital Association. Emerson did not predict that up to 50 percent of hospitals on California's must-fix list might be moved off it if a new software tool is used to identify those needing seismic replacements or retrofits. She was commenting on others' estimates, not making her own.