



THIRD
QUARTER 2019

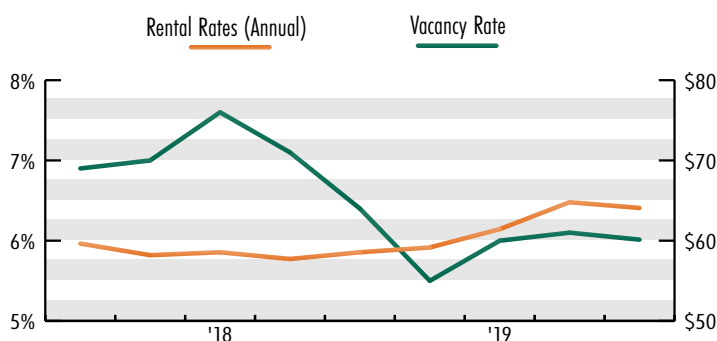
A large, dark green triangular graphic on the right side of the page contains a faded image of the San Francisco skyline, including the Transamerica Pyramid and the Golden Gate Bridge. The text 'SAN FRANCISCO OFFICE REPORT' is overlaid on this graphic in white, all-caps, sans-serif font.

SAN FRANCISCO
OFFICE REPORT

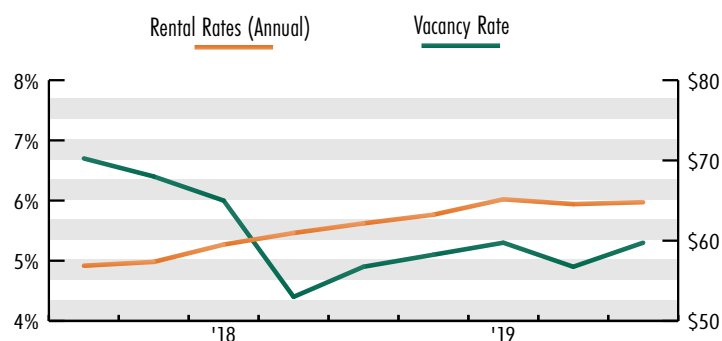
60 2019 Outlook

The San Francisco market enjoyed its eighth consecutive quarter of positive absorption with 539,020 square feet in Q3 2019. With historically low vacancy and record setting rents, new construction is at an all-time high despite the looming impact of Proposition M, a March 2020 measure that links zoning allocations to affordable housing production. There's more than 769,000 square feet of product slated for delivery and more than 35% is preleased. The Exchange at 1800 Owens St., came online in September. Dropbox rolled ±106,000 square feet of preleased space back into the market, which contributed to an increase in sublease space. While available space continued a downward trend in Q3 2019, the percentage of sublease space increased slightly. Overall, total availability decreased by 303,209 from last quarter and 884,406 square feet last year (Q3 18).

NORTH OF MARKET | Vacancy & Rental Rates



SOUTH OF MARKET | Vacancy & Rental Rates



In Summary

Office leasing activity remains strong with positive net absorption of 539,020 square feet

North of Market average direct asking rates for Class A ranged from the mid-\$90s to the mid-\$100s; while Class B sits in the mid-\$60s to high-\$80s

South of Market average direct asking rates for Class A ranged from the low-\$80s to the high-\$90s; with Class B hovering in the high \$70s

Direct vacant available space: North of Market at 5.2%; South of Market at 4.0%; Citywide at 4.6%

MARKET ACTIVITY | SALE AND LEASE TRANSACTIONS

LEASES (TENANT)	Property Address	Size	Type	Submarket
ZYNGA	650 Townsend	185000	Direct	Showplace Square
TPG GLOBAL	345 California	119000	Direct	Financial District
REDDIT	1455 Market	78031	Sublease	MidMarket
PAX LABS	99 Rhode Island	69600	Direct	Showplace Square

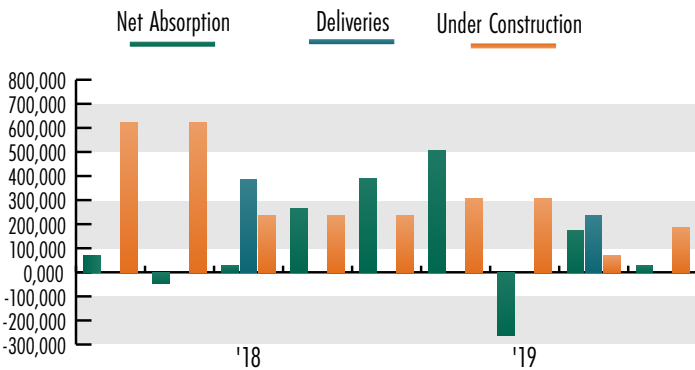
The Information in this document was obtained from sources we deem reliable; however, no warranty or representation, expressed or implied, is made as to the accuracy of the information contained herein. The market statistics represent properties that are 10,000 square feet or larger. This quarterly market report is a research document of TRI Commercial and may be found on our website at www.tricommercial.com. CoStar was the main source of information used in this report.



