



# Office Market Report

## San Francisco - CA

PREPARED BY



**OFFICE MARKET REPORT**

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12 Mo Deliveries in SF

**986K**

12 Mo Net Absorption in SF

**(7.7M)**

Vacancy Rate

**19.9%**

12 Mo Rent Growth

**-3.1%**

At the midpoint of 2023, there are signs of a growing acceptance among participants in the San Francisco office market that weak leasing conditions are not going away in the immediate future and that office values have fallen substantially below their pre-pandemic levels.

The repricing of office assets in downtown San Francisco moved into gear in the second quarter as bids were accepted for two office buildings at notably low prices. Both were cases of owner-users disposing of high-vacancy buildings they no longer required. First, a building previously occupied by Union Bank at 350 California Street went into contract for between \$200-\$225/SF. Then, the sale of a building previously occupied by Wells Fargo at 550 California Street moved forward at a reported price of between \$120-\$130/SF. These prices represent a major discount to pre-pandemic pricing, which peaked at around \$800/SF in 2019. Several other buildings are currently being offered with price guidance well below previous sale values.

The persistence of high interest rates and weak operating performance is also presenting challenges for some building owners to meet their mortgage financing obligations. Owners of buildings with some combination of declining net operating income, variable interest rate loans, or upcoming loan maturities are in negotiation with lenders to adjust or extend terms. In some cases, the owner has already walked away. For example, in February 2023, Columbia Property Trust defaulted on a loan backed by seven properties, including 201 California Street and 650 California Street. Further, in May, a loan tied to WeWork's property at 600 California Street defaulted.

The driving force behind the investment market repricing and distress is the continued deterioration in office leasing. Across the metro area, office vacancy increased from around 7% in 2019 to 19.9% in the third quarter of 2023, while in the San Francisco financial district vacancy now exceeds 25%. The first months of 2023

witnessed several new availabilities, as tech companies including Salesforce, Meta and Slack gave up large blocks of surplus space. Excluding owner-occupied buildings, downtown availability stands at 33%. Sublease space remains at record highs, and new leasing activity is depressed, with most deals being either renewals or subleases. Rents have fallen across all submarkets, but most notably in downtown San Francisco, where Class A sublease space is available for below \$35/SF, which is about half the asking rate for direct space. The current situation shows no sign of improvement in the short term, with vacancy forecast to increase further as leases roll over and tenants downsize to align with lower in-office utilization rates and diminished hiring plans.

Up until recently, downtown San Francisco had borne the brunt of the collapse in office demand. However, areas outside of downtown, including San Mateo County, are now seeing rising vacancy levels. Most notably, in March, Meta added over 500,000 SF of sublet space close to its headquarters in Menlo Park, thereby pushing the vacancy rate for leased buildings in that submarket above 20%.

In South San Francisco, the life sciences industry, which has supported office market growth amid strong demand from biotechnology companies, is facing headwinds. Venture capital, which is the main source of financing for biotech start-ups, has fallen sharply in response to rising interest rates and weaker valuations. The biotech sector is the main target of new lab space and flex space development, and weaker demand is coinciding with a slew of new deliveries, which may push vacancy rates higher in the coming quarters.

Looking ahead, vacancy is forecast to continue to increase as more tenants reduce their space needs as their leases expire. With no strong indications of a return to demand growth, rents are expected to continue moving downwards, with investment pricing adjusting accordingly.

## KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	102,849,135	22.4%	\$62.99	27.9%	(1,636,768)	0	2,994,360
3 Star	54,996,387	17.7%	\$50.63	24.4%	(274,024)	0	402,662
1 & 2 Star	32,060,401	16.0%	\$43.74	18.1%	(330,775)	0	0
<b>Market</b>	<b>189,905,923</b>	<b>19.9%</b>	<b>\$56.25</b>	<b>25.2%</b>	<b>(2,241,567)</b>	<b>0</b>	<b>3,397,022</b>

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	4.5%	9.6%	31.4%	19.9%	2023 Q3	1.3%	2000 Q2
Net Absorption SF	(7.7M)	511,348	(6,900,120)	7,089,836	2000 Q2	(10,133,124)	2021 Q1
Deliveries SF	986K	1,945,277	721,125	5,601,444	2002 Q2	61,810	2006 Q2
Rent Growth	-3.1%	3.1%	-4.8%	30.3%	2000 Q3	-32.7%	2002 Q1
Sales Volume	\$683M	\$3.4B	N/A	\$9.3B	2007 Q3	\$261.4M	2002 Q2

Leasing conditions in the third quarter remain muted, with tenants reducing their leased space in response to the changed nature and location of office work. While most tenants have now settled on their space strategy, the process of delivering that strategy continues to play out as leases reach their expiration dates.

Office utilization in downtown San Francisco, as measured by Kastle Data Systems keycard activity, has increased slightly since last year, but has been generally flat in recent months, at around 45% of pre-pandemic levels. In common with other US cities, office usage peaks in the midweek and falls on Mondays and Fridays, suggesting wide acceptance of hybrid working patterns. The midweek peak is around 55%.

The overall vacancy rate for the San Francisco Market increased to 19.9% in the third quarter and is forecast to rise further, having now passed the previous high point of 16% that occurred during the dotcom bust in 2002. With 12.5 million SF of sublease space available, the availability rate has increased to 25.2%, indicating that many tenants have already vacated spaces that will not be renewed. By comparison, the national availability rate currently stands at 16.6%. With negative net absorption for the past 12 months of -7.7 million SF, much of that newly available sublet space will likely become vacant as leases roll over.

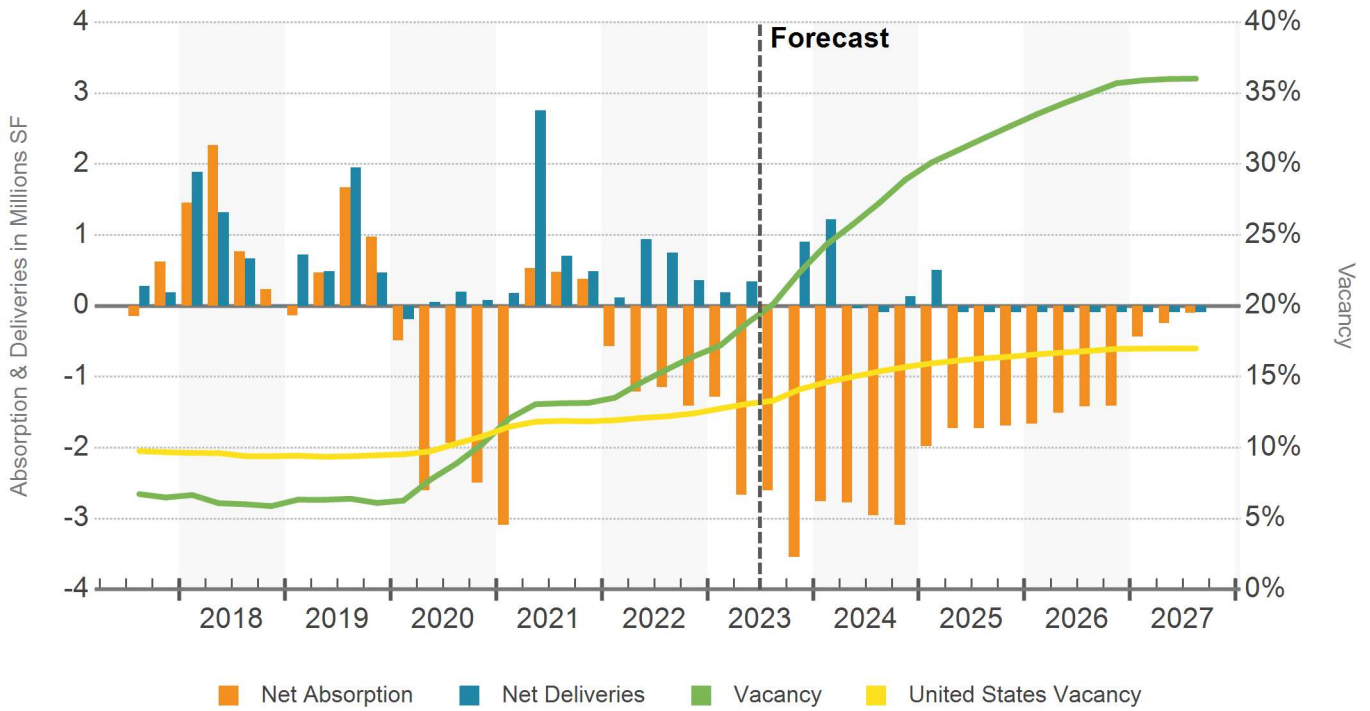
Downtown San Francisco, which encompasses the financial district and neighboring submarkets, has by many measures witnessed the steepest decline of all office markets in the nation. Average vacancy among leased office buildings increased from under 7% in 2019 to over 26% in the third quarter. Moreover, one third of

