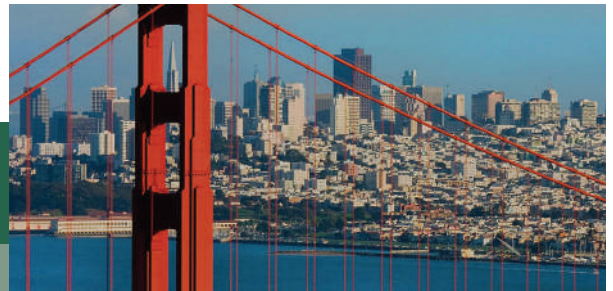


Q3 2018 TRI Commercial Real Estate Services SAN FRANCISCO TRENDS

Absorption in the City continues, albeit much slower.....



2018 outlook

With all of the large blocks of new space already pre-leased and vacancies declining, we will see continued pressure on rents through the rest of this year. San Francisco office market inventories will remain tight. The current strong economy and healthy employment figures should sustain this rosy trend for the balance of 2018. However, the Fed's additional interest rate hikes, the impending import tariffs, and political tensions may have a dampening effect on this current buoyant market.



MARKET OVERVIEW

Positive absorption in the San Francisco office market slowed to 368,401 square feet this quarter, from the previous high of 2+ million square feet during the 2nd Quarter. In total, a healthy 3.88 million square feet has been absorbed since the beginning of 2018. This is the first quarter in 2+ years that North of Market submarkets' 336,933 square feet absorption has surpassed South of Market submarkets' 31,468 square feet absorption. Rental rates remain high and inventory remains tight.

3rd QUARTER ACTIVITY

North of Market ended the 3rd Quarter with a positive 336,933 square feet of absorption. Average asking rents ranged from Class B rates in the mid-\$60's, to mid-\$80's for top Class A space. Direct vacant available space dropped slightly to 4.3%. We are now approaching historic rent levels rivaling the dot-com boom of the late 90's.

South of Market absorption slowed down to 31,468 square feet, but still turned in an impressive 3.1 million square feet of positive absorption for the year-to-date. 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 decreased slightly to 2.0%.

Large leases for the 3rd Quarter continued to be dominated by South of Market submarkets: Price Waterhouse Cooper's 196,356 square feet lease at 405 Howard, Amazon's 143,168 square feet at 525 Market, Unity Technologies' 127,161 square feet at 657-667 Mission; Splunk's 100,850 square feet at 250 Brannan; SoFi's 98,566 square feet lease at 246 First; Ancestry's 91,520 square feet lease at 153 Townsend; and CloudFlare's 45,031 square feet at 634 Second. As for North of Market submarkets: Spaces leased 77,999 square feet at 345 Montgomery; Nixon Peabody leased 53,904 square feet at 1 Embarcadero; and OneLogin leased 40,369 square feet at 840-848 Battery.

Considerable office building sales in the 3rd Quarter: DivcoWest and CalSTRS's JV purchased 301 Howard with a 5.1 Cap for \$292.5 million, or \$942 per square foot; Rubicon Point Partners purchased 1130 Market for \$49 million, or \$575 per square foot; Jamestown L.P. purchased 648-660 Market for \$40 million, or \$1,057 per square foot; and Rockwood Capital LLC's purchase of 332 Pine for \$38 million, or \$796 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:

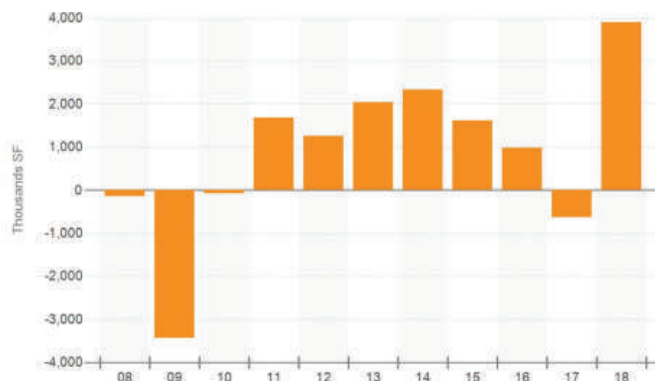
Positive net absorption of 368,401 square feet at the end of the 3rd Quarter

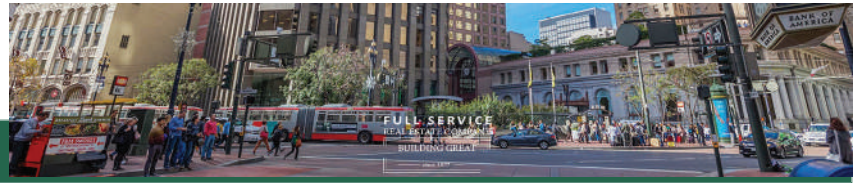
North of Market average direct asking rates for Class A ranged from the mid-\$70's to the mid-\$80's; Class B in the mid-\$60s to high-\$70's

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 4.3%; South of Market at 2.0%; Citywide at 3.1%

ABSORPTION - SAN FRANCISCO OFFICE MARKET (YTD)





