



FIRST
QUARTER 2021

The background of the right side of the cover is a large, dark green triangle containing a semi-transparent image of the San Francisco skyline and a highway. The skyline includes the Transamerica Pyramid and other skyscrapers. Below the skyline is a view of a highway with several cars driving on it, with a body of water and trees in the foreground. The text 'SAN FRANCISCO OFFICE REPORT' is overlaid on this image in white, all-caps, sans-serif font.

SAN FRANCISCO
OFFICE REPORT

60 Vacancy continues to ascend as investors look for long-term bargains.

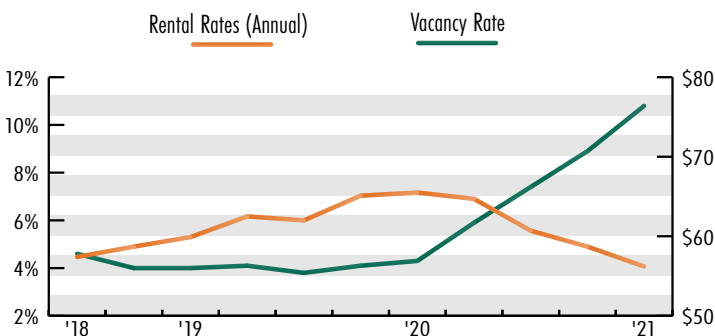
The San Francisco office market's struggle against waves of incoming sublease space continued through the first several months of 2021, however, Sublease availabilities jumping down from 39% share of the market to 35%. As suburban markets feel a little heat, San Francisco's former hustle and bustle will take a little longer to return. Small tenants have emerged from COVID stupor to look at alternatives. One to two year terms seem to be their comfort zone and most are bottom fishers on rate. With established home office comfort levels, it will take a little more time for touring activity to significantly increase.

Short terms and small footprints are proving grounds for new trends. With sales activity having picked up the past two quarters, that may mean more ownerships open to capital improvements and a realignment of submarket-focused industries. A number of business sectors have weathered covid without barely a hit and may be the forerunners in taking back vacated spaces on the trigger of tempting and competitive sublease rates. Office-only operations will wield less clout in shaping the future of office space in the city compared to others with more sophisticated floor plates, such as tech companies with laboratory components.

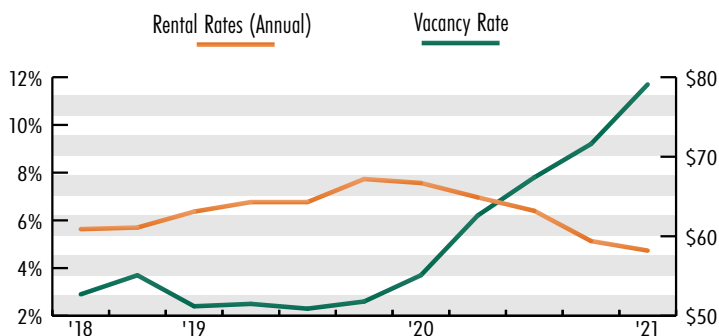
MARKET ACTIVITY | SALE TRANSACTIONS

ADDRESS	Date	Size	PSF Price
1800 OWENS	March	750,370 SF	\$1,439
99 RHODE ISLAND ST	February	63,780 SF	\$ 580

NORTH OF MARKET | Vacancy & Rental Rates



SOUTH OF MARKET | Vacancy & Rental Rates



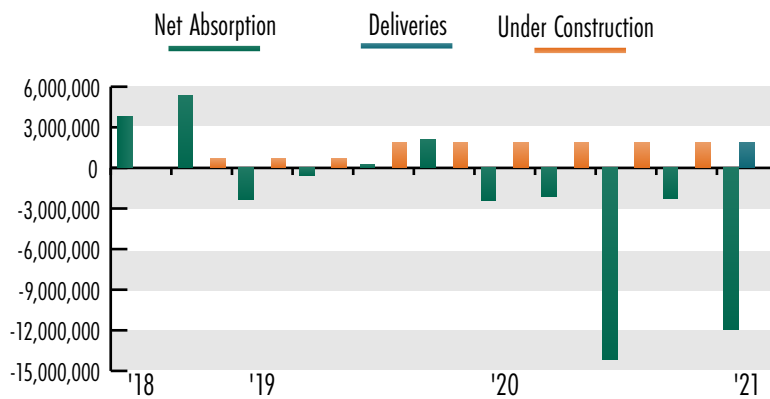
In Summary

- Office leasing activity still held in stasis while old leases expire, at over 3.5 million SF negative absorption
- Rents across the board descending, may hit a floor in the next 6 months
- Sublease space skyrockets, vacancy rates are ascending at a fast, but consistent pace