leased space is currently available. Tech companies are among the most prominent additions to availability in 2023. In January 2023, Meta added the entire 435,000 SF of its 181 Fremont St. office to the sublease market, and in February, Slack confirmed it would be moving out of 250,000 SF at 500 Howard St., relocating to its parent company's Salesforce Tower. In March, Salesforce made available 150,000 SF in Salesforce Tower, and added 280,000 SF at 50 Fremont St., and 100,000 SF at 350 Mission St. to the sublease market.

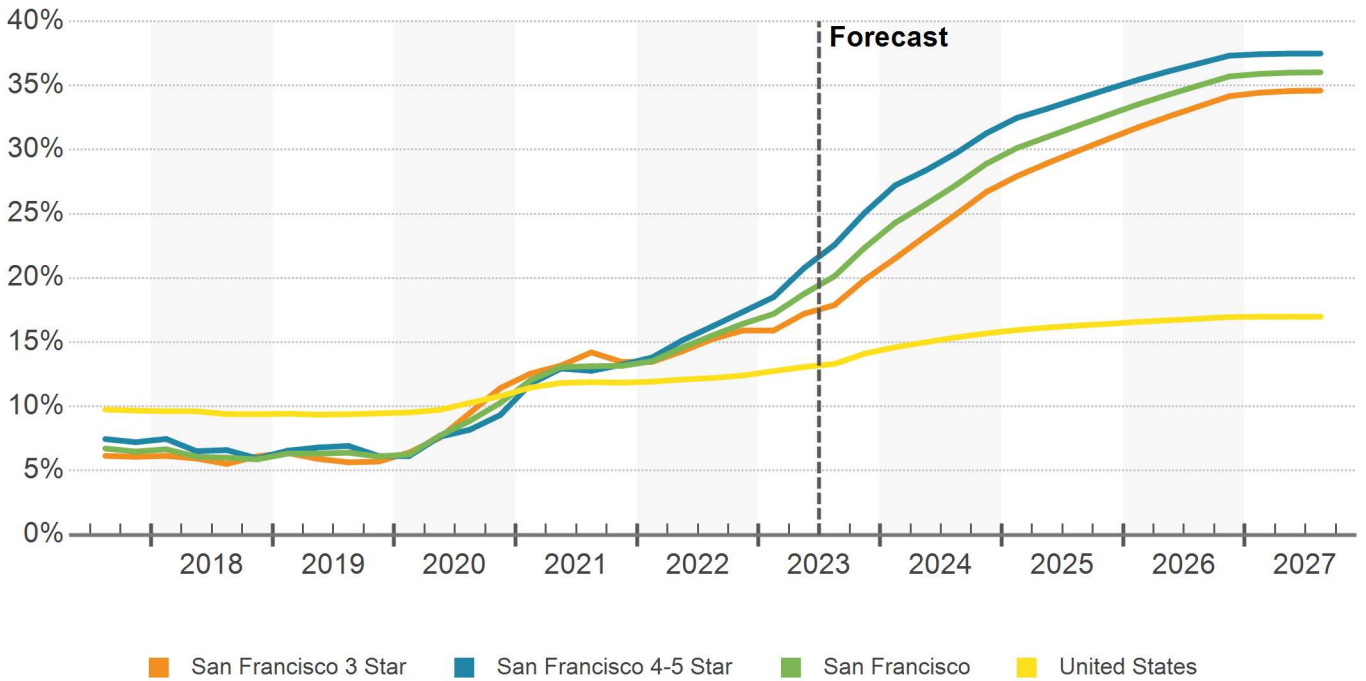
Tenants do continue to sign new leases in downtown San Francisco, but the number of transactions and the average lease size is notably lower than pre-pandemic averages. Renewals often include a reduction in space, although the amount varies. For example, in June 2023, Stifel, Nicolaus & Company renewed at One Montgomery St., reducing the size of its lease from five floors to four.

Beyond downtown San Francisco, the office market is in better health. Across the submarkets in San Mateo County and South San Francisco, the average vacancy rate is around 12% and a few larger leasing deals have closed. In 2023, Roblox took 188,000 SF at 2850 Delaware St. in San Mateo. The stronger performance in these submarkets partly reflects a higher representation of lab space in Peninsula office properties catering to good demand from the biotech industry, and tech companies that have been established for much longer than those that took large leases in downtown San Francisco during the pre-pandemic years. Nevertheless, the listing by Meta in March 2023 of over 500,000 SF of space for sublease in Menlo Park has pushed leased office vacancy above 20% in that submarket and may signal further weakness in the coming quarters.

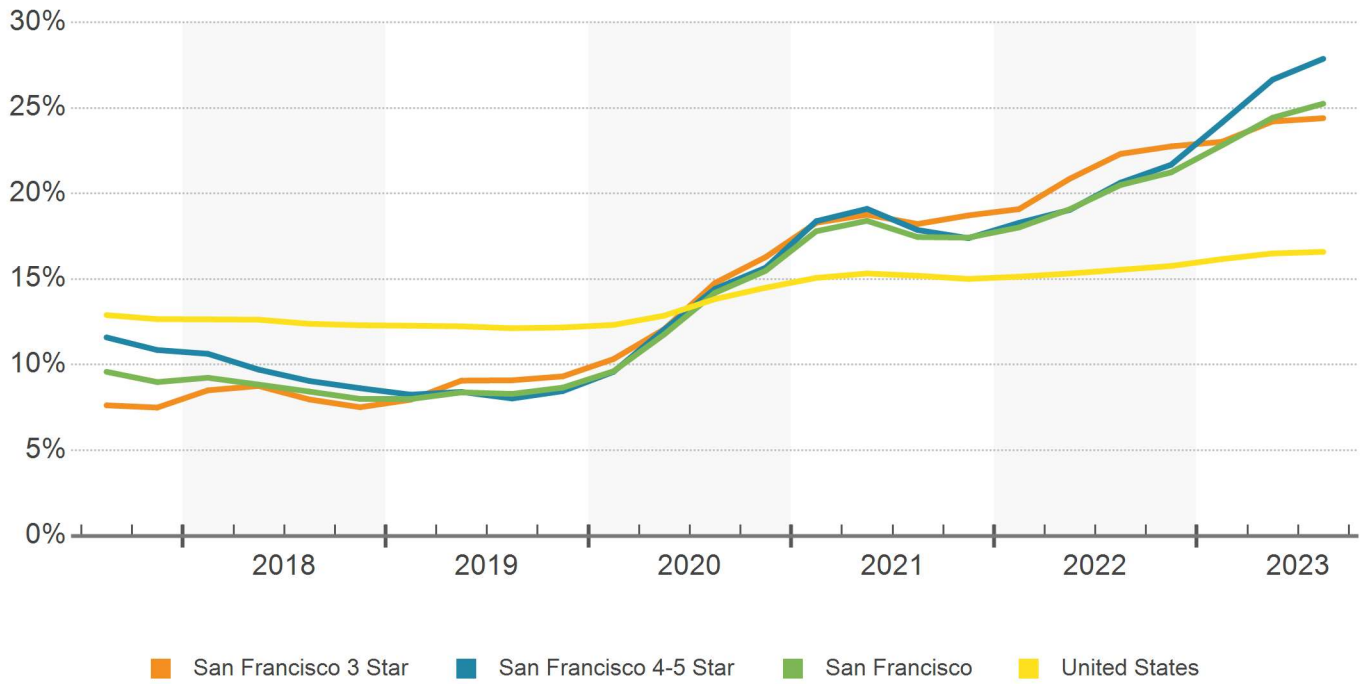
## NET ABSORPTION, NET DELIVERIES & VACANCY



