



THIRD
QUARTER 2021

A large, dark green triangular graphic on the right side of the page contains a faded image of the San Francisco skyline and a highway. The skyline includes the Transamerica Pyramid and other skyscrapers. The highway below shows several cars driving. The text 'SAN FRANCISCO OFFICE REPORT' is overlaid on this image in white, all-caps, sans-serif font.

SAN FRANCISCO
OFFICE REPORT

The office market is still entrenched in pandemic related woes

With the sixth straight quarter with negative absorption of (this quarter at 395,645), the San Francisco office market is facing serious challenges. The overall Vacancy rate is 18.1% which includes over 8 million SF vacant sublease space. While the 3rd quarter vacancy numbers have slowed, the long lasting effects are still dramatic. Total Vacancy now totals 27 million SF compared to 10 million in third quarter 2019.

San Francisco has some of the highest vaccination rates and lowest case numbers amongst major cities but also experiences the slowest return to offices. Why is that? While many point towards the model of remote work gaining traction, San Francisco is still considered one of the most expensive places to do business. These high prices make it easier for employers to restructure their business models and switch to more remote work. The state of the city has an impact as well. High increases in crime and the homeless situation do not provide much

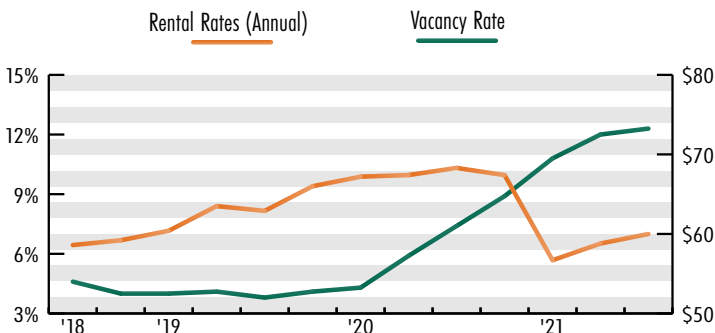
incentive for employees to return. While the CBD's of cities have shown a great return of activity (Chicago, Dallas and NYC), San Francisco's downtown remains a ghost town compared to March 2020. Vacant Office space hurts downtown small businesses and retailers dependent upon companies doing business there. These trends will lead more companies to migrate to the East Bay and beyond.

Rental rates continue to show a steady decline, but compared to past periods where we experienced vacancy rates at these levels, most Landlords still enjoy healthy returns. Historically, vacancy rates in the high teens percent range resulted in rental rates far lower than currently being offered. Many tenants are focusing on short-term renewals and planning for smaller offices long-term. The next two quarters will show more activity and aggressive Landlords will be able to secure great quality tenants.

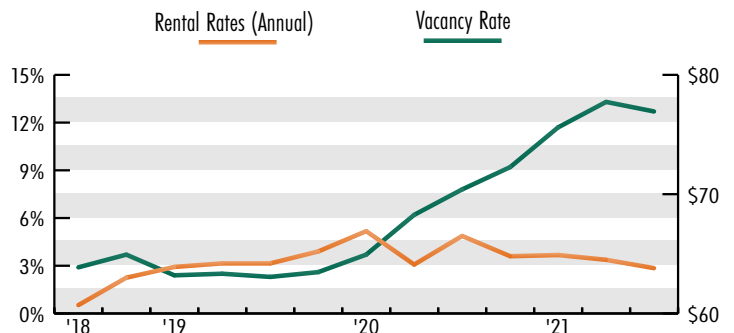
MARKET ACTIVITY | LEASE TRANSACTIONS

ADDRESS	Tenant	Size (SF)	Type
101 CALIFORNIA ST	Chime	194,440	New HQ
1550 BRYANT ST	Retool	70,000	Renewal
350 MISSION ST	Yelp	53,596	Sublease/Relocation
140 NEW MONTGOMERY ST	DataRobot	37,000	New Lease