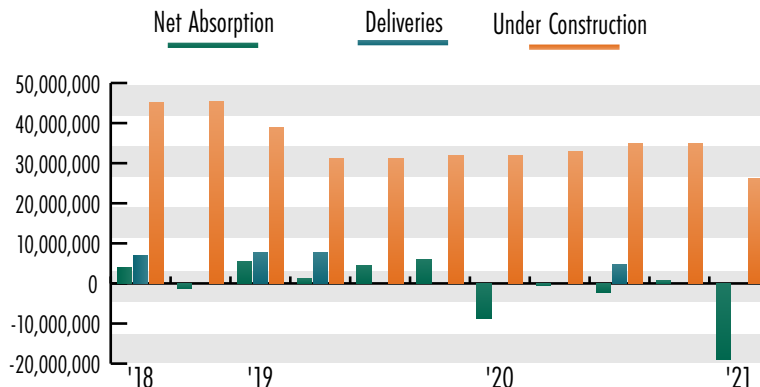
North of Market - North of Market continued the quiet of the past year in the first quarter of 2021. With nearly 1.5 million SF of negative absorption, the first quarter hit the subregion hard as leases signed during new years booms of new years' past finally hit their expiration dates. With an 11.48% vacancy rate, another record set since the 2008 crash, higher office property owners are now reckoning with the challenge of correctly pricing their assets, especially when it competing with the "free" option of continued work-from-home model.

NORTH OF MARKET | Absorption & Activity



South of Market - A banner deal of the South of Market landscape is the Invitae lease at 444 De Haro Street. The medical genetics company upgraded into 40,000 square feet of office and laboratory only blocks away from their previous premises. While more proof that the medical and research bent of the Mission Bay medical center was not in doubt, it is telling that larger and larger laboratory is finding fast occupants.