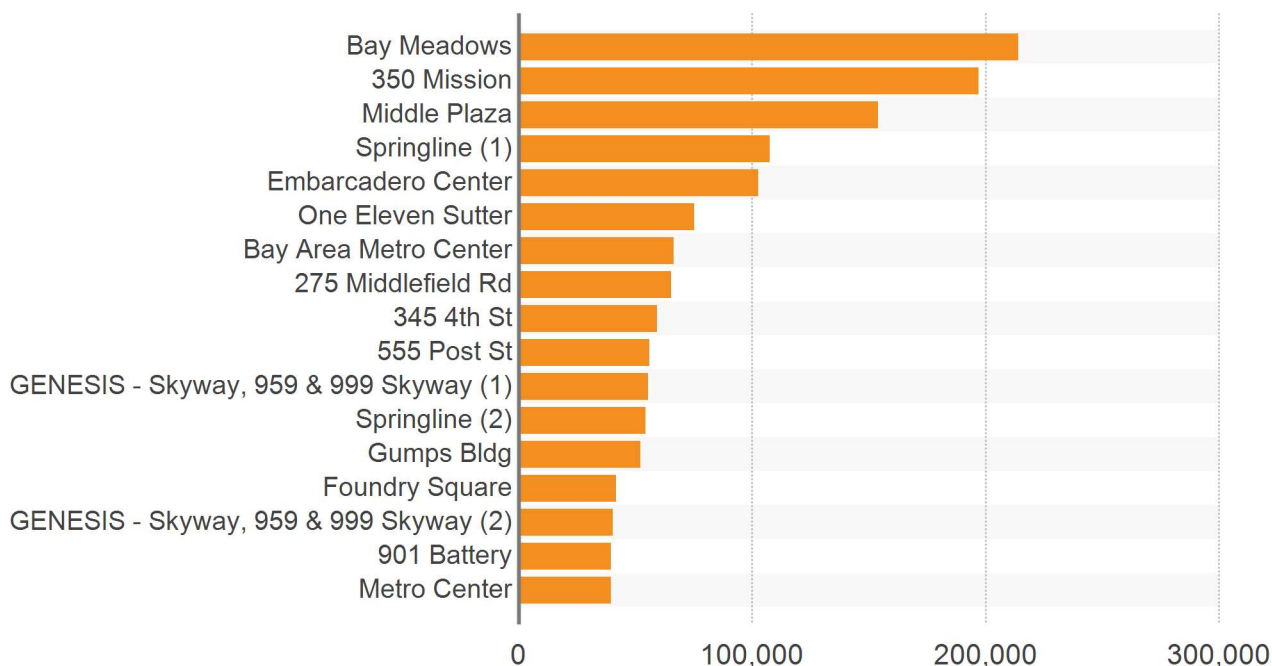
## VACANCY RATE



## AVAILABILITY RATE



### 12 MONTH NET ABSORPTION SF IN SELECTED BUILDINGS



Building Name/Address	Submarket	Bldg SF	Vacant SF	Net Absorption SF				
				1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	12 Month
Bay Meadows	San Mateo	213,999	0	0	213,999	0	0	213,999
350 Mission	South Financial District	492,980	35,730	232,942	0	(35,730)	0	197,212
Middle Plaza	Menlo Park	154,000	0	154,000	0	0	0	154,000
Springline (1)	Menlo Park	127,350	0	40,562	0	0	0	107,658
Embarcadero Center	Financial District	837,309	201,940	43,135	36,827	3,416	0	102,770
One Eleven Sutter	Financial District	293,000	122,503	(5,121)	3,469	(25)	0	75,112
Bay Area Metro Center	Rincon/South Beach	482,665	118,355	91,823	0	(15,412)	0	66,430
275 Middlefield Rd	Menlo Park	130,935	0	0	65,435	0	0	65,435
345 4th St	Yerba Buena	59,337	0	0	0	0	0	59,337
555 Post St	Union Square	62,830	0	0	62,830	0	0	56,000
GENESIS - Skyway, 959 & 999...	Belmont/San Carlos	144,000	0	55,496	0	0	0	55,496
Springline (2)	Menlo Park	108,687	0	42,089	0	0	0	54,328
Gumps Bldg	Union Square	85,605	0	0	0	48,016	0	52,292
Foundry Square	South Financial District	316,443	83,551	35,852	0	0	0	41,763
GENESIS - Skyway, 959 & 999...	Belmont/San Carlos	144,000	0	40,265	0	0	0	40,265
901 Battery	Waterfront/North Bea...	92,465	20,396	19,154	20,445	0	0	39,599
Metro Center	Foster City/Redwood...	403,029	50,646	54,918	3,356	0	0	39,492
<b>Subtotal Primary Competitors</b>		<b>4,148,634</b>	<b>633,121</b>	<b>805,115</b>	<b>406,361</b>	<b>265</b>	<b>0</b>	<b>1,421,188</b>
Remaining San Francisco Market		185,757,289	37,250,836	(2,093,546)	(3,076,303)	(2,241,832)	0	(9,161,981)
<b>Total San Francisco Market</b>		<b>189,905,923</b>	<b>37,883,957</b>	<b>(1,288,431)</b>	<b>(2,669,942)</b>	<b>(2,241,567)</b>	<b>0</b>	<b>(7,740,793)</b>



### TOP OFFICE LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Company	Leasing Rep Company
Levi's Plaza *	Waterfront/North Beach	327,401	Q4 22	Levi Strauss & Co.	JLL	Avison Young
Mission Bay Office Campus *	Mission Bay/China Basin	234,537	Q1 23	Cisco Systems, Inc.	-	-
Bay Meadows	San Mateo	179,496	Q1 23	Roblox	JLL	Newmark
Bank of America Tower *	Financial District	142,000	Q4 22	Morgan Stanley	-	CBRE
Metro Center	Foster City/Redwood Shrs	99,635	Q4 22	Coupa Software	-	CBRE;Cushman & Wa...
221 Main *	South Financial District	95,132	Q4 22	DocuSign	Cushman & Wakefield	JLL
Britannia Oyster Point I	South San Francisco	72,999	Q2 23	Calico	-	Raise Commercial Real...
One Montgomery Tower *	Financial District	68,446	Q2 23	Stifel, Nicolaus & Compan...	Cushman & Wakefield	JLL
100 Stockton St	Union Square	65,412	Q4 22	Convене	Cushman & Wakefield	Cushman & Wakefield
Menlo Corporate Center *	Menlo Park	62,920	Q2 23	E*TRADE	JLL	-
160 Spear St *	South Financial District	57,625	Q4 22	Databricks Inc.	-	-
100 First	South Financial District	57,117	Q2 23	Hive	-	Colliers
Rialto on New Montgomery *	South Financial District	53,762	Q4 22	Sigma Computing, Inc.	Newmark	JLL
Embarcadero Center	Financial District	50,000	Q1 23	Gibson Dunn	-	-
180 Montgomery Street *	Financial District	49,399	Q4 22	Bank of the West	-	CBRE
303 2nd St	Rincon/South Beach	47,872	Q4 22	Reddit	-	JLL
44 Montgomery	Financial District	47,800	Q4 22	U.S. Securities and Excha...	-	Avison Young
Sierra Point Opus Center *	Brisbane/Daly City	45,998	Q4 22	Kezar Life Sciences	-	-
The Mills Bldg	Financial District	45,544	Q4 22	Gensler	Avison Young	CBRE;The Swig Comp...
460 Bryant St	Rincon/South Beach	41,976	Q2 23	HaydenAI	Touchstone Comme...	CBRE
Embarcadero Center	Financial District	41,551	Q1 23	-	-	Boston Properties, Inc.
Springline	Menlo Park	36,000	Q4 22	Norwest Venture Partners	JLL	Newmark
680 Folsom St	South Financial District	35,385	Q3 23	-	-	JLL
The Cove at Oyster Point	South San Francisco	34,988	Q2 23	Harpoon Therapeutics	-	CBRE
795 Folsom St	Yerba Buena	31,611	Q3 23	-	-	JLL
Rialto on New Montgomery	South Financial District	28,835	Q4 22	Sigma Computing, Inc.	Newmark	JLL
Butterick Garage	Van Ness/Chinatown	27,636	Q1 23	-	-	Calco Commercial, Inc.
425 Market	South Financial District	26,158	Q1 23	Shartsis Friese LLP	JLL	Cushman & Wakefield
333 Bush St	Financial District	26,097	Q2 23	-	-	JLL
The Embarcadero *	Jackson Square	26,000	Q4 22	Bloomberg	-	-
601 Marshall St	Redwood City	25,450	Q4 22	MOLOCO, Inc	-	-
Springline	Menlo Park	24,646	Q4 22	-	-	Newmark
The Grant & Geary Center *	Union Square	24,000	Q4 22	American Conservatory T...	-	-
111 Townsend St *	Rincon/South Beach	23,826	Q4 22	Cloudflare	-	-
Baldwin Bldg	San Mateo	23,671	Q3 23	Backblaze Inc	-	CBRE
Market Center	South Financial District	23,635	Q2 23	-	-	CBRE
Market Center	South Financial District	23,633	Q2 23	-	-	CBRE
100 First	South Financial District	23,289	Q2 23	-	-	Colliers
Gateway Commons	South San Francisco	22,364	Q1 23	-	-	Newmark
Pyramid Center	Financial District	22,031	Q4 22	BTIG	-	-

