

Luxury Nob Hill Apartments Fetch Record Price

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SAN FRANCISCO-The Lembi family has paid \$38 million for the 33-unit Park Lane apartments, considered one of the most prestigious addresses on the city's Nob Hill. The \$1.2 million per-unit price for the asset is quite possibly the highest price ever paid for an apartment building in the entire state, let alone one in San Francisco that is rent controlled and cannot be converted to condominiums.

Bill Huberty, the CB Richard Ellis broker who handled the disposition, declined to confirm the buyer or comment on the financial details of the transaction, but did say the seller was the Margaret Tharp Trust. Other local sources confirmed for GlobeSt.com that the buyer was the Lembi family and that the family's going-in cap rate on the investment is sub 3%.

Having said that, those same sources say that the property's NOI will rise significantly as rent-controlled tenants leave and market-rate tenants take their place at \$4 per sf per month. In the most extreme example, one source tells GlobeSt.com that an elderly woman occupies a two-level 3,800-sf penthouse for \$3,300 per month. When she is replaced, the unit will rent for closer to \$15,000 per month, instantly raising the gross annual rental income from the property by \$144,000 and, thereby, significantly raising the cap rate on the investment.

The Park Lane is an 11-story high-rise concrete and steel building built in 1925. It sits atop Nob Hill at 1100 Sacramento St. Huberty says CBRE did not utilize an asking price as part of the marketing assignment. Local brokers say they were expecting a price close to \$30 million, not \$40 million. "I think the seller's expectations were exceeded," says Huberty.

James Devincenti of Marcus & Millichap handled the deal for the Lembis. He was not immediately available Monday for comment, but Huberty says these kind of trophy assets come up for sale so infrequently in San Francisco that the demand for it was high. More than 12 bidders from around the world made offers, he says.