

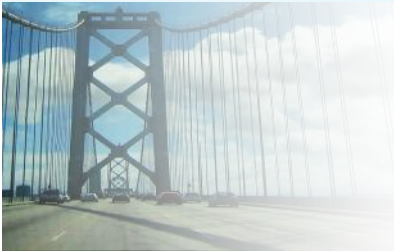
Q2 2018 TRI Commercial Real Estate Services SAN FRANCISCO TRENDS

Healthy Absorption in the City continues!



2018 outlook

The San Francisco office market continued its positive absorption for large blocks of spaces. We are expecting this trend to last throughout 2018. We expect rent increases but these may be more measured. There will likely be easing of smaller space inventories as well, amid an uptick in sublease availabilities.



MARKET OVERVIEW

The San Francisco office market continue to absorb large blocks of space as soon as they come on line. This amounted to approximately 2+ million square feet absorbed during the 2nd Quarter, or 3.7 million from the beginning of 2018. The South of Market submarkets contributed almost 90% of the positive absorption with 1,842,027 square feet.

2nd QUARTER ACTIVITY

North of Market ended the 2nd Quarter with a positive 250,572 square feet of absorption. Average asking rents ranged from Class B rates in the low \$60's, to low \$100's for top Class A space. Direct vacant available space dropped to 4.7%.





South of Market continued this trend with substantial positive net absorption of 1,842,027 square feet. Average asking rents remained in the high \$60's for creative-space Class B buildings, while Class A building rents hovered in the high \$60's to the high \$80's. Direct vacant available space decreased slightly to 2.6%.

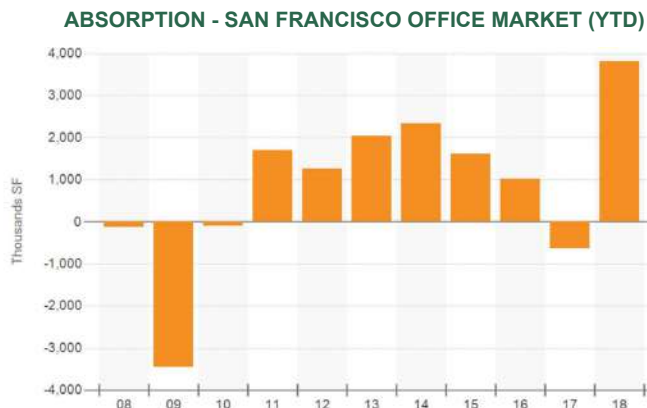
Large leases for the 2nd Quarter included: Facebook's pre-leasing of the yet-to-be completed Park Tower building at 250 Howard, for 762,102 square feet. Cruise Automation grabbed Kilroy's 3 contiguous locations: 182,054 square feet at 333 Brannan, 116,820 square feet at 345 Brannan and 80,843 square feet at 301 Brannan; for a total of 381,717 square feet. Nektar Therapeutics leased 135,936 square feet at 360 Third. Federal Home Loan Bank leased 102,288 square feet at 333 Bush. WeWork's continued its recent expansion and added 77,181 square feet at 353 Sacramento, and Affirm is moving from its SoMa location into 45,915 square feet at 550 Kearny.

Considerable office building sales in the 2nd Quarter included: Northwood Investors purchased 123 Mission for \$300 million, or \$868 per square foot. Vanbarton Group purchased 101 Mission for \$163 million, or \$790 per square foot; Clinton Reilly purchased 235 Pine for \$129 million, or \$784 per square foot; and Swift Real Estate Partners purchased 1390 Market for \$109 million, or \$499 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

In Summary:

-  Positive net absorption of 2,092,599 square feet at the end of the 2nd Quarter
-  North of Market direct asking rates for Class A ranged from the low \$70's to the low \$100's; Class B ranged from the low \$60's to mid-\$90's
-  South of Market average direct asking rates for Class A ranged from the low \$70's to the low \$100's; Class B in the high \$60's to the mid-\$90's
-  Direct vacant available space: North of Market at 4.7%; South of Market at 2.6%; Citywide at 3.6%





Q2 2018

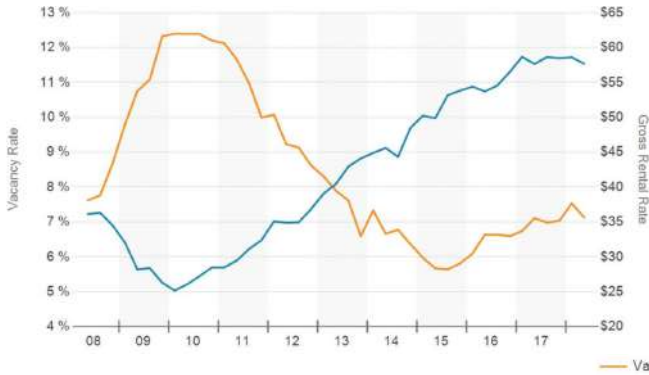
Q2 MAJOR LEASE TRANSACTIONS

Tenant	Address	Sq.Ft.
Facebook	250 Howard	762,102
Cruise Automation	333 Brannan	182,054
Nektar Therapeutics	360 Third	135,936
Cruise Automation	345 Brannan	116,620
Federal Home Loan Bank	333 Bush	102,288
Cruise Automation	301 Brannan	80,843
WeWork	353 Sacramento	77,181
Affirm	550 Kearny	45,915
Zuora	680 Folsom	34,487
Mapbox	50 Beale	29,605