Renewal

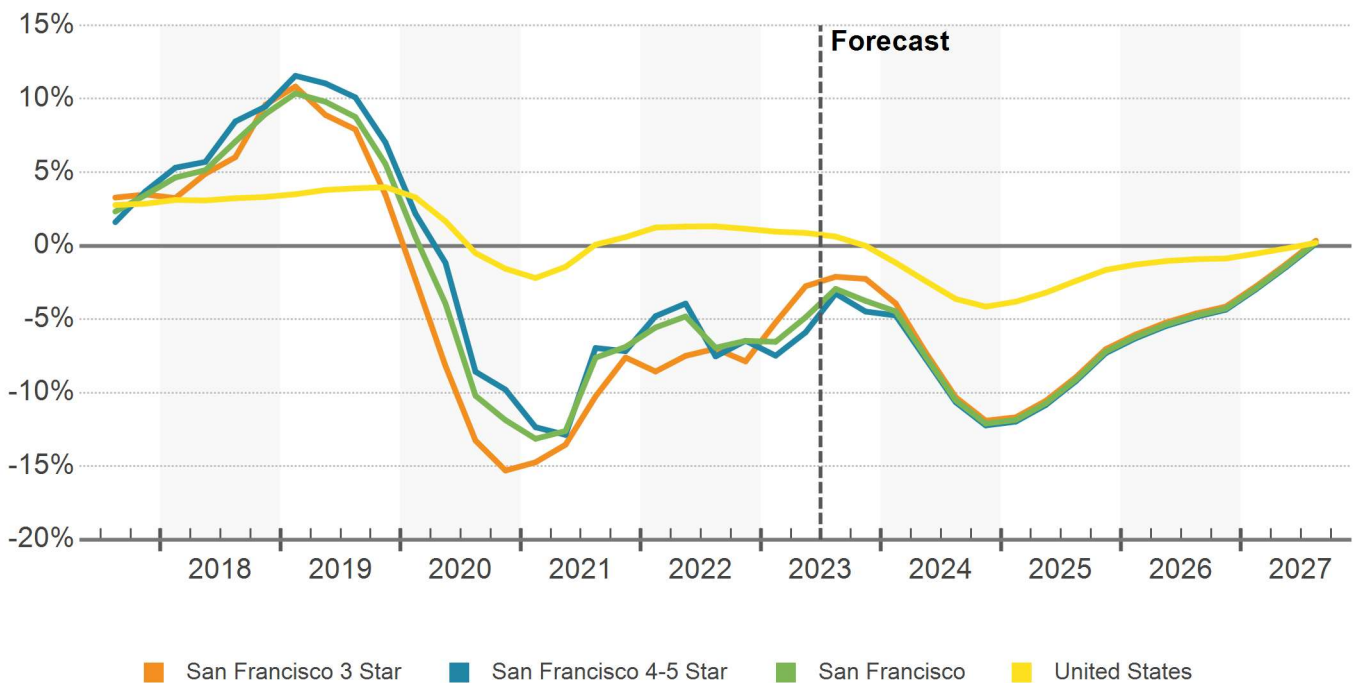
Weakness in the office leasing market continues to drive rents downwards. San Francisco average asking rents, at \$56/SF, are down from a peak of \$75/SF in the second half of 2019. As of the third quarter of 2023, rents are -3.1% below where they were this time last year.

With 6.5% of the market's inventory available for sublease, it is difficult for office owners to gain leverage to push rental rates. Instead, landlords are trying to hold face rates and achieve longer lease terms by offering higher tenant improvement allowances and longer rent free periods. This appeals to tenants. With abundant quality sublease space available, tenants are averse to new leases that require any kind of capital investment. Class A sublease space in downtown San Francisco is

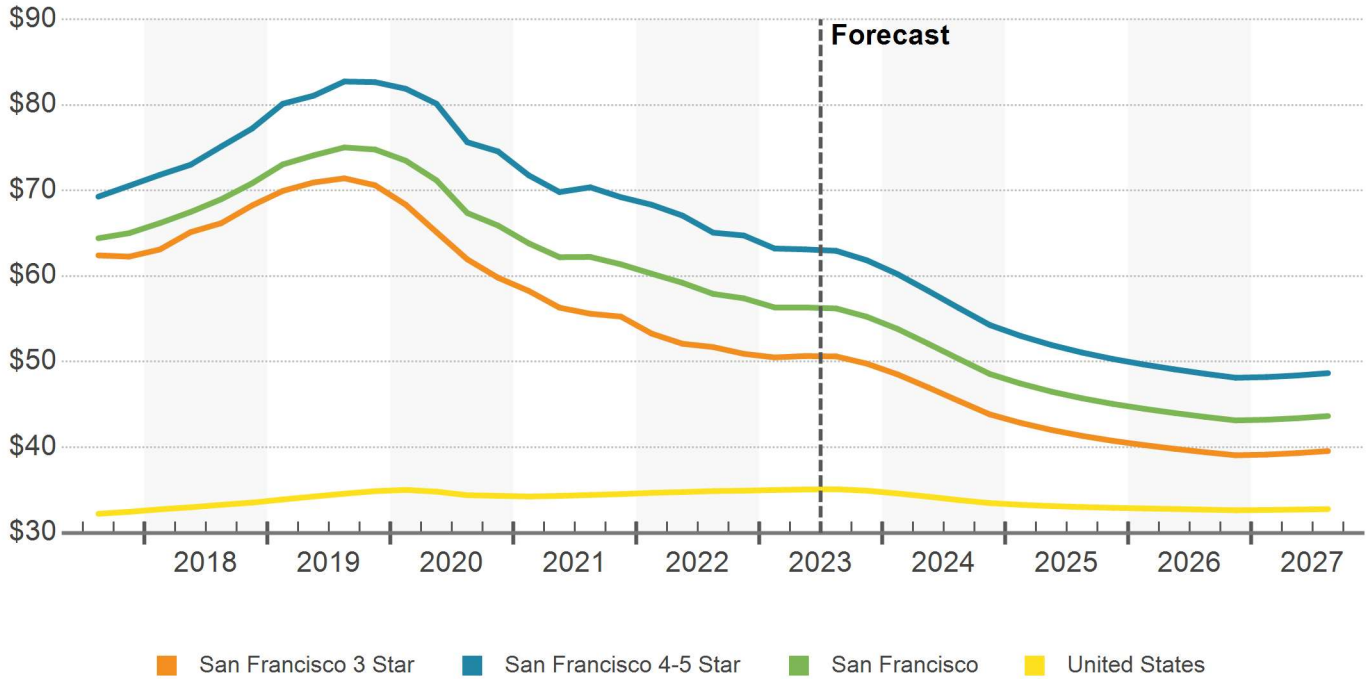
being advertised below \$35/SF.