NORTH OF MARKET | Vacancy & Gross Rental Rates



SOUTH OF MARKET | Vacancy & Gross Rental Rates

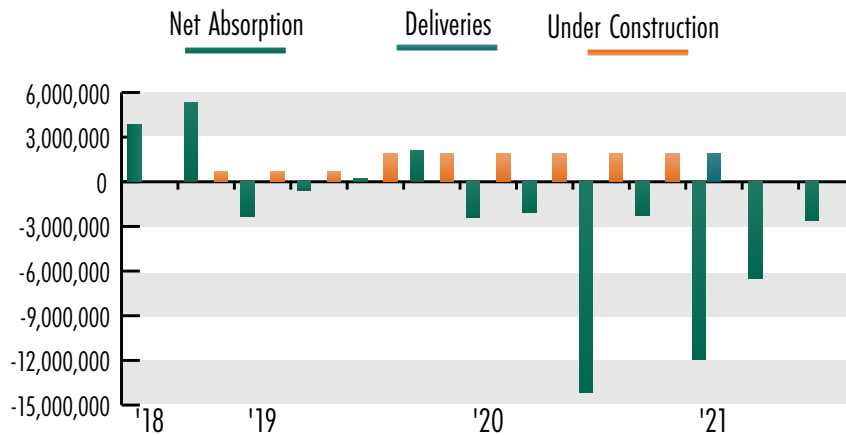


The Information in this document was obtained from sources we deem reliable; however, no warranty or representation, expressed or implied, is made as to the accuracy of the information contained herein. The market statistics represent properties that are 10,000 square feet or larger. This quarterly market report is a research document of TRI Commercial and may be found on our website at www.tricommercial.com. CoStar was the main source of information used in this report.



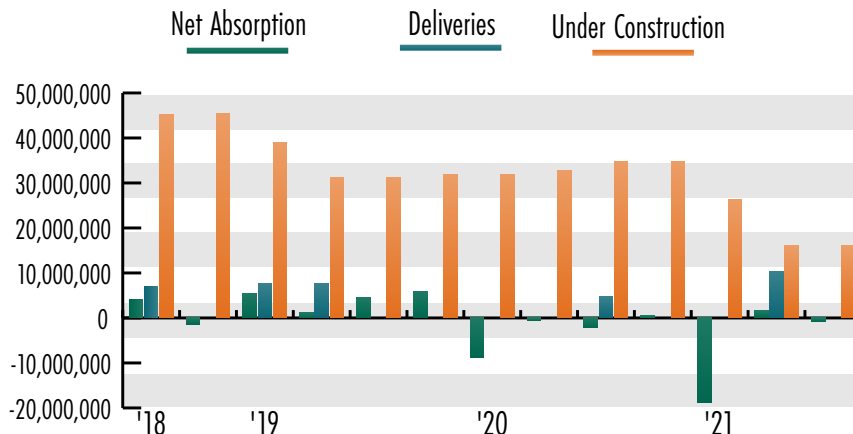
North of Market - Financial District office space continues to face hard times as the amount of vacant space encroaches on nearly 10 million vacant SF. Anecdotally, the constriction of amenities eats up some demand as well, as popular lunch spots and caterers dry up; retail vacancy in this area is around 10%, and even higher for food service retailers. Absorption North of Market is not as in the red as it has been, but this is unlikely to be a sign of better things to come and more a market that the blood loss is slowing down.

NORTH OF MARKET | Absorption & Activity



South of Market - Over the summer, activity South of Market was bolstering some of San Francisco's office numbers, however the third quarter was a return to expectation - the secondary office clusters saw no major shifts and the assets close to market were not making big enough moves to really shift the dial in a meaningful way. As construction counts decrease to 1,606,319 SF, it is safe to say that the development boom of the late 2010's is decidedly over.