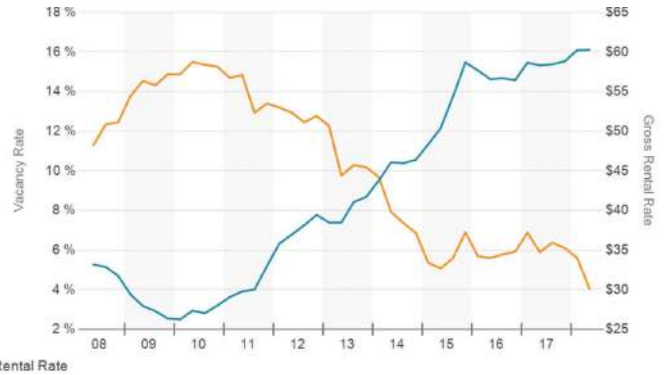
Q2 LARGE SALE TRANSACTIONS

Buyer	Address	Price	Per Sq.Ft.
Northwood Investors	123 Mission	\$ 300 Million	\$ 868
Vanbarton Group	101 Mission	\$ 163 Million	\$ 790
Clinton Reilly Holdings	235 Pine	\$ 129 Million	\$ 784
Swift Real Estate Prtrs	1390 Market	\$ 109 Million	\$ 499

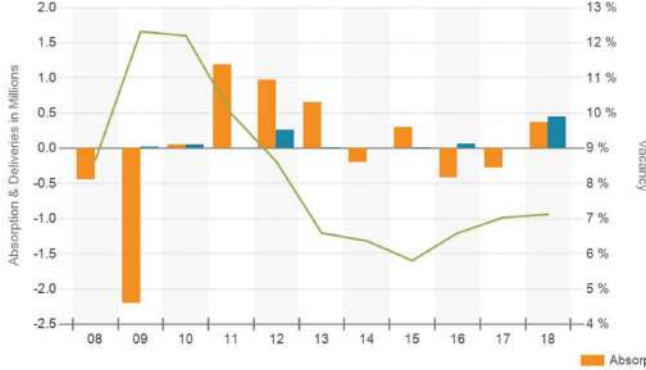
NORTH OF MARKET Vacancy & Rental Rates



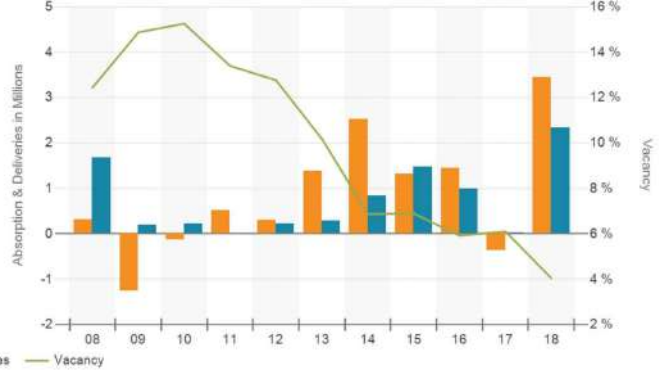
SOUTH OF MARKET Vacancy & Rental Rates



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	30,000,103	91,385	11.5	9.7	5.3
Jackson Square	3,163,305	18,305	8.7	6.7	3.1
Waterfront/North Beach	4,382,428	(106,690)	12.6	9.2	4.1
Union Square	5,433,010	(30,763)	10.2	8.5	7.5
Civic Center	4,380,091	(10,179)	1.9	1.9	1.6
Van Ness Corridor	2,201,837	(4,940)	16.6	15.7	8.2
(SOUTH OF MARKET)					
South Financial District	29,225,260	346,387	11.7	8.8	2.9
Yerba Buena	3,370,341	(31,273)	6.9	5.9	1.6
Rincon/South Beach	6,711,335	72,424	12.6	9.9	3.1
Mid-Market	6,897,327	5,912	5.1	4.0	2.0
South of Market	2,190,675	15,538	9.8	7.8	3.9
Showplace Square	3,271,197	346,367	6.8	5.4	2.2
Potrero East/West of 101 Fwy	2,268,681	(16,880)	2.8	2.8	1.4
Mission Bay/China Basin	4,224,155	852,994	0.2	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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