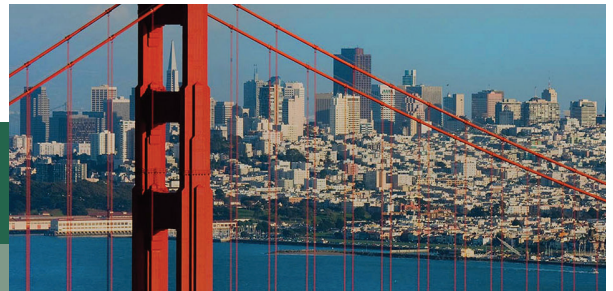


**Q4 2018** TRI Commercial Real Estate Services  
**SAN FRANCISCO TRENDS**

4.9 Million square feet absorbed in 2018...







**2019 outlook**

Contrary to the temperamental stock market, the strong economy and healthy employment numbers sustained the rosy office market for 2018, and perhaps will continue this robust trend well into the coming year. However, economists are pointing to an increasingly-likely market correction in the next 18 to 24 months. The impending import tariffs, the Feds' potential for additional interest rate hikes, coupled with political concerns over the incoming Democratic House majority clashing with a Republican Senate may cause a dampening effect on this prolonged buoyant market.



**In Summary:**

-  Positive net absorption of 1,013,301 square feet at the end of the 4th Quarter; a total of 4,901,274 square feet for 2018
-  North of Market average direct asking rates for Class A ranged from the mid-\$80's to the mid-\$90's; Class B in the mid-\$60s to high-\$70's
-  South of Market average direct asking rates for Class A ranged from the low-\$80's to the high-\$90's; Class B is hovering in the high \$70's
-  Direct vacant available space: North of Market at 3.6%; South of Market at 1.8%; Citywide at 2.7%

**MARKET OVERVIEW**

The San Francisco office market continued its positive absorption trend by 1,013,301 square feet this past quarter; ending the year with a positive 4,901,274 square feet of absorption, mainly attributed to South of Market submarkets. This is compared to a negative (449,050) square feet absorption Citywide in 2017. Rental rates remained high and inventory tightened further with only 2.7% direct vacant available space. New office buildings completed in 2018 increased total space to 120 million square feet but failed to alleviate vacancy tightness as most of the large blocks were pre-leased. Office sublease available is currently at 19.8% of total available space.

**4th QUARTER ACTIVITY**

North of Market ended the 4th Quarter with a positive 503,876 square feet of absorption. Average asking rents ranged from Class B rental rates in the mid-\$60's to high-\$70's; and mid-\$80's to mid-\$90's for top Class A space. Direct vacant available space dropped to 3.6%. South Park has seen rents in the low-to-mid-\$100's. Rent levels have remained high.

South of Market absorption fared better in the 4th Quarter with a positive 529,109 square feet, and turned in an impressive 3.7 million square feet of positive absorption for the 2018 year. Average asking rents hovered in the high \$70's for creative-space Class B buildings, while Class A building rents remained in the low \$80's to the high \$90's. Direct vacant available space reduced to 1.8%.

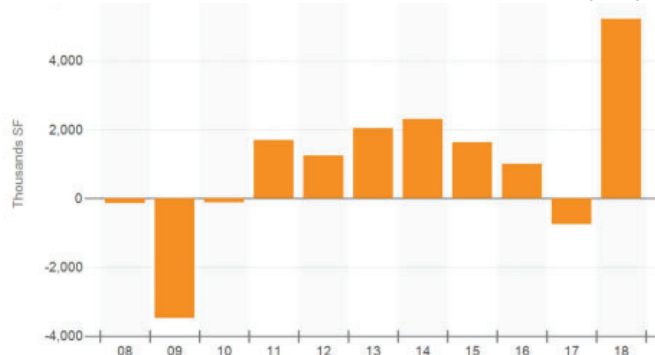
South of Market submarkets continued to dominate large leases in the 4th Quarter: Salesforce pre-leased Parcel 'F' at 550 Howard for 324,989 square feet; Google leased 309,457 square feet at One Market; DoorDash leased 175,261 at 303 Second. Townsend Street saw two large leases: iRythm's 117,688 square feet at 650 Townsend and PayPal's 45,649 square feet at 123 Townsend. Also included was Lime's 41,699-square-foot lease at 85 Second; WeWork's 102,634 square feet at One Post was the largest lease for North of Market. As for Mid-Market, Twitter partly renewed its lease for 78,603 square feet at 1301 Market.

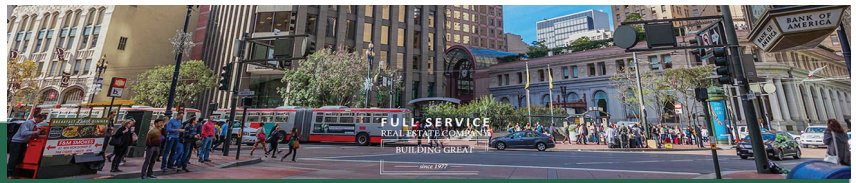
Considerable office building sales in the 4th Quarter included: Hudson Pacific Properties' purchase of 1 Ferry Building for \$291 million, or \$1,086 per square foot. Blackstone Group LP purchased a portfolio of buildings (75 Broadway, 560 Davis and 650 Davis) for about \$242 million, or \$835 per square foot; and Swift Real Estate Partners purchased 55 New Montgomery for \$64.2 million, or \$694 per square foot.

