

# San Francisco Leasing Comps: Companies Continue to Pay a Premium for Space in the Bay Area's Top Submarket

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As a whole, the Bay Area has strong office leasing fundamentals, powered by years of consecutive job growth and high, consistent levels of institutional investment. However, the cream of the crop when it comes to office space is San Francisco; its reputation as a world class city and major financial and tech hub continues to spur competition among office tenants. With only seven square miles to spare – an even smaller portion of which is dedicated to commercial and office uses – real estate comes at a premium, and lease rates are high. A number of comparison reports compiled by brokerage firms active in the region, shows the levels of leasing across a broad spectrum of office spaces. The comparisons were compiled by CBRE, Newmark Knight Frank, Cushman & Wakefield, Avison Young and TRI Commercial, and they provide the companies' best estimates into the leasing activity within the City. Dated from between November 2018 to February 2019, the reporting details what many of San Francisco's companies are paying for space throughout the city.

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The reports cover leases ranging from just a few thousand square feet to more than 100,000 square feet. Many of the leases were concentrated in San Francisco's most popular neighborhoods. Tenants' leases are for a variety of Class A, B and C office spaces; however, the reports indicate that location was more of a determining factor in rental rates than quality of space.

### **5,000 Square Foot to 15,000 Square Foot Leases**

Twitter, which has considerable space along Market Street in San Francisco, inked one of the smallest leases reported, renewing its lease for 4,646 square feet of Class A space at 1390 Market St. in San Francisco's Mid-Market neighborhood; the renewed lease will begin in November 2019 and will last 60 months, expiring in October 2024. Twitter is paying \$60.24 per square foot to San Francisco-based Swift Real Estate Partners. The renewal occurred alongside its decision to keep its space on three of the five floors at 1355 Market St. According to sources who track leasing activity in San Francisco, Twitter has renewed its lease on floors seven, eight and nine in Market Square, totaling around 215,000 square feet.

Getaround, a social car-sharing company, will lease 8,000 square feet of Class B office space from Brick & Timber Collective at 55 Green St. beginning in April 2019. San Francisco-based Getaround has secured the new lease for \$43 per square foot, along with three months of free rent. The 123-month term is set to expire in June 2029. Brick & Timber acquired the building for \$29 million, or just under \$533 per square foot in April of 2018.

Knotel, a flexible workspace provider, took up two smaller office spaces in the city as part of its widespread growth around the greater Bay Area; the first and the smaller of the two is 6,258 square feet of space at 126-128 Post St. Knotel is renting the Class C space for \$72 per square foot. The new lease commenced in March 2019 and will expire after 86 months in April 2026. The lessor of the property is Victor Wu. The second lease was signed for 9,586 square feet of Class B office space at 150 Post St., which is owned through a Madison Capital joint venture with PGIM. Knotel began occupying the space in January 2019, and the lease expires in January 2026. Knotel is leasing the space for \$66.48 per square foot, full service growth. In addition to these two leases, Knotel announced its plans to take up 62,979 square feet of space at 625 Second St. — owned by Hudson Pacific Properties — bringing the company's footprint in the city to more than 260,000 square feet.

SS&C Technology, an investment management software and services company based in Windsor, Conn., took up 11,472 square feet of space on the second floor of 580 California St., leasing the Class A space for \$73 per square foot from landlord J.P. Morgan Asset Management. SS&C has been granted \$10 per square foot in TI allowances, and the lease, which began in February 2019, is slated to last seven years, until March 2026. SS&C also received a healthy four months of free rent at the start of their term.

The Athletic Media Company will sublease Cloudera's space at 525 Market St. in the heart of downtown San Francisco from Knickerbocker Properties, Inc. According to the comps, the firm moved into its 11,724 square foot space in December 2018, although the lease was formally signed January 1, 2019. The Athletic Media Company is paying \$85 per square foot for its Class A space, one of the most expensive of the leases reported. The lease is expected to last 31 months and end in June of 2021.

### **15,000 Square Foot to 50,000 Square Foot Leases**

Limebike, the popular on-demand scooter and bicycle company which has taken cities by storm, is subleasing its space at 1 Sansome St., from shopping platform Wish. Limebike took 17,459 square feet of space at the property beginning in August of 2018 and is paying \$77 per square foot for the Class A space. Its lease term is shorter than most of the years, at just two years, and its expiration date is July 2020. No free rent is included with the lease agreement, and Limebike's rent will increase by three percent annually.