While the 22% fall in rents from 2019 appears steep, it is still significantly less than the corresponding increase that occurred during the previous boom. Prior to the pandemic, San Francisco experienced an impressive 140% run-up in rental rates from 2010 to 2019, far above the 40% increase seen nationally. From 2011 to 2015, the market experienced rent growth of over 10% year over year, and this growth sparked some migration of firms from San Francisco to the lower-cost East Bay. By 2019, rent levels in downtown San Francisco had overtaken those in New York as the highest in the nation. This has now reversed, and average rents in San Francisco are now lower than those in New York and are also now below those in the San Jose market.

## MARKET RENT GROWTH (YOY)



## MARKET RENT PER SQUARE FEET



## 4 & 5 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
<b>San Francisco</b>	\$1.17	\$2.22	\$1.57	\$8	\$7.69	<b>\$20.65</b>
San Mateo Central County	\$1.14	\$1.56	\$1.52	\$8.49	\$6.53	<b>\$19.24</b>
San Mateo North County	\$1.06	\$1.63	\$1.63	\$9.77	\$5.84	<b>\$19.93</b>
San Mateo South County	\$1.05	\$1.64	\$1.62	\$7.01	\$5.54	<b>\$16.86</b>
SF Downtown Core	\$1.10	\$3.26	\$1.68	\$8.12	\$10.67	<b>\$24.83</b>
SF Downtown North	\$0.99	\$2.66	\$1.57	\$7.56	\$9.73	<b>\$22.51</b>
SF Downtown South	\$1.54	\$2.51	\$1.35	\$7.02	\$7.81	<b>\$20.23</b>
SF Downtown West	\$0.80	\$2.57	\$1.59	\$7.73	\$8.88	<b>\$21.57</b>
SF Outer Areas	\$1.08	\$2.76	\$2.08	\$4.32	\$9.90	<b>\$20.14</b>
SF Southeast	\$1.87	\$1.84	\$1.24	\$9.30	\$7.71	<b>\$21.96</b>

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

### 3 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
<b>San Francisco</b>	\$0.99	\$1.73	\$1.22	\$6.31	\$5.81	<b>\$16.06</b>
San Mateo Central County	\$1.01	\$0.96	\$1.06	\$7.27	\$5.62	<b>\$15.92</b>
San Mateo North County	\$0.97	\$0.96	\$1.06	\$6.82	\$5.13	<b>\$14.94</b>
San Mateo South County	\$0.95	\$0.95	\$1.08	\$9.07	\$4.97	<b>\$17.02</b>
San Mateo West County	\$0.70	\$0.88	\$0.98	\$5.67	\$5.25	<b>\$13.48</b>
SF Downtown Core	\$1.04	\$3.07	\$1.50	\$6.08	\$6.85	<b>\$18.54</b>
SF Downtown North	\$0.91	\$2.47	\$1.38	\$5.30	\$5.93	<b>\$15.99</b>
SF Downtown South	\$1.36	\$2.38	\$1.29	\$5.31	\$5.76	<b>\$16.10</b>
SF Downtown West	\$0.71	\$2.39	\$1.42	\$5.10	\$6.41	<b>\$16.03</b>
SF Outer Areas	\$0.65	\$1.04	\$1.12	\$4.29	\$6.40	<b>\$13.50</b>
SF Southeast	\$1.09	\$1.67	\$1.19	\$5.51	\$6.12	<b>\$15.58</b>

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

### 1 & 2 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
<b>San Francisco</b>	\$0.74	\$1.43	\$0.98	\$5.13	\$2.30	<b>\$10.58</b>
San Mateo Central County	\$0.69	\$0.93	\$1.03	\$5.79	\$2.55	<b>\$10.99</b>
San Mateo North County	\$0.70	\$0.94	\$1.03	\$4.32	\$1.80	<b>\$8.79</b>
San Mateo South County	\$0.70	\$0.95	\$1.08	\$6.16	\$1.67	<b>\$10.56</b>
San Mateo West County	\$0.64	\$0.95	\$1.07	\$5.47	\$1.99	<b>\$10.12</b>
SF Downtown Core	\$0.97	\$2.66	\$0.86	\$5.75	\$3.40	<b>\$13.64</b>
SF Downtown North	\$0.85	\$2.25	\$0.80	\$5.83	\$2.72	<b>\$12.45</b>
SF Downtown South	\$0.91	\$2.27	\$0.82	\$4.31	\$2.73	<b>\$11.04</b>
SF Downtown West	\$0.71	\$2.19	\$0.80	\$4.79	\$2.79	<b>\$11.28</b>
SF Outer Areas	\$0.66	\$1.07	\$1.10	\$4.90	\$2.16	<b>\$9.89</b>
SF Southeast	\$0.69	\$1.30	\$0.98	\$3.01	\$2.19	<b>\$8.17</b>
Treasure/Yerba Buena Island	\$0.49	\$0.96	\$1.08	\$3.50	\$2.55	<b>\$8.58</b>

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.



Office construction activity in San Francisco remains subdued, with developers reluctant to commence projects while demand for existing spaces remains weak.

Most development projects that are currently underway target the life science subsector, focused mainly in San Mateo County. For example, the Elco Yards project in Redwood City is a mixed-use development that includes approximately 500,000 SF of life sciences office space in four individual buildings. Other life science projects include the Alexandria Center for Life Sciences in Millbrae and Lane Partners' Southline project in South San Francisco. The only preleased project underway is in San Mateo, where Roblox committed to taking all the space in two buildings in the Bay Meadows mixed-use project. The first, a 219,000-SF building, completed in 22Q3. The second 214,000-SF building is under construction and will complete in the second half of 2023.

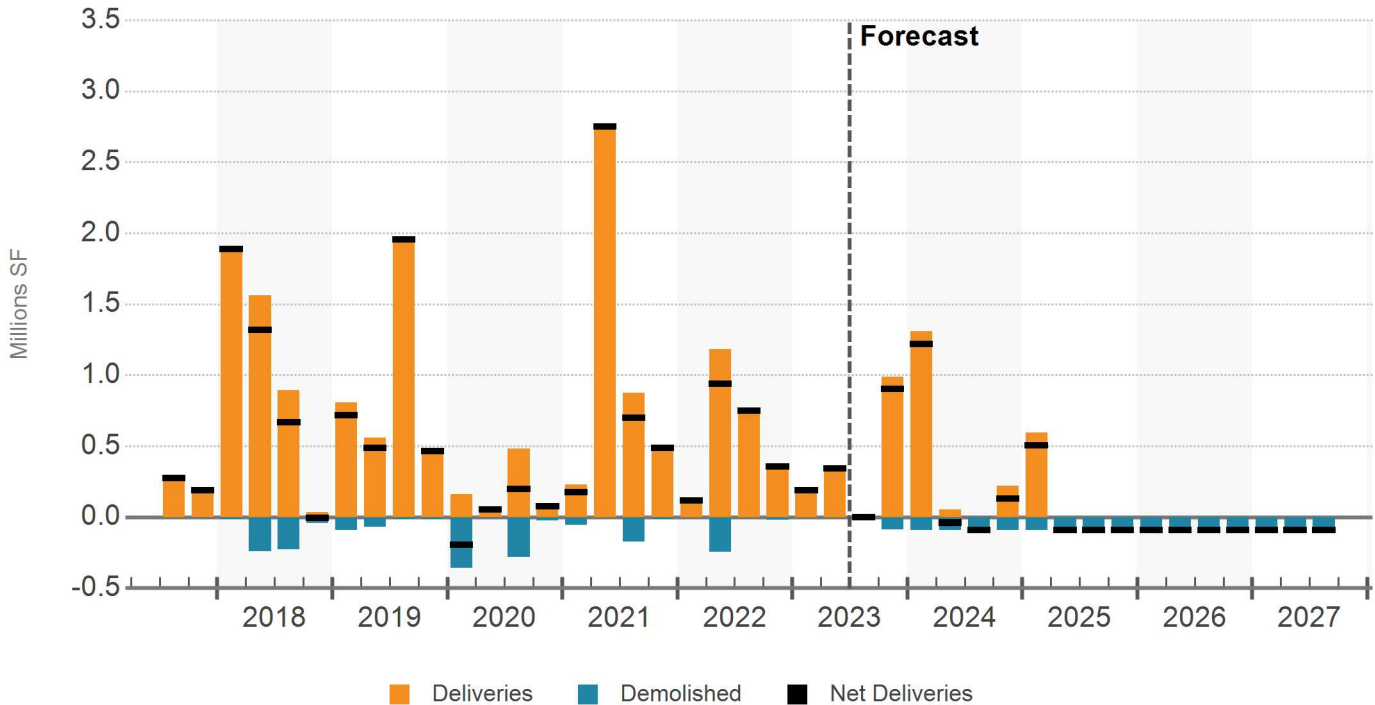
In San Francisco, construction started in 2022 on

