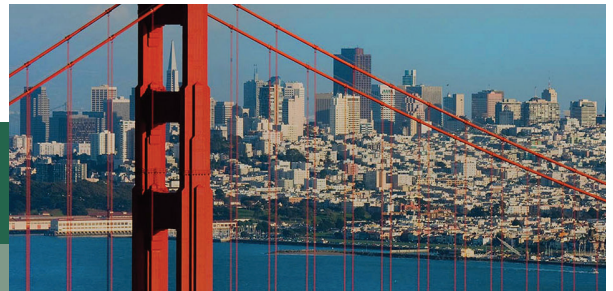


Q2 2019 TRI Commercial Real Estate Services SAN FRANCISCO TRENDS

Absorption still maintaining positive outlook...



2019 outlook

Positive absorption again dominated the market and inventory remained low despite the high rents. From this quarter onwards, we are incorporating Costar's forecast models which predict the San Francisco Office market will end 2019 with a large positive absorption, and also indicate a possible correction in late 2020 that may adversely affect this trend. However, pending actions from the Feds on interest rates and governmental trade policies may influence this market correction timing.



MARKET OVERVIEW

The San Francisco office market continued its positive absorption of 447,169 square feet in the 2nd Quarter. Rental rates have remained high and inventory relatively low at 2.9% of direct vacant available space, up slightly from 2.7% at the end of the 1st Quarter. Office sublease square footage increased to 22.1% of total available space.

2nd QUARTER ACTIVITY

North of Market ended the 2nd Quarter with positive 180,504 square feet of net absorption. Van Ness corridor dominated the positive net absorption with the occupancy of the new medical center. Average asking rents maintained its range of 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 increased slightly to 3.8%, from 3.2% in the 1st Quarter, and rent levels still remain high.





Albeit half the southern submarkets ended with negative net absorptions, South of Market still completed the 2nd Quarter with a positive 266,488 square feet of net absorption. 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 increased slightly to 2.0%, from 1.7% in the 1st Quarter.

Slack leased 208,459 square feet at 45 Fremont. First Republic renewed and expanded their presence at One Front with 194,623 square feet, and O'Melveny & Myers renewed their 77,214-square-foot lease at 2 Embarcadero. Two tenants leased large spaces at 50 Beale: 117,673 square feet by Autodesk and 116,673 square feet by Glasdoor. Samsara pre-leased 116,037 square feet at the still-under-construction 1 De Haro. PlayStation executed a new 69,798-square-foot lease at 303 Second. There were a number of large subleases this quarter: Google subleased 140,079 square feet at 215 Fremont; Keep Truckin subleased 51,162 square feet at 55 Hawthorne; and Knotel subleased 50,821 square feet at 901 Market.

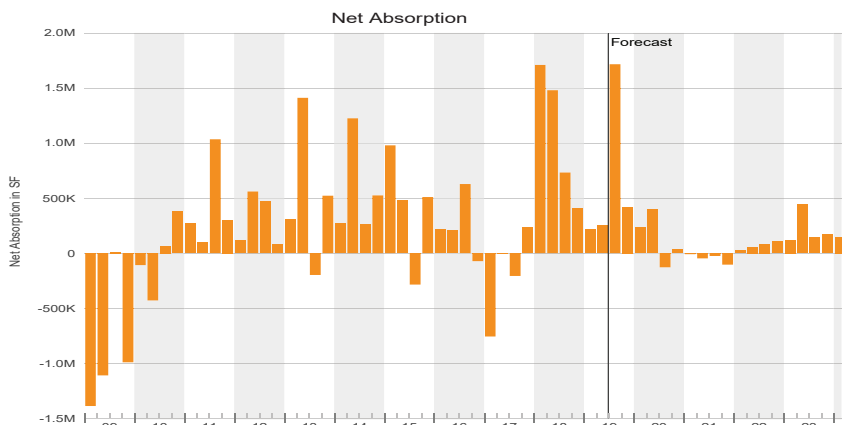
As to large investment sales: JUUL purchased 123 Mission for \$397 Million, or \$1,149 per square foot. Boston Properties purchased the final portion of 415 Mission for \$210 Million, or \$2,969 per square foot, making them 100% owner of Salesforce Tower. Beacon Capital purchased 655 Montgomery for \$191.5 million, or \$701 per square foot. The Sobrato Organization purchased Pinterest's location at 808 Brannan for \$60 million, or \$983 per square foot.

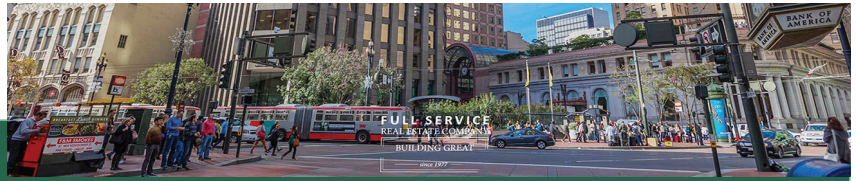
North of Market: North Financial, Jackson Square, North Waterfront, Union Square, Civic Center, Van Ness
South of Market: South Financial, Rincon/South Beach, Yerba Buena, Mid-Market, South of Market, Showplace Square, Mission Bay, Potrero East & West

In Summary:

-  Positive net absorption of 447,169 square feet at the end of the 2nd Quarter
-  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-\$60's 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 3.8%; South of Market at 2.0%; Citywide at 2.9%

ABSORPTION - SAN FRANCISCO OFFICE MARKET (Quarterly)