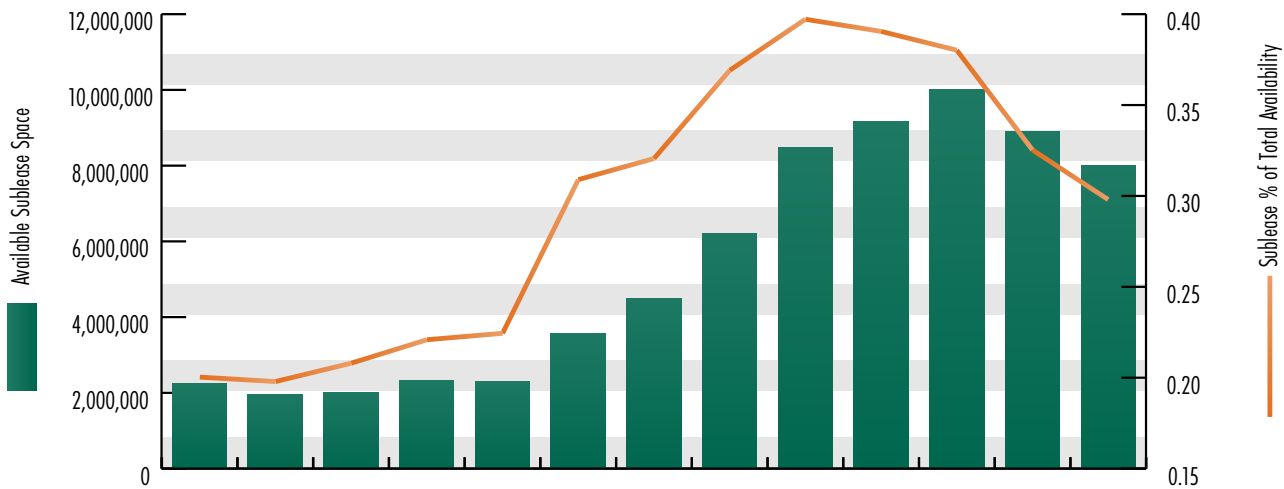
SOUTH OF MARKET | Absorption & Activity



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	3,276,503	0	11.22%	0.98%	12.20%	0	\$52.80
Civic Center	4,406,735	0	4.99%	0.09%	5.08%	(5,173)	\$27.86
Financial District	30,111,352	0	16.19%	3.29%	19.48%	(61,596)	\$59.53
Jackson Square	3,323,206	0	16.50%	1.40%	17.90%	8,272	\$47.53
Union Square	5,784,149	0	15.34%	1.77%	17.11%	10,510	\$51.98
Waterfront/North Beach	4,269,519	0	16.74%	3.23%	19.97%	(72,895)	\$42.01
West of Van Ness	5,602,223	0	6.03%	0.18%	6.21%	(2,994)	\$66.59
NORTH OF MARKET TOTAL	56,773,687	0	14.68%	1.72%	16.40%	(123,876)	\$58.81
Bayview/Hunters Point	650,352	0	7.09%	0.00%	7.09%	0	\$38.94
Mid-Market	7,581,733	0	9.84%	3.96%	13.79%	0	\$39.39
Mission Bay/China Basin	5,220,531	445,000	2.20%	9.10%	11.30%	0	\$35.00
Mission/Potrero	3,446,627	0	7.66%	1.93%	9.59%	(92,367)	\$50.35
Southern City	1,344,174	0	3.79%	0.89%	4.68%	3,934	\$54.54
Rincon/South Beach	7,531,024	0	9.89%	7.53%	17.41%	229,535	\$58.07
Showplace Square	3,848,470	228,319	6.44%	7.66%	14.10%	0	\$38.26
South Financial District	31,705,572	0	9.91%	5.43%	15.34%	(355,261)	\$57.63
SOMA South	4,862,405	25,000	10.97%	1.83%	12.87%	(9,592)	\$32.60
Yerba Buena	3,660,565	650,000	16.91%	9.29%	26.2%	(48,018)	\$50.94
SOUTH OF MARKET TOTAL	69,851,248	1,606,319	10.59%	4.98%	15.57%	(271,769)	\$64.46
Class A	63,218,063	1,323,319	9.98%	5.06%	13.04%	(31,102)	\$69.93
Class B	47,429,514	25,000	13.70%	4.52%	16.22%	(339,619)	\$56.96
Class C	15,667,307	0	9.26%	2.31%	10.57%	(24,924)	\$46.61
CITYWIDE TOTAL	126,314,884	1,348,319	13.99%	4.80%	18.10%	(395,645)	\$61.05

Historical Sublease Available Space & Sublease Percent of Total Availability



	2019-Q3	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1	2021-Q2	2021-Q3
Sublease Available	2,307,695	3,563,144	4,490,181	6,211,210	8,486,606	9,156,341	10,015,708	8,880,765	8,005,862
Direct Available	7,975,162	7,969,814	9,516,904	10,617,947	12,879,725	14,289,594	16,818,751	18,418,291	18,845,868
Total Available	10,282,857	11,532,958	14,007,085	16,829,157	21,366,331	23,445,935	26,834,459	27,299,056	26,851,730
Sublease % of Total	22.4%	30.9%	32.1%	36.9%	39.7%	39.1%	37.3%	32.5%	29.8%
Total Space	122,875,773	122,920,567	122,920,567	123,136,233	124,264,422	124,515,146	125,076,520	126,314,884	126,314,884

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
650 Townsend Street	Showplace Square	294,966	Through Feb 2027	Fully Built Out	Airbnb
350 Mission Street	South Financial District	232,942	Negotiable	Fully Built Out	Salesforce

SAN FRANCISCO

4 Embarcadero Center, Suite 1400
 San Francisco, CA 94111
 Tel: (415) 268-2200 | Fax: (415) 268-2299

Report Prepared By:

Justin Flom

Director of San Francisco Bay Area Marketing & Research
 justin.flom@tricommercial.com

The Information in this document was obtained from sources we deem reliable; however, no warranty or representation, expressed or implied, is made as to the accuracy of the information contained herein. The market statistics represent properties that are 10,000 square feet or larger. This quarterly market report is a research document of TRI Commercial and may be found on our website at www.tricommercial.com. CoStar was the main source of information used in this report.