Lendlease's 30 Van Ness mixed-use tower, which will be the tallest tower to have broken ground in San Francisco since the pandemic. The project will comprise 235,000 SF of office space and 333 condominiums.

Several approved developments have been delayed due to canceled commitments and unforeseen economic challenges stemming from the pandemic. Most notably, these include Central SoMA projects that were awarded Prop M allocations for large-scale development, such as phase one of Kilroy Realty's Flower Mart redevelopment, TMG Partners' 88 Bluxome, and Tishman Speyer's 711,000-SF office development at 598 Brannan St.

About 970,000 SF of net new office space completed during the past 12 months. Major completions include two buildings comprising 421,000 SF in Kilroy's Oyster Point development, both of which were preleased by Stripe, a payment processing platform. In San Francisco, Visa's new headquarters, a 300,000 SF building at Mission Rock, was recently completed.

## DELIVERIES & DEMOLITIONS



## SUBMARKET CONSTRUCTION

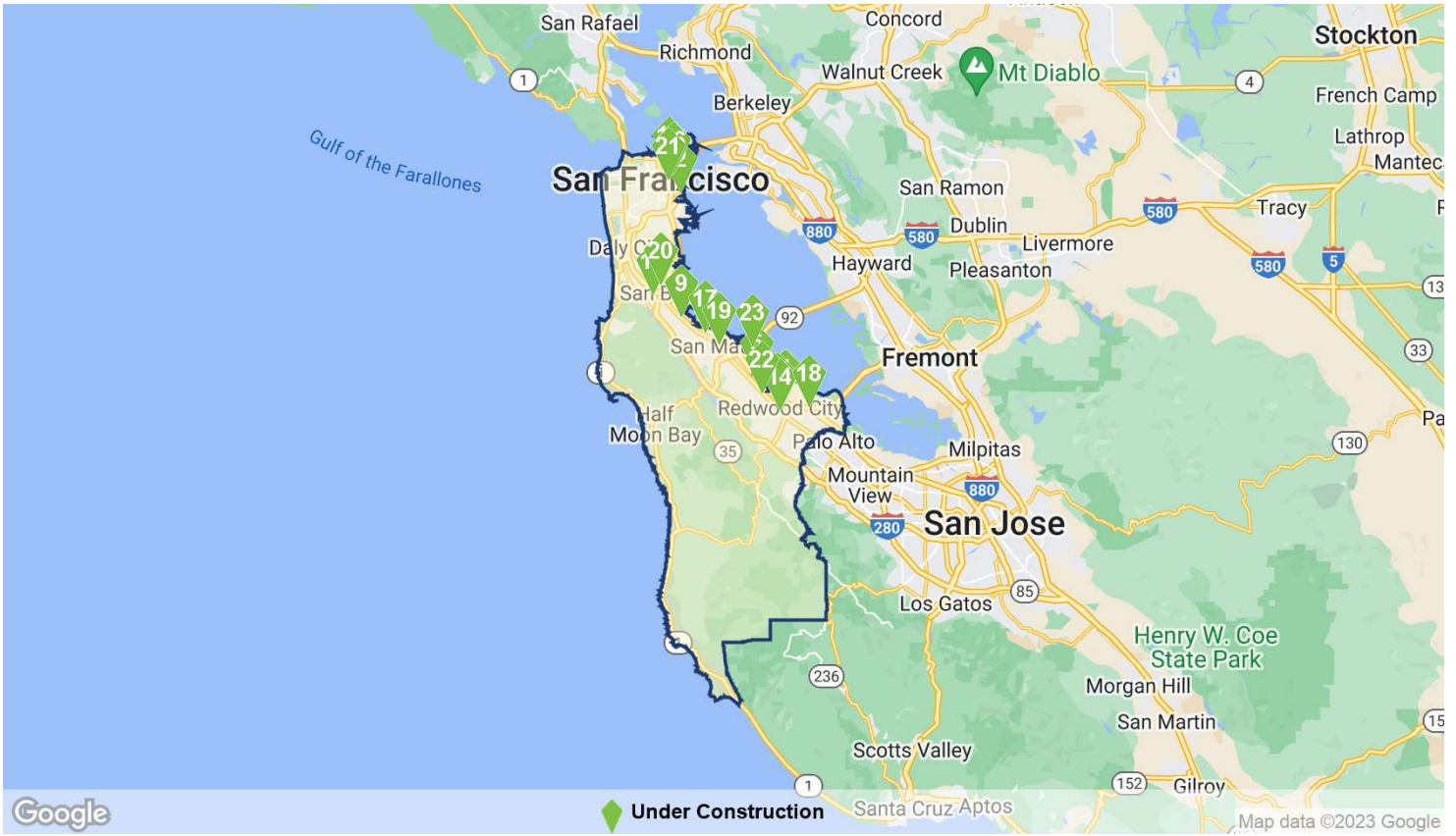
No.	Submarket	Under Construction Inventory					Average Building Size		
		Bldgs	SF (000)	Pre-Leased SF (000)	Pre-Leased %	Rank	All Existing	Under Constr	Rank
1	Redwood City	6	1,095	612	55.9%	8	25,271	182,437	4
2	San Bruno/Millbrae	4	672	487	72.5%	7	27,717	167,971	5
3	South San Francisco	2	375	375	100%	1	51,155	187,500	3
4	Mission Bay/China Basin	1	326	326	100%	1	164,246	326,250	1
5	MidMarket	1	235	235	100%	1	96,360	235,071	2
6	Burlingame	2	230	194	84.7%	6	31,030	114,803	6
7	Foster City/Redwood Shrs	2	225	5	2.2%	9	95,752	112,500	7
8	South Financial District	1	78	78	100%	1	194,871	77,589	8
9	South of Market	1	51	0	0%	10	21,378	51,223	9
10	Menlo Park	1	35	35	100%	1	39,196	34,708	10
	All Other	3	76	4	4.7%		38,767	25,356	
<b>Totals</b>		<b>24</b>	<b>3,397</b>	<b>2,351</b>	<b>69.2%</b>		<b>46,466</b>	<b>141,543</b>	

# Under Construction Properties

San Francisco Office

Properties	Square Feet	Percent of Inventory	Released
<b>23</b>	<b>3,161,951</b>	<b>1.7%</b>	<b>66.9%</b>