*North of Market:* North Financial, Jackson Square, North Waterfront, Union Square, Civic Center, Van Ness

*South of Market:* South Financial, Rincon/South Beach, Yerba Buena, MidMarket, South Of Market, ShowplaceSq, Mission Bay, Potrero East & West

**ABSORPTION - SAN FRANCISCO OFFICE MARKET (YTD)**





# Q4 2018

## Q4 MAJOR LEASE TRANSACTIONS

Tenant	Address	Sq.Ft.
Salesforce (*pre-lease Parcel "F")	550 Howard	324,989
Google	One Market	309,457
DoorDash	303 Second	175,261
iRhythm Technologies	650 Townsend	117,688
WeWork	One Post	102,634
Twitter (part of renewal)	1301 Market	78,603
Getaround	55 Green	54,400
PayPal	123 Townsend	45,649
Lime	85 Second	41,699
Chime Bank	455 Market	31,699

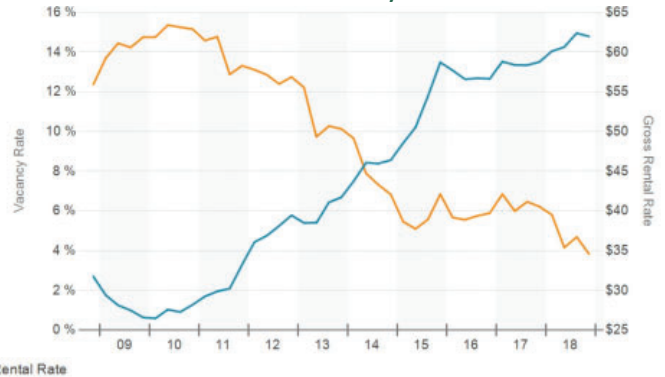
## Q4 LARGE SALE TRANSACTIONS

Buyer	Address	Price	Per Sq.Ft.
Hudson Pacific Prop.	1 Ferry Building	\$291.0 Million	\$1,086
Blackstone Group LP*	75 Broadway	\$ 84.4 Million	\$ 835
(part of portfolio purchase)*	560 Davis	\$ 81.7 Million	\$ 835
(part of portfolio purchase)*	650 Davis	\$ 78.8 Million	\$ 835
Swift R.E. Partners	55 New Montgomery	\$ 64.2 Million	\$ 694
Roth Jackson LLC	244 Jackson	\$ 33.0 Million	\$1,096
604 Mission	604 Mission	\$ 29.0 Millions	\$1,082

NORTH OF MARKET Vacancy & Rental Rates



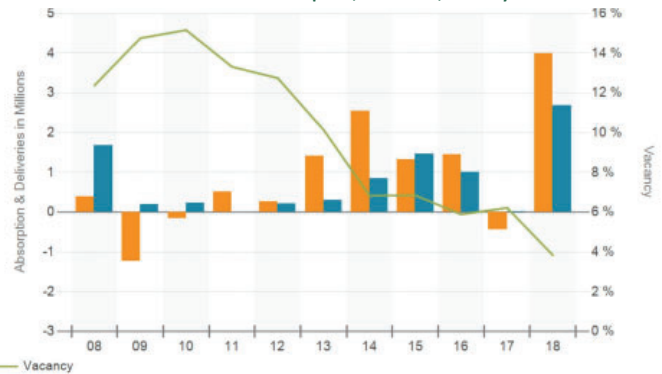
SOUTH OF MARKET Vacancy & Rental Rates



NORTH OF MARKET Absorption, Deliveries, Vacancy



SOUTH OF MARKET Absorption, Deliveries, Vacancy



Note: Rental rates based on COSTAR data on the above charts are lower than actual market rental rates due to averaging of undisclosed "negotiated rents." Graph is based on Vacant Direct space; Vacant Direct Available space is what is actually on the market for lease.

### SUBMARKET STATISTICS

Submarket	Net Rentable Area SF	QTR Absorption SF	Total Avail %	Vacant Direct %	Vacant Dir Avail* %
<b>(NORTH OF MARKET)</b>					
Financial District	30,434,253	370,384	9.6	5.9	3.8
Jackson Square	3,171,430	124,379	4.3	2.1	1.4
Waterfront/North Beach	4,415,012	(116,709)	11.9	7.3	6.2
Union Square	5,440,767	44,248	12.8	8.0	7.6
Civic Center	4,309,212	4,142	1.5	1.5	1.4
Van Ness Corridor	2,203,637	75,524	14.0	5.9	5.9
<b>(SOUTH OF MARKET)</b>					
South Financial District	29,665,510	38,596	9.6	3.8	1.6
Yerba Buena	3,688,895	29,214	5.6	1.6	1.5
Rincon/South Beach	6,854,807	(17,101)	9.6	2.9	2.1
Mid-Market	6,941,997	113,153	5.9	2.1	1.9
South of Market	2,226,938	4,441	7.6	4.5	3.1
Showplace Square	3,699,094	336,663	5.1	3.2	3.2
Potrero East/West of 101 Fwy	2,259,339	9,230	5.6	1.8	1.8
Mission Bay/China Basin	3,436,413	(2,317)	0.3	0.3	0.3

\*Total direct available is not necessarily all vacant, as some of the space may be occupied and available on a 30-to-120 day notice, or proposed space.

The information in this document was obtained from sources we deem reliable; however, no warranty or representation, expressed or implied, is made as to the accuracy of the information contained herein.