

URBAN LIVING



ON TOP OF THE WORLD:
Penthouse owners Horberg, left,
and Brian like the height.

SPENCER BROWN

S.F. penthouses offer rooms with a view

Wave of luxury condo towers means hot addresses moving skyward

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When real estate mogul Victor MacFarlane bought all three units atop the St. Regis Hotel late last year, it triggered a new era of penthouse buying and living in San Francisco.

Spectacular penthouses have been a staple of New York's and Chicago's residential markets for decades, but are a recent phenomenon in San Francisco. Before MacFarlane's record-smashing \$30 million purchase on the 40th floor, anything over \$10 million or \$1,000-a-square-foot was considered exorbitant, but the St. Regis deal set a new standard. The bar could be raised even higher over the coming decade as luxury condo towers soar over 40 stories in new projects south of Market Street. These buildings will reshape San Francisco's skyline and their competing roof-

top palaces are likely to usher in a new era in penthouse design and cost.

Despite the downturn in the housing market, the penthouse market has held up because so few of them exist and they attract rich people who aren't as affected by rising mortgage rates as most buyers.

The prestige and snob appeal of owning the top floor of a signature building is part of a buyer's incentive. Sweeping bay and city views are the aesthetic draws, but there are also more practical advantages in opting for a penthouse. Space is a consideration, especially in San Francisco where it's difficult to find three-bedroom condos. Even though most penthouse buyers are not moving in with large families, the extra bedroom is often converted to a home office. A penthouse's unique floor plan, its upgrades and limited supply add to its resale value. Both new and resale penthouses that come on the market often sell before less

expensive units on lower floors, sales agents said.

Range of offerings

For developers, a quick sale of a penthouse unit can have a trickle down effect.

"At the Watermark we sold a penthouse for between \$2 million and \$3 million and it established a great price point for the rest of the building. It sets the benchmark," said Alan Mark, whose the Mark Co. is a consultant and marketer for upscale condo projects, including the Infinity and the Brannan in San Francisco. In Santa Clara County, Mark was involved in several \$4 million rooftop villa sales at Santana Row, an upscale retail and residential development.

At 15,000 square feet, MacFarlane's deal was extraordinary, and by far at the top end of the trend, but penthouses can be bought for as little as \$650,000 in smaller developments in the East Bay. The Lansing in San Francisco's SoMa

PENTHOUSE: Units built as finished products

offers spectacular city views from outdoor roof decks for \$1.6 million.

Tishman Speyer's Infinity project on Folsom street recently sold a unit on the 37th floor for over \$5 million, more than double the \$2 million the luxury 3,365-square-foot units on the top 10 floors start at. Another unit still available on the 37th floor will likely fetch over \$5 million. Perks for Infinity's penthouse buyers include an extra parking space, jets in the oversized tubs and 10-foot ceilings instead of the standard nine feet. The project is now under construction and a contiguous 42-story tower will be built in the future. The project's architect, Miami's Arquitectonica, has been used to promote the project. Arquitectonica's projects include the Westin New York and the opera house in Dijon, France.

Buyer's perspective

Penthouses are bringing a new level of luxury to the city and neighborhoods where they're located are increasingly vibrant. For the first time in San Francisco, they are also luring some high-end buyers away from mansions in the suburbs.



MacFarlane

MacFarlane is a good example. His purchase of three penthouses makes a lot of sense to anyone who has followed his career. He has been a champion of urban renewal through his San Francisco-based MacFarlane Partners, building mixed-use projects that stretch from the Bay Area to Washington D.C. With his St. Regis purchase, he melded career with lifestyle. For years MacFarlane has preached the benefits of urban renewal while living in Hillsborough. He plans to move into the St. Regis when his shell is built out.

"We like what has been happening and is going to happen around there (the Yerba Buena neighborhood). The museums, restaurants and retail etc. and, of course, the services and quality of the St. Regis," MacFarlane wrote in an email.

MacFarlane didn't specify how he would build it out. "Ask me again when we finish building it out," he said.

While MacFarlane wants to build out his property, other buyers are enticed with promises of upgraded finishes.

Dr. Michael Hornberg and his partner Chip Brian Jr. bought a penthouse with upgraded cabinetry, a fireplace and sub-zero refrigerator. Other penthouse buyers have been lured with hardwood floors, expensive curtains and wine refrigerators.

Hornberg and Brian canvassed the penthouse market before settling on their \$1.4 million, 1,400-square-foot unit atop the Lansing. With spectacu-



SPENCER BROWN

HIGH ON LIFE: Horberg, left, and Brian said they ultimately chose to buy a penthouse because of the views.

lar city views and a large patio, the couple was also attracted to the convenient downtown location, and the posh upgrades. The Lansing is built on bedrock and its seismic stability was a factor. Ultimately, it was the view that won over Hornberg.

"I lived in Twin Peaks before and had a fabulous view. I came from Chicago and always had a water view so this was important for me. You can't get the view we have on a lower floor," he said. "If we eventually resell, our unique floor plan will be a big advantage."

Penthouse pioneering

In Oakland, a recent burst of highrise proposals downtown is expected to result in a slew of new penthouses.

Top-shelf pads are expected not only in condominiums, like Las Vegas-based Molasky Pacific's 15-story tower near Lake Merritt, but also in rental apartment buildings, in particular Essex Property Trust's 100 Grand, which will rise 22 stories. Penthouse units are also a key feature of most development options Peter Wong is considering for his proposed 63-story tower at 1930 Broadway.

Oakland's existing towers along Lake Merritt include penthouses. Oakland Warriors basketball player Andris Biedrins, 19, spent \$1.2 million for a penthouse at the Essex last year.

Building penthouses wasn't always a big advantage. Developer Rick Holliday was among the local pioneers when he built three penthouses atop his Fourth and Brannan streets project in 1988.

"We were pioneers and we ended up with arrows in our back when we sold them as shells. We ended up having to redo the roof twice. It was also a hassle when the tenants below the penthouses complained about the construction," Holliday said.

Holliday has gone on to build penthouses in Emeryville, but is not doing penthouses in his latest West Oakland development because it's higher risk in a new neighborhood, he said.

Today's penthouses are seldom built as shells, but rather as finished products. Major projects such as the Beacon, Infinity and Lansing have in-house design centers to help buyers pick out floors, lighting and other amenities.

"Many of our clients have hit 50 and have gone through renovating at least one house. They know it can take two to three years, but with their penthouse they want to move in the day they close," Mark said.

New York-based developer John Tashjian of Centurion Real Estate Partners likes the penthouse concept so much that he bought one himself, at his own Beacon project. Although he has yet to move into the unit, Tashjian is convinced the penthouse has selling power. Of the Beacon's 20 upper-floor units, just three are left and those that sold have generated \$19 million.

"In the first week of sales, 25 percent of the penthouses sold because we had a very appealing price that was approachable," Tashjian said. "The Beacon is not the Four Seasons or the St. Regis where some of the residents spend 10 days a year or vacation there. It's a place to live."