## UNDER CONSTRUCTION PROPERTIES



## UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 <b>Bldg 1</b> 50 Tanforan Ave	★★★★★	345,000	6	Jan 2023	Jan 2025	Lane Partners Lane Partners
2 <b>Block 15 Station A</b> 420 23rd St	★★★★☆	326,250	13	Jul 2021	Dec 2023	Associate Capital Associate Capital
3 <b>Bldg 3</b> 340 Blomquist St	★★★★★	241,222	6	Jul 2022	Nov 2023	Jay Paul Company Jay Paul Company
4 <b>Bldg 2</b> 340 Blomquist St	★★★★★	241,222	6	Nov 2022	Nov 2023	Jay Paul Company Jay Paul Company
5 <b>200 Twin Dolphin Dr</b>	★★★★☆	220,000	5	Jun 2023	Nov 2024	Sand Hill Property Company Sand Hill Property Company
6 <b>Bldg E</b> 1303 Main St	★★★★☆	203,332	2	Jan 2023	Dec 2023	Greystar Real Estate Partners Greystar Real Estate Partners
7 <b>230 Harriet Tubman Way</b>	★★★★☆	200,000	6	Jan 2022	Jan 2024	-

# Under Construction Properties

San Francisco Office

## UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
8 <b>220 Park Rd</b>	★ ★ ★ ★ ★	185,000	6	Sep 2021	Jan 2024	Sares-Regis Group Dostart Development Company,...
9 <b>231 Adrian Rd</b>	★ ★ ★ ★ ★	185,000	6	Jan 2022	Jan 2025	- -
10 <b>901 Cherry Ave</b>	★ ★ ★ ★ ★	170,885	3	Jan 2022	Oct 2023	- Alphabet
11 <b>San Mateo County Office...</b> 617 Hamilton St	★ ★ ★ ★ ★	156,000	5	Aug 2021	Oct 2023	Truebeck Construction County Board Of Supervisors
12 <b>Bldg B</b> 1601 El Camino Real	★ ★ ★ ★ ★	142,058	4	Sep 2022	Dec 2023	Greystar Real Estate Partners Ben Kopf
13 <b>YouTube Expansion Pha...</b> 1400-1450 Bayhill Dr	★ ★ ★ ★ ★	116,000	3	Jan 2022	Oct 2023	Wilson Meany Alphabet
14 <b>Bldg D</b> 121 Beech St	★ ★ ★ ★ ★	110,788	3	Apr 2023	Dec 2023	Greystar Real Estate Partners -
15 <b>45 3rd St</b>	★ ★ ★ ★ ★	77,589	6	May 2022	Jan 2024	JMA Ventures Hearst
16 <b>531 Bryant St</b>	★ ★ ★ ★ ★	51,223	6	Jan 2023	Apr 2024	Urban Land Development Urban Land Development
17 <b>250 California Dr</b>	★ ★ ★ ★ ★	44,605	4	Nov 2020	Oct 2023	Dewey Land Company, Inc. Divco West Services, LLC
18 <b>104 Constitution Dr</b>	★ ★ ★ ★ ★	34,708	1	Apr 2022	Dec 2023	Greystar Real Estate Partners Greystar Real Estate Partners
19 <b>300 S Ellsworth Ave</b>	★ ★ ★ ★ ★	33,266	4	Feb 2023	Feb 2025	Lane Partners Lane Partners
20 <b>Phase1 B2 Amenities</b> 50 Tanforan Ave	★ ★ ★ ★ ★	30,000	-	Jan 2023	Jan 2025	Lane Partners Lane Partners
21 <b>828 Brannan St</b>	★ ★ ★ ★ ★	24,956	2	Feb 2023	Feb 2024	- -
22 <b>993 Laurel St</b>	★ ★ ★ ★ ★	17,847	3	Apr 2022	Nov 2023	- John A Baer
23 <b>Family Dental</b> 581 Foster City Blvd	★ ★ ★ ★ ★	5,000	1	Aug 2022	Dec 2023	- -



Office sales volume in San Francisco in the 12 months prior to the third quarter, \$706 million, was the lowest in the past decade, and continues to track well below the 10-year annual average of \$5.0 billion.

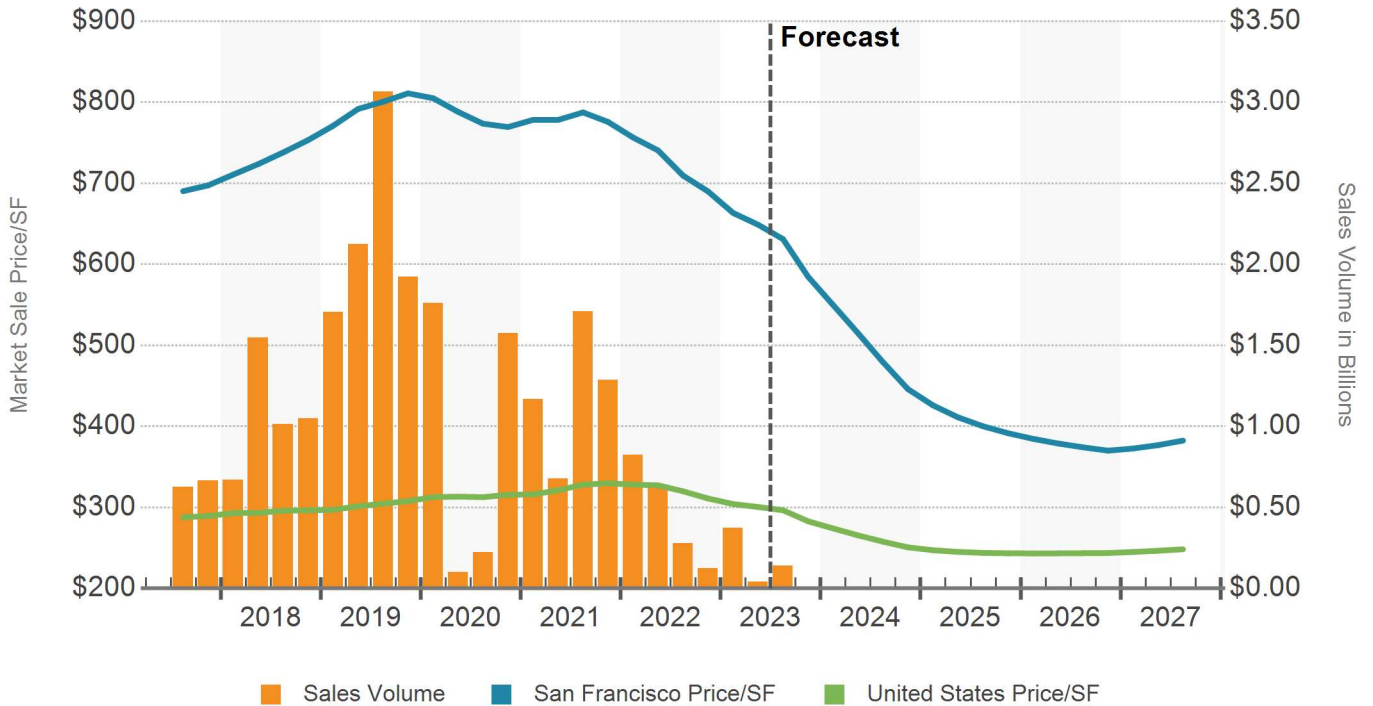
Approaching the end of the third quarter, owners are showing signs of acceptance that weak leasing conditions are set to continue in the immediate future and that office values have fallen substantially below their pre-pandemic levels. Thus, the gap between buyer and seller expectations is narrowing, with pricing falling to levels not seen for many years.