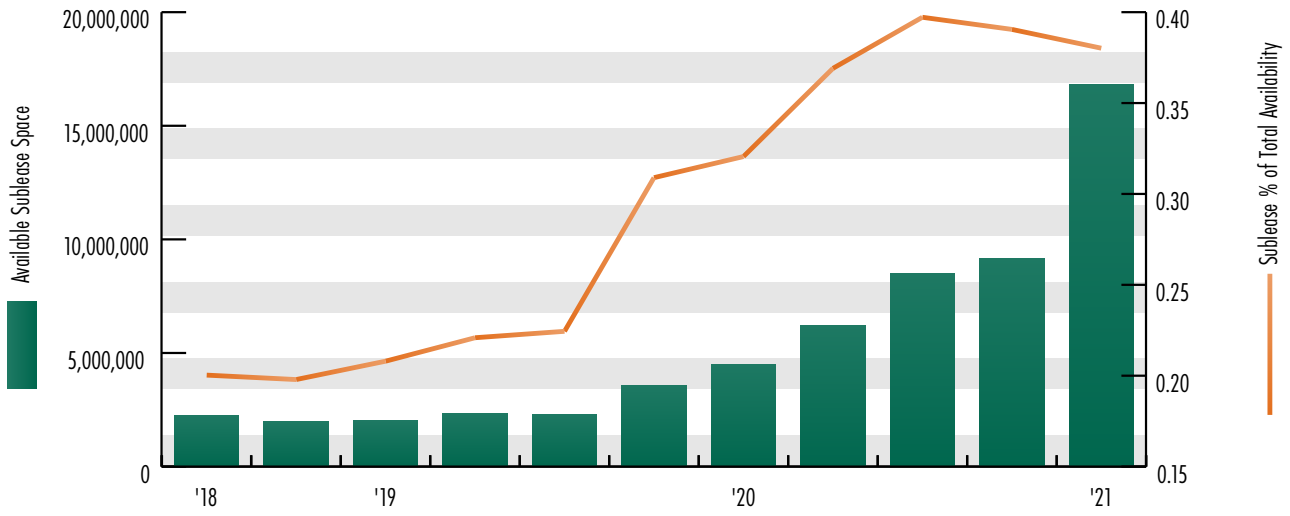
SOUTH OF MARKET | Absorption & Activity



STATISTICS | By Submarket

SUBMARKET	Net Rentable Area	Under Construction	Vacant Avail Direct %	Vacant Avail Sublease %	Total Vacant Avail %	Net Absorption (QTR)	Average Annual Rent
Van Ness/Chinatown	3,295,164	0	10.02%	0.64%	10.66%	(45,785)	\$52.20
Civic Center	4,413,520	0	3.24%	0.33%	3.58%	2,064	\$57.20
Financial District	30,573,049	0	12.60%	3.43%	16.03%	(1,185,775)	\$74.50
Jackson Square	3,318,737	0	15.28%	2.76%	18.04%	(127,077)	\$59.46
Union Square	5,719,762	0	15.06%	5.16%	20.22%	(64,770)	\$51.17
Waterfront/North Beach	4,468,946	0	12.35%	2.84%	15.19%	27,691	\$64.41
West of Van Ness	5,495,109	0	6.00%	0.20%	6.21%	(82,097)	\$64.66
NORTH OF MARKET TOTAL	57,284,287	0	11.48%	2.81%	14.29%	(1,475,749)	\$67.44
Bayview/Hunters Point	640,910	0	6.21%	0.00%	6.21%	(2,741)	\$39.17
Mid-Market	7,580,728	0	5.88%	3.75%	9.63%	(79,596)	\$36.47
Mission Bay/China Basin	4,183,214	1,461,745	2.87%	12.00%	14.86%	(554,292)	\$32.52
Mission/Potrero	3,445,218	0	5.79%	2.03%	7.82%	(11,461)	\$51.96
Southern City	1,341,516	0	3.99%	1.20%	5.19%	736	\$63.41
Rincon/South Beach	7,123,885	268,000	6.82%	6.73%	13.55%	(270,150)	\$88.99
Showplace Square	3,817,042	228,319	7.05%	8.44%	15.49%	(37,294)	\$46.13
South Financial District	31,166,665	0	6.68%	6.14%	12.82%	(885,003)	\$70.50
SOMA South	4,818,859	25,000	11.03%	9.12%	20.15%	(331,148)	\$41.43
Yerba Buena	3,674,196	640,000	12.09%	9.43%	21.52%	(97,763)	\$61.71
SOUTH OF MARKET TOTAL	67,792,233	2,623,064	6.89%	6.45%	13.34%	(2,268,712)	\$64.92
Class A	62,012,852	2,330,064	7.84%	5.83%	13.67%	(2,767,014)	\$75.21
Class B	47,135,403	293,000	10.50%	4.23%	14.73%	(716,150)	\$60.61
Class C	15,928,265	0	9.03%	2.32%	11.35%	(261,297)	\$53.52
CITYWIDE TOTAL	125,076,520	2,623,064	8.99%	4.78%	13.77%	(3,744,461)	\$66.93

Historical Sublease Available Space & Sublease Percent of Total Availability



	2019-Q1	2019-Q2	2019-Q3	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1
Sublease Available	2,017,589	2,338,360	2,307,695	3,563,144	4,490,181	6,211,210	8,486,606	9,156,341	10,015,708
Direct Available	7,682,890	8,247,706	7,975,162	7,969,814	9,516,904	10,617,947	12,879,725	14,289,594	16,818,751
Total Available	9,700,479	10,586,066	10,282,857	11,532,958	14,007,085	16,829,157	21,366,331	23,445,935	26,344,415
Sublease % of Total	20.8%	22.1%	22.4%	30.9%	32.1%	36.9%	39.7%	39.1%	38.0%
Total Space	122,105,863	122,875,773	122,875,773	122,920,567	122,920,567	123,136,233	124,264,422	124,515,146	125,076,520

Largest Available Subleases

Address	Submarket	Bldg Contig	Term	Build Out	Notes
1455 Market Street	Mission Bay/China Basin	505,561	Through Feb 2025	Shell Space/Partial Build Out	Former Uber, Dropbox, Square Space
1800 Owens Street	Mission Bay/China Basin	447,016	Flexible 2-5 Years	Fully Built Out	Partial Dropbox Space
685 Market Street	Yerba Buena	325,524	Through Jan 2022	Fully Built Out	Former Uber
680 Folsom	South Financial District	242,753	Through Dec 2028	Fully Built Out	Former Macys.com
350 Mission Street	South Financial District	286,538	Through Oct 2032	Fully Built Out	Former Salesforce
350 Mission Street	South Financial District	269,059	Through Sept 2028	Fully Built Out	Former Stripe

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