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Tenants lease Bank of the West Tower's top two floors

Premium content from Sacramento Business Journal by Sanford Nax, Staff Writer

Date: Friday, July 27, 2012, 3:00am PDT



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Some of Sacramento's most enticing office space is off the market with lobbying and attorney firms signing lengthy leases for the top two floors of the distinctive Bank of the West Tower.

That brings the landmark structure at 500 Capitol Mall to about 70 percent leased.

The Gualco Group Inc. is moving from 770 L Street to take the entire penthouse 26th floor at Bank of the West Tower. The lobbying firm signed a lease for "north of \$3 per square foot" for about 7,000 square feet, said developer [Angelo G. Tsakopoulos](#). Gualco is getting office space with 25-foot ceilings, skylights, an outside deck for entertaining and some gorgeous views of the skyline and the Sierra.

Moving in to occupy the floor below will be the law firm of **Sutherland Asbill & Brennan**. Its new 7,000-square-foot space has 12-foot ceilings and equally impressive views. Sutherland, which has a heavy emphasis on tax law, is relatively new to the Sacramento area, opening an office in early 2011. The Sacramento office has six attorneys, but has room to expand in the Bank of the West Tower, said [Carley A. Roberts](#), a partner at Sutherland. It joins a long list of other law firms in that building.

Roberts said the dramatic architecture and the innovative design that draws in natural light attracted the law firm to the tower. "The building is beautiful," she said. "We're in the office all day long, and having natural light and beautiful views make a nice home away from home."

Elevators open directly into both offices, which adds to the prestige factor. Opened in 2009, the \$116 million, 445,000-square-foot building features hand-carved Brazilian granite, a top-to-bottom floor spire and a 30-foot by 40-foot flag on the roof.

Many of the building's occupants arrange conference rooms or reception areas around the sweeping views.

Currently in shell condition, the two top floors should be ready for occupancy by 2013, said [Greg Levi](#), managing director of Jones Lang LaSalle, which handled the leasing. Until then, the two companies are in quarters elsewhere in the building.

The 25th and 26th floors originally were planned to be combined into a tony restaurant, and Tsakopoulos was negotiating with one in 2007. But the restaurant decided it needed a ground floor location so patrons could get in and out more easily. So what was envisioned as a two-floor restaurant became some of the most striking office space in the city.

Tsakopoulos said rents on the top two floors are "commensurate with what space of that quality and location would attract." The average rent for Class A office space in the central business district is around \$2.73 cents per square foot, according to the most recent survey by Jones Lang LaSalle, so the \$3 figure is impressive in this economic climate.

[Scott Kingston](#), vice president of **Colliers International**, said rents exceeding \$3 per square foot are "incredible rare" in Sacramento outside of medical offices. However, sometimes tenants will agree to higher rents in return for tenant improvements that exceed the norm, Kingston said.

In this era of high vacancies, landlords have been lowering rents to keep tenants. In some cases, lease rates are at 10-year lows, and tenants are driving the deals.

At 300 Capitol Mall, the state Controller's Office recently signed a new seven-year lease for \$2.60 per square foot, down from \$3.21. That will save the agency \$1.4 million over the life of the lease, said [Michael Liang](#), a spokesman for the Department of General Services. The state agency leases 191,000 square feet of the 383,000-square-foot structure.

The outlook for the office market is mixed. The jobless rate in the Sacramento region has been improving for two years, and some areas, such as the central business district, are recovering faster than the region as a whole. And reduced rents and greater supply are giving some companies a shot at more high-profile space. But the 22 percent vacancy rate indicates a lack of confidence and an unwillingness for some businesses to move.

"Despite favorable market dynamics, businesses continue to employ a conservative outlook, choosing to live within their fiscal means until the political scene clears," Jones Lang LaSalle said in a second-quarter report. "(Tenants) will continue to benefit from competitive lease terms until more substantial growth rebalances market conditions."

Sanford Nax covers real estate, planning, development, construction and economic issues for the Sacramento Business Journal.