

Westin St. Francis, most valuable building on Union Square, could be sold

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Aug. 20, 2018 | Updated: Aug. 20, 2018 3:39 p.m.



The Westin St. Francis, a Union Square landmark, is valued at \$718.5 million on property-tax rolls.

Photo: Lea Suzuki / The Chronicle

San Francisco's Westin St. Francis hotel, a 1904 landmark that spans the western side of Union Square, could be sold for the third time since 2015.

China's Anbang Insurance Group is seeking to sell the Westin, along with 14 other hotels, to raise cash after a government takeover, according to a Wall Street Journal report.

The Westin St. Francis has nearly 1,200 rooms and is the fifth-most valuable building in San Francisco, valued on the city's property-tax rolls at \$718.5 million.

Now, investors will have a chance to buy one of San Francisco's top hotels, said Rick Swig, president of RSBA & Associates, a hotel consultant.

"The St. Francis is a trophy property," he said. "It hits on all cylinders."

Anbang bought the portfolio of 15 hotels, including the Westin St. Francis, for \$5.5 billion from private equity giant Blackstone Group in 2016. The deal included the Four Seasons Hotel Silicon Valley in East Palo Alto and Ritz Carlton Half Moon Bay, along with the Essex House in New York. Blackstone had purchased the hotels just a year earlier.

Chinese investors are pulling back after years of binging on U.S. real estate, after Beijing tightened restrictions on foreign investment in 2017.

"The state government is cracking down on the private sector," said Darlene Chiu Bryant, executive director of ChinaSF, a nonprofit that works with Chinese businesses in the Bay Area. "The Chinese government is not allowing any money to go overseas for investment for real estate. They're starting to repatriate the cash."

S.F.'s five most valuable buildings

1. Salesforce Tower, \$1.33 billion
2. 555 California St., \$1.01 billion
3. 101 California St., \$984 million
4. One Market Plaza, \$834 million
5. Westin St. Francis, \$718.5 million

Note: Values reflect property tax valuation, not market price.

Source: San Francisco Assessor-Recorder

In the second quarter, Chinese investors sold \$1.29 billion in U.S. commercial properties, while buying only \$126.2 million, according to Real Capital Analytics, a real estate research firm.

Anbang grew to become China's third-largest insurer by assets in less than two decades, but the Chinese government took control of Anbang in February and alleged "illegal management and operation activities." The government injected \$9.7 billion to keep the company solvent. Former Anbang chairman Wu Xiaohui was charged with fraud and embezzlement and sentenced to 18 years in prison.

Swig said the St. Francis' "10 out of 10" location next to Union Square draws tourists, convention attendees and business travelers alike.

The Westin St. Francis also completed a \$45 million renovation earlier this year. "It's been well-maintained," he said.

The property's main weakness is the absence of a large conference center, which modern hotels have, Swig said.

A Westin St. Francis spokeswoman declined to comment.

The opening of Moscone Center's expansion next year will boost tourism by adding another 500,000 square feet of convention space.

San Francisco's hotel market is already robust, with revenue per available room rising 4.7 percent between January and May to \$285, according to CBRE, a real estate brokerage. The city's hotel occupancy rate was 83.1 percent in May.

The Westin St. Francis could now be worth \$1 billion, or more than \$830,000 per room, said Holden Lim, president of Hospitality Link International Inc., a hotel consultant. Lim was also a broker on the Westin St. Francis sale in 2000 and worked there from 1989 to 1995.

Anbang reportedly wants to sell the 15 hotels together, which would limit the buyer pool. Lim said potential buyers include sovereign wealth funds, particularly from the Middle East, and investors from Hong Kong and Singapore.

The Bay Area is seeing other retreats by Chinese investors. In June, domestic office landlord Kilroy Realty bought the 40-acre Oyster Point site in South San Francisco from a partnership that included Greenland, a major Chinese builder. The project is approved for 2.5 million square feet of new office and lab space.

Yet Chinese developers remain involved in significant projects. Oceanwide Holdings is under construction on a project at First and Mission that will be San Francisco's second-tallest tower. Gemdale Group, headquartered in Shenzhen, and its U.S. partner Lincoln Property Co. recently completed an office tower at 350 Bush St. The projects were funded before China tightened foreign investment rules in 2017.

"There's still a lot of money out there," Bryant said.

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