

Tishman plans sales at second Infinity tower

BY J.K. DINEEN

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Developer Tishman Speyer says it will start selling units in the second tower of its Infinity project in January, despite a brutal housing market that has left new condo construction at a virtual standstill in downtown San Francisco.

Tishman Speyer Managing Director Carl Shannon said Phase I of the 365-unit Infinity is 70 percent closed, with 251 units sold and 40 condos in contract.

He said the second tower at 338 Spear St., which is 285 units and five stories taller than the first building, will be ready for occupancy in April — eight months ahead of schedule. The all-in cost for the two towers is about \$500 million, according to sources familiar with the project.

The progress at the Infinity is noteworthy because Tishman Speyer has rapidly forged ahead with an aggressive construction schedule at a time when other major tower sites are either indefinitely on hold or for sale.

Nearby at One Rincon Hill, developer Urban West Associates has not signed on a contractor to build Phase II, despite announcing in April that excavation was close to starting.

Two other Rincon Hill tower sites are stalled. Fifield Cos. has been trying to sell its 393-unit Californian project at 375-399 Fremont St. for more than a year.

And more than two years after acquiring a parcel at 45 Lansing St., Turnberry Associates has not yet started work on its approved 227-unit deluxe tower, but “remains enthusiastic about entering the San Francisco market,” according to a spokesman.

In the Mid-Market neighborhood, Crescent Heights has been sitting on approvals to build 720 units at 1401 Market St. for 18 months.

“Everybody is talking about how terrible the market is and how awful the housing crisis is and whatnot, but the number of unsold condominiums that are either brand new and built or under construction goes down every single month,” said Shannon. “All of these projects are selling out and nobody is starting anything new.”

The collection of stalled projects leaves just two major condo towers opening next year: Infinity’s Phase II and the posh Millennium Tower at 301 Mission St. Looking ahead to 2010 and 2011, only Jackson Pacific’s 180-unit One Hawthorne St. is on schedule to open.

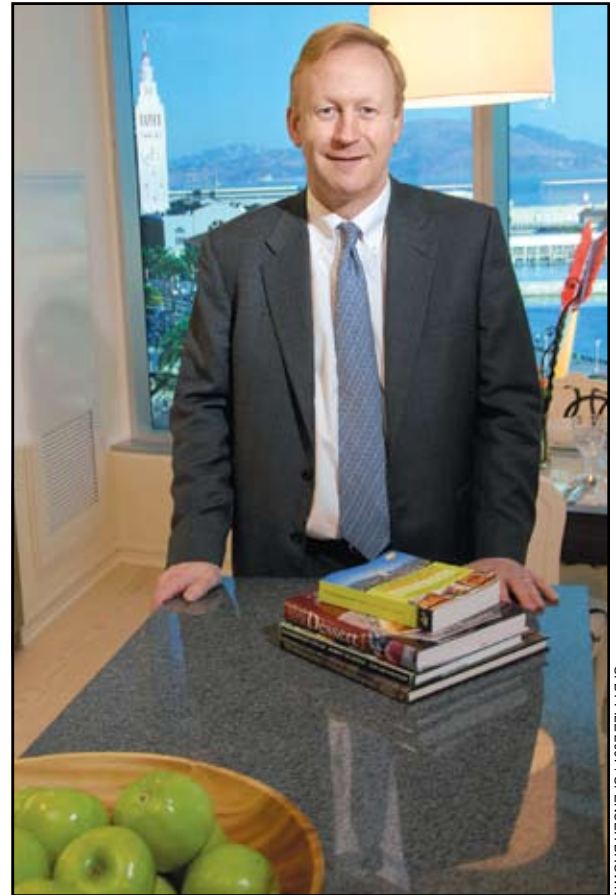
Shannon said that other projects are unlikely to go forward anytime soon given the current cost of construction and the soft sales market.

Rises in the cost of steel and concrete and escalating fees imposed by the city have combined to put new highrise housing out of reach, he said.

In the second phase of the Infinity, Tishman bought most of the building materials well in advance; many of the most expensive aspects of the development, including the underground parking and the swimming pool and amenities, serve both buildings and were completed during the first phase.

“If we were to build this building again today, it would cost 50 percent more,” said Shannon. “You would need values to be well above where they are today before it makes sense to build something new.”

But with housing inventory across San



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Projects are selling out and no one’s building anything new, says Shannon.

Francisco on the rise and sales tepid, new developments like the Infinity face competition from more than just large downtown towers, according to Adam Koval, publisher of Socketsite, an online publication that tracks housing and condo development in San Francisco.

Koval said recently completed buildings like the Arterra in Mission Bay and soon-to-open smaller projects like 77 Van Ness Ave., SF Blu and the Argenta at 1 Polk St. could draw buyers looking at the Infinity’s lower-level units.

“There is a big shift where a lot of

inventory is going from under construction to available for occupancy,” said Koval. “There is going to be a lull in new sales offices opening, but the reality is there is more competition than there was in the past.”

In addition, the number of available existing single-family homes is on the rise in desirable neighborhoods like Noe Valley, Cole Valley and the Inner Richmond. Socketsite said its inventory of active listed single-family homes, condos, and TICs — which does not include the Infinity or many of the new condo development — has grown 16.8 percent from 1,523 a year ago to 1,789 today.

Tishman Speyer has responded to the credit crisis by initiating a program that provides a second 10 percent loan for qualified buyers who are struggling to come up with the 20 percent down that most lenders are requiring. The loan is five-year fixed at 7.5 percent.

“It’s tailored for that buyer who has good credit and has a good job but hasn’t been around long enough to accumulate more of

a down payment,” said Shannon. “A year ago that buyer could get a loan from five or six different banks. Today that lender doesn’t exist so we have stepped in to fill that gap.”

Shannon and sales manager Leo Meireiros declined to discuss price reductions or other incentives, saying that each unit is negotiated separately. Shannon did not say how many buyers are waiting for the second tower, but suggested it was quite a few.

“I know personally a bunch of friends of mine who want to buy in the second phase and one or two people in our office,” he said. “So even though we’re focused on the first phase, people know it’s here and they know it’s coming. And there is a lot of excitement.”

He said patient buyers will benefit in the long run.

“People may not feel great about what the market is going to do over the next year, but if you want to sell your unit in the next year you shouldn’t be buying a condo,” he said. “If you want this for the next few



COURTESY TISHMAN SPEYER

Infinity’s taller building (right) will be ready for occupancy in April.

years, there is almost nothing under construction of any significance other than this tower and 301 Mission.”

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