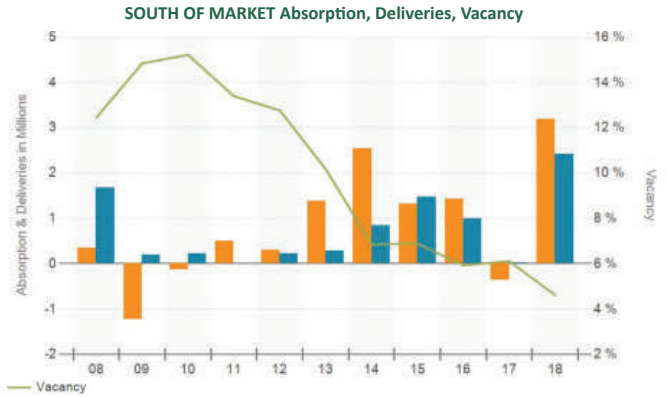
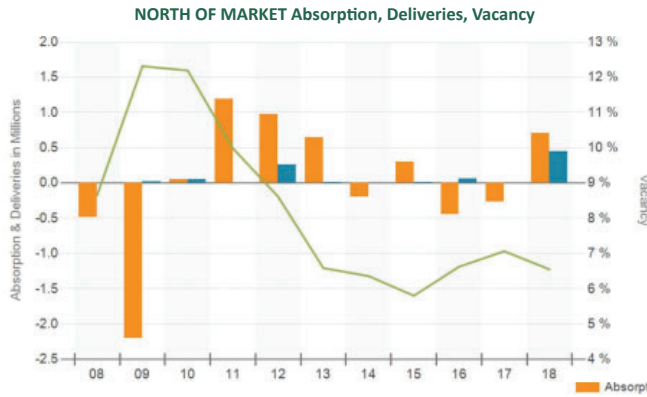
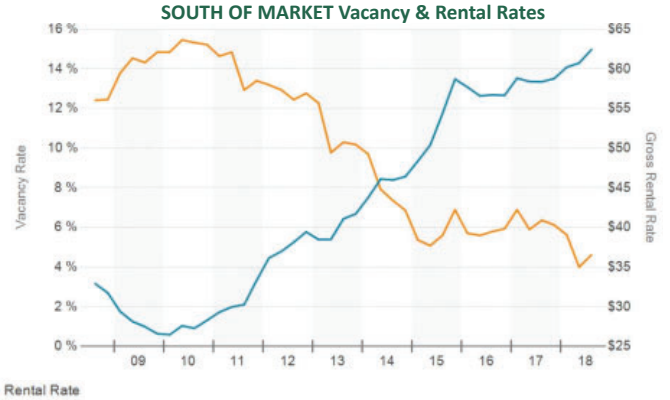
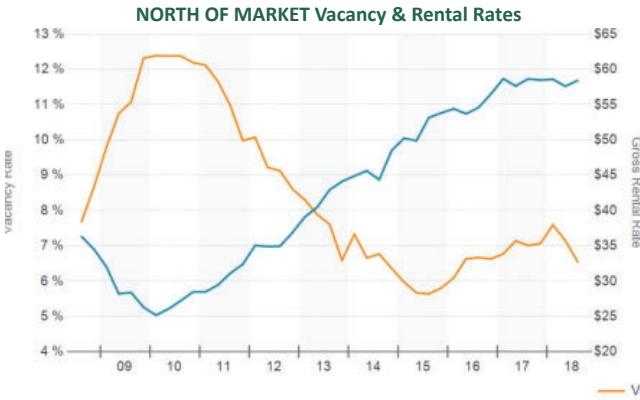
Q3 2018

Q3 MAJOR LEASE TRANSACTIONS

Tenant	Address	Sq.Ft.
PriceWaterhouseCooper	405 Howard	196,356
Amazon	525 Market	143,168
Unity Technologies	657-667 Mission	127,161
Splunk	250 Brannan	100,850
SoFi	246 First	98,566
Ancestry	153 Townsend	91,520
Spaces	345 Montgomery	77,999
Nixon Peabody	1 Embaradero Ctr	53,904
CloudFlare	634 Second	45,031
OneLogin	840-848 Battery	40,369

Q3 LARGE SALE TRANSACTIONS

Buyer	Address	Price	Per Sq.Ft.
DIVCO West/CalSTRS	301 Howard	\$292.5 Million	\$ 942
Rubicon Point Partners	1130 Market	\$ 49.0 Million	\$ 575
Jamestown, L.P.	648-660 Market	\$ 40.0 Million	\$1,057
Rockwood Capital LLC	332 Pine	\$ 38.0 Million	\$ 796



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	30,337,679	290,233	1.2	6.9	4.6
Jackson Square	3,169,989	8,900	6.9	5.1	2.6
Waterfront/North Beach	4,382,820	53,252	8.7	4.5	2.4
Union Square	5,484,192	15,919	12.8	8.0	7.6
Civic Center	4,307,162	8,900	1.7	1.6	1.5
Van Ness Corridor	2,203,437	32,725	15.2	8.6	8.0
(SOUTH OF MARKET)					
South Financial District	29,650,000	(35,834)	10.6	4.0	1.9
Yerba Buena	3,375,364	31,468	4.7	2.3	1.4
Rincon/South Beach	6,845,708	30,292	11.4	3.0	2.1
Mid-Market	6,941,997	(69,073)	7.6	2.9	2.4
South of Market	2,228,377	(1,058)	10.0	4.4	3.2
Showplace Square	3,695,197	53,978	6.6	12.4	3.1
Potrero East/West of 101 Fwy	2,010,230	(10,187)	6.8	1.4	1.1
Mission Bay/China Basin	3,436,413	11,299	0.1	0.3	0.1

*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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