Q2 2019

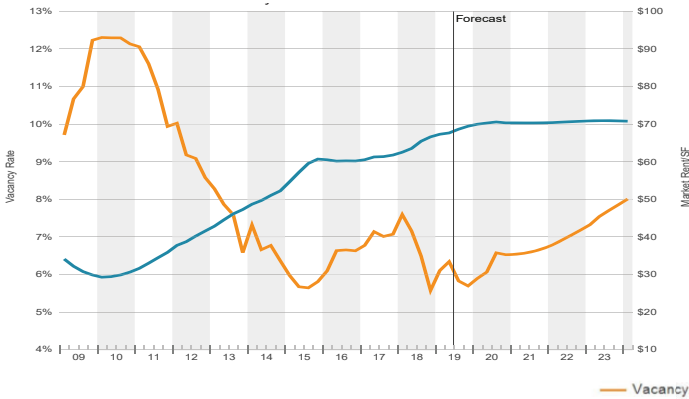
Q2 MAJOR LEASE TRANSACTIONS

Tenant	Address	Sq.Ft.
Slack	45 Fremont	208,459
First Republic Bank	1 Front	194,623
Google	215 Fremont	140,079
Autodesk	50 Beale	117,673
Glassdoor, Inc.	50 Beale	116,673
Samsara	1 De Haro	116,037
O'Melveny & Myers LLP	2 Embarcadero	77,214
PlayStation	303 Second	69,798
Keep Truckin	55 Hawthorne	51,162
Knotel	901 Market	50,821

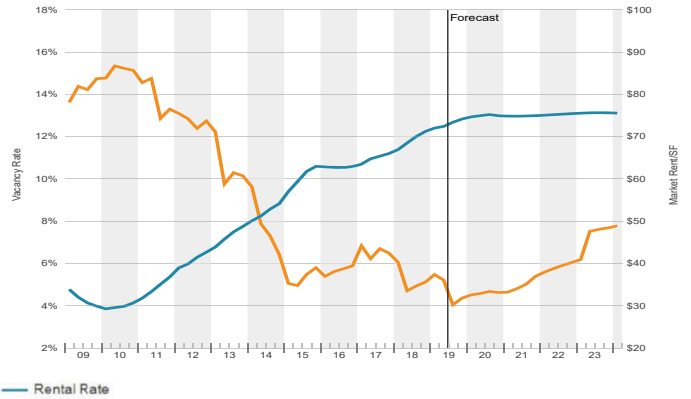
Q2 LARGE SALE TRANSACTIONS

Buyer	Address	Price	Per Sq.Ft.
JUUL	123 Mission	\$397.0 million	\$1,149
Boston Properties (5%)	415 Mission	\$210.0 million	\$2,969
Beacon Capital Partners	655 Montgomery	\$191.5 million	\$ 701
The Sobrato Organization	808 Brannan	\$ 60.0 million	\$ 983

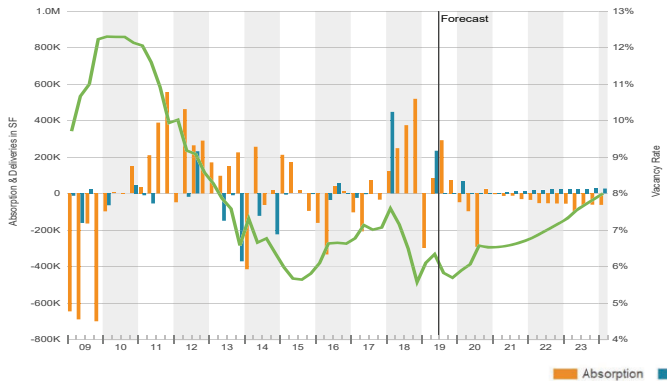
NORTH OF MARKET Vacancy & Rental Rates



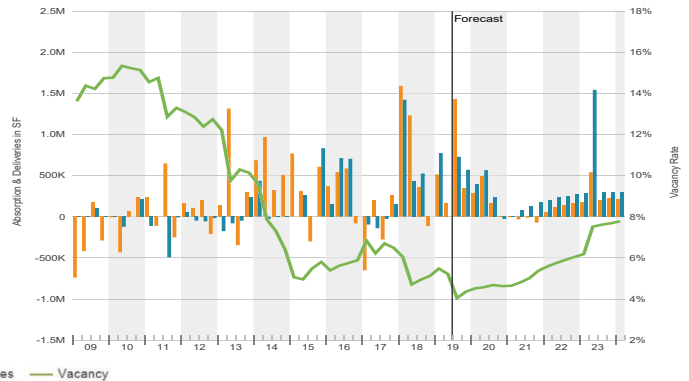
SOUTH OF MARKET Vacancy & Rental Rates



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* %
(NORTH OF MARKET)					
Financial District	30,472,310	10,817	10.4	6.2	3.5
Jackson Square	3,209,942	(7,212)	11.3	2.7	2.0
Waterfront/North Beach	4,425,406	51,897	8.7	3.2	2.5
Union Square	5,501,872	(21,535)	17.3	8.4	7.6
Civic Center	4,338,362	(11,266)	1.8	1.8	1.8
Van Ness Corridor	2,439,873	184,709	13.2	9.4	9.4
(SOUTH OF MARKET)					
South Financial District	30,518,137	394,251	9.8	4.0	1.7
Yerba Buena	3,685,685	(56,299)	7.0	5.4	2.7
Rincon/South Beach	6,731,823	27,060	4.1	3.6	1.9
Mid-Market	6,939,399	(106,706)	7.6	3.3	2.4
South of Market	2,302,490	42,142	8.1	3.9	3.4
Showplace Square	3,690,911	(61,191)	5.5	4.2	3.1
Potrero East/West of 101 Fwy	2,259,414	(9,587)	4.0	2.9	2.9
Mission Bay/China Basin	3,403,311	1,648	0.6	0.2	0.2

*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.

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