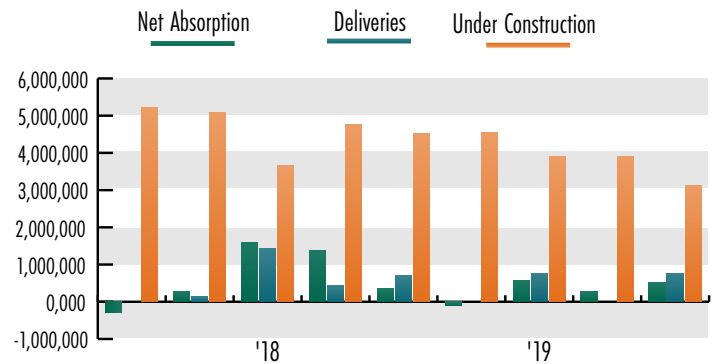
North of Market ended the quarter with 27,976 square feet of positive absorption. Overall vacancy (6.0%) has been on a steady decline over the past several quarters with 461,631 square feet less vacant space than 24 months ago. TPG, a leading global private investment firm, renewed and expanded into the top floors at 345 California in the Financial District. The firm has been headquartered in San Francisco for more than two decades. Average asking rents in Class B space sat in the mid-\$60s to high-\$70s while top Class A space ranged in the mid-\$80s to mid-\$90s. The Civic Center now hovers at less than one percent (0.5%) vacancy over almost 4.4 million square feet of office inventory.

South of Market showed a slight uptick in vacancy this quarter amid the delivery of The Exchange and give back of space by Dropbox. Despite this hiccup, vacancy remains low at 5.3%, down from 12% just 24 months ago. A couple of noteworthy deals include Zynga who took over 185,000 square feet at 650 Townsend and Reddit who subleased 78,031 square feet at 1455 Market. With an additional 3.1 million square feet still in the construction pipeline, and as long as leasing keeps pace, we expect to see a balance in absorption over the next few quarters.

NORTH OF MARKET | Absorption & Activity



SOUTH OF MARKET | Absorption & Activity



MARKET ACTIVITY | SALE AND LEASE TRANSACTIONS

SALES (PURCHASED ADDRESS)	Size	Sale Price PSF	Buyer	Submarket
1155 BATTERY STREET	931,160	\$887	Jamestown LP	Waterfront/North Beach
555 MARKET STREET	770,000	\$938	Paramount Group	South Financial District
600 CALIFORNIA	363,000	\$912	The We Company	Financial District
1 MONTGOMERY	75,880	\$1,081	REDCO Development	Financial District

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SUBMARKET STATISTICS | By Submarket

SUBMARKET	Net Rentable Area	QTR Absorption	Vacant Direct %	Vacant Sublease %	Total Vacant %	Net Absorption (QTR)	Average Asking Rent
Chinatown/Nob Hill	889,993	0	3.9%	0.8%	4.7%	-22,976	\$40.48
Civic Center	4,353,650	0	1.6%	0.0%	0.5%	7,504	\$37.20
Financial District	30,326,619	0	5.9%	0.9%	6.8%	64,572	\$76.92
Jackson Square	3,292,455	0	1.8%	1.0%	2.0%	33,042	\$67.60
Union Square	5,466,805	187,598	7.2%	2.2%	2.3%	-27,373	\$73.19
Van Ness Corridor	2,423,159	0	10.3%	0.5%	10.8%	-20,156	\$55.28
Waterfront/North Beach	4,426,125	0	3.1%	0.4%	3.6%	56,856	\$64.16
West of Van Ness	5,453,096	0	3.7%	0.4%	4.0%	-63,493	\$64.22
NORTH OF MARKET TOTAL	56,631,902	187,598	5.2%	0.8%	6.0%	27,976	\$64.08
Bayview/Hunters Point	593,650	0	2.0%	1.9%	3.9%	0	\$37.55
India Basin	36,379	0	0.0%	0.0%	0.0%	0	N/A
Lower South of Market	2,293,462	0	2.8%	0.4%	3.1%	-9,201	\$66.78
MidMarket	6,988,369	466,000	3.7%	1.3%	5.0%	26,465	\$49.68
Mission Bay/China Basin	4,153,681	1,016,745	0.4%	0.3%	0.7%	729,118	\$55.68
Potrero East of 101	354,241	0	6.8%	0.0%	6.8%	10,269	\$53.16
Potrero West of 101	1,753,159	0	2.4%	0.0%	2.4%	-17,893	\$65.58
Rincon/South Beach	6,879,143	268,000	4.1%	0.5%	4.6%	-23,630	\$75.00
Showplace Square	3,685,151	126,537	3.2%	0.0%	3.2%	30,850	\$52.08
South Financial District	30,496,091	1,250,000	4.7%	1.9%	6.7%	-290,663	\$73.68
South of Market	2,357,098	0	4.2%	1.1%	5.2%	-27,570	\$56.34
Yerba Buena	3,592,628	0	4.7%	1.1%	5.8%	83,299	\$65.58
SOUTH OF MARKET TOTAL	63,183,052	3,127,282	4.0%	1.3%	5.3%	511,044	\$64.80
Class A	61,416,576	3,314,880	4.5%	1.1%	5.7%	416,070	\$74.06
Class B	43,916,769	0	4.5%	1.1%	5.7%	142,191	\$59.96
Class C	14,481,609	0	4.6%	0.7%	5.3%	(19,241)	\$59.17
CITYWIDE TOTAL	119,814,954	3,314,880	4.6%	1.1%	5.6%	539,020	\$64.44

SAN FRANCISCO

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