Juul Labs, a vaping company, is paying \$69 per square foot for its Class B office space at 99 Rhode Island St. It began renting the 20,000 square foot space in December of 2018 from Jawbone and, according to the comps, will lease the space until November of 2021. While it is headquartered in San Francisco, the company has also leased around 30,000 square feet of space in Mountain View Research Park; the leases come at a time when its headquarters, located at Pier 70, have come under scrutiny by local residents and San Francisco City Officials.

NASDAQ is subleasing 20,392 square feet on the fourth floor of 505 Howard St. and moved into the space in January 2019. Its lease agreement with American Realty Advisors, the property owner, will last five years, expiring in March 2024. NASDAQ is paying \$84.50 per square foot for the Class A space, the comps show.

Samsara Networks has leased 23,288 square feet of space at 251 Rhode Island from Giurlani Trust. Samsara is paying \$69 per square foot for its Class B office space just south of San Francisco's Mid-Market neighborhood, which it moved into in January 2019. The lease is one of the longest reported at 90 months and will expire in July 2026.

Tibco Software renewed its lease for 24,128 square feet of space at 575 Market in February 2019. It secured the 14th and 15th floors of the building for a starting rent of \$74 per square foot; \$20 per square foot of TI is also included in the terms of the lease, which is set to expire in April of 2024. 575 Market, known more commonly as The Skyscraper Center, is currently owned by Boston, Mass.-based Manulife Real Estate Company.

Swiss multinational investment bank and financial services firm UBS renewed its 24,952 square foot lease at 555 California St. in October 2018. UBS has rented the entire 46th floor of the building for \$105 per square foot — one of the most expensive rates reported — with a three percent annual increase and two months of free rent. \$70 per square foot of TI work is included in the 120 month-long lease, which will expire in October 2029.

Zenefits' 28,286 square foot lease at the Bechtel Building — located at 50 Beale St. — began back in October 2018, according to the comps. Zenefits is leasing the Class A space from Paramount Group, Inc., for a starting rental rate of \$79 per square foot. While no free rent is included, \$85 per square foot of tenant improvements was a part of the agreement. The lease term is 84 months and will expire in November 2025.

Iterable, a growth marketing platform, also signed a new lease for Class A space at 71 Stevenson St. Its second-floor office, totaling 35,162 square feet is slated to be Iterable's home and headquarters until May 2022. Iterable is leasing the space from Los Angeles-based FIT Investment Corporation for \$64 per square foot, far lower than many of the other companies leasing Class A space in San Francisco's Financial District. Iterable has received two months of free rent, and its rent will increase by 3 percent annually.

Greeting card company Minted secured one of the more sizeable leases listed in in the reports, leasing 38,000 square feet from Turkey-based Polidev Investments, Inc. Minted is set to move into the space, located at 747 Front St., on May 1st, and the lease is expected to last 84 months. Minted will receive two months of free rent before it begins paying a base rate of \$77 per square foot. It will occupy roughly half of the 86,171 square foot building, which was originally built in 1909. Polidev had placed the 85,423 square foot, Class A creative office building located in the San Francisco Jackson Square neighborhood on the market for sale earlier this year. The planned sales price is projected to be at least \$75 million, or roughly \$877 per square foot if it reaches that pricing, as stated by sources familiar with the sale of the property.

Redfin, the popular real estate listings site headquartered in Seattle, moved into its 48,841 square foot office at 333 Bush St. in January 2019 after signing its lease with Tishman Speyer in November of last year. The real estate firm is leasing the 22nd floor for \$79 per square foot; \$100 per square foot of TI work is included in the agreement, one of the highest amounts allotted for tenant improvement reported. Redfin's rent will increase by three percent annually, and the lease is set to expire in June 2030.

### **100,000 Square Foot-Plus Leases**

WeWork continued securing space in the city, taking 102,000 square feet spread across 8 floors at 1 Post St. in the North Financial District. WeWork has secured four months of free rent with a base rate of \$80 per square foot. The effective, full service rent for the space is \$99.08 per square foot. \$120 per square foot of TI work is also included in the lease, which was executed on December 1, 2018. WeWork, however, is moving into the space in phases, moving into floors one, two and three of the building in January of 2019 and floors four and five April of 2020. The lease will expire in November 2034.

Cooley, a major Bay Area law firm, has also secured Class A office space in the City's North Financial District. The law firm signed a new, 127,672 square foot lease at Three Embarcadero Center that will commence in January of 2020 and last until December 2029. Cooley has also secured a \$100 per square foot in tenant improvement costs