In downtown San Francisco, this was evident in the third quarter as bids were accepted for two owner-occupied office buildings that were no longer needed. High vacancy levels influenced the prices achieved. Nevertheless, the sale values were notably low. First, the Union Bank building at 350 California Street sold for between \$200-\$225/SF. Next, the Wells Fargo property at 550

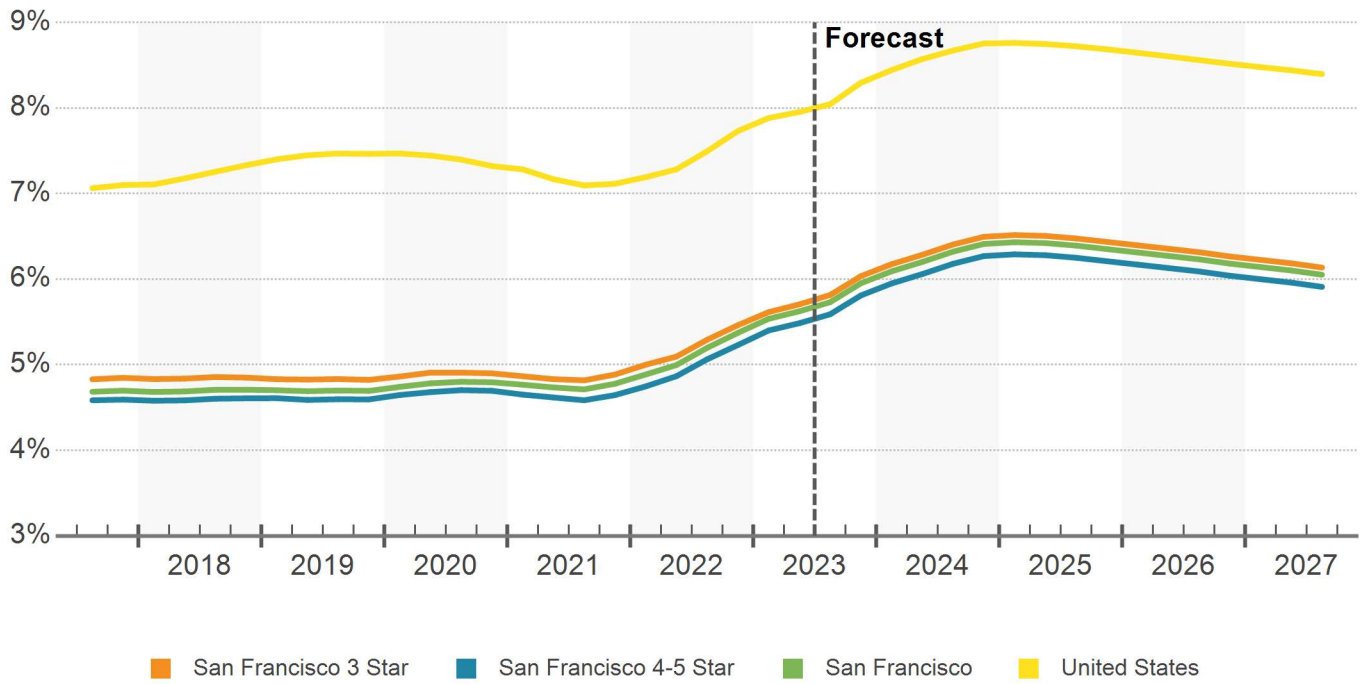
California Street sold for between \$120-\$130/SF. Earlier, in February 2023, the Sobrato Organization purchased 1 Harrison St. for around \$80 million, or \$465/SF. The building was the former headquarters of Athleta and was sold by owner Gap.

Distressed sales are also set to increase. Among those properties with loans that have been securitized through commercial mortgage-backed securities, 40 properties have loans that mature in the next two years. Of these, 19 are on the loan servicer's watchlist, with a total of 2.3 million square feet, while six properties are currently either delinquent or in default. This latter group includes some buildings where the owner has already walked away. For example, in February 2023, Columbia Property Trust defaulted on a loan backed by seven properties, including 201 California Street and 650 California Street. Further, in May, a loan tied to WeWork's property at 600 California Street defaulted.

**SALES VOLUME & MARKET SALE PRICE PER SF**



## MARKET CAP RATE



# Sales Past 12 Months

San Francisco Office

Sale Comparables

Avg. Cap Rate

Avg. Price/SF

Avg. Vacancy At Sale

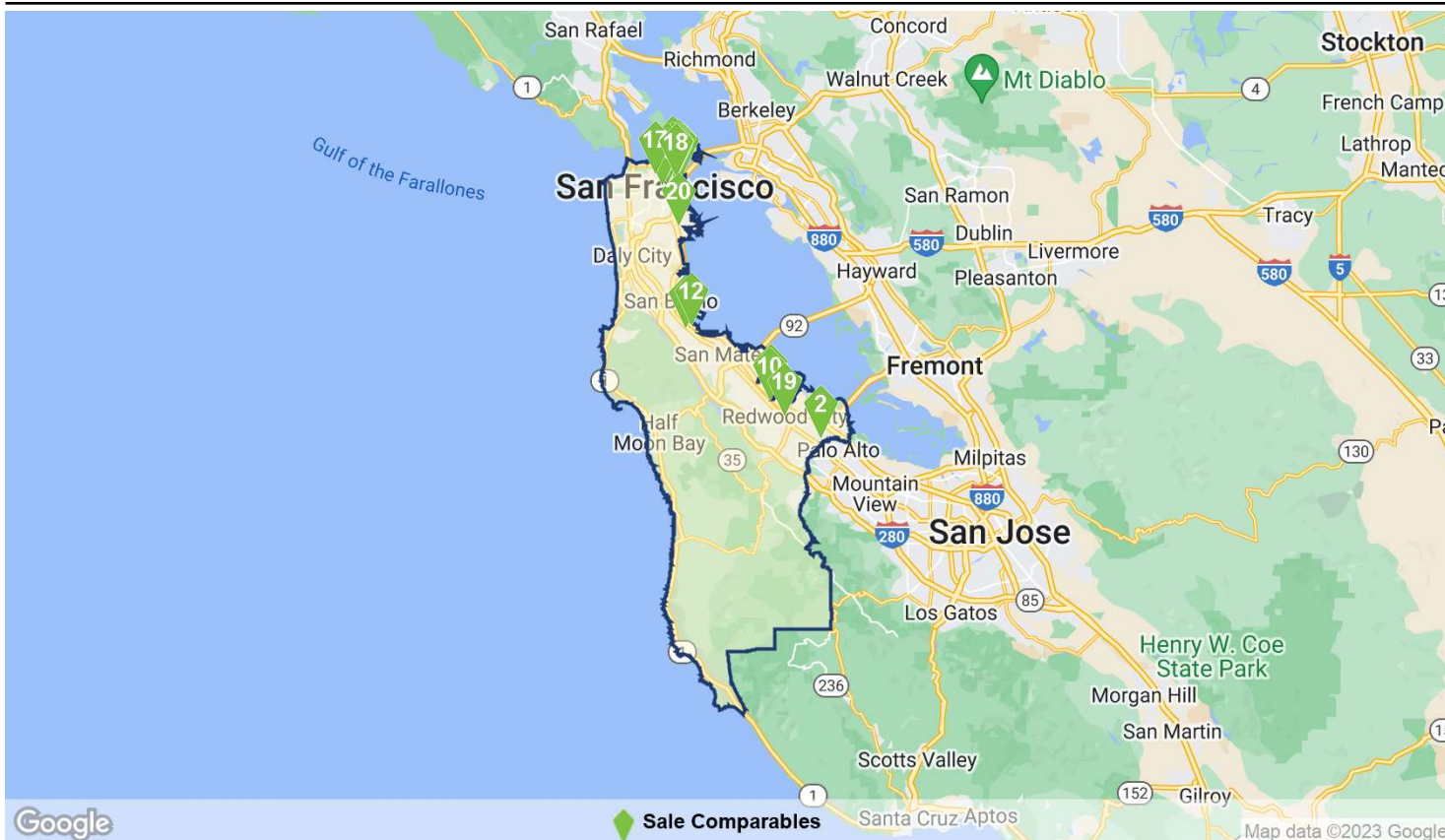
65

5.6%

\$464

15.0%

## SALE COMPARABLE LOCATIONS



## SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$1,000,000	\$16,363,049	\$4,968,000	\$82,500,000
Price/SF	\$178	\$464	\$606	\$3,655
Cap Rate	3.6%	5.6%	5.8%	6.6%
Time Since Sale in Months	0.5	6.2	6.2	11.7
Property Attributes	Low	Average	Median	High
Building SF	1,250	35,587	9,126	297,642
Stories	1	4	2	22
Typical Floor SF	542	8,060	4,336	48,000
Vacancy Rate At Sale	0%	15.0%	0%	100%
Year Built	1900	1945	1940	2022
Star Rating	★★★★★	★★★★★ 2.5	★★★★★	★★★★★

# Sales Past 12 Months

San Francisco Office

## RECENT SIGNIFICANT SALES

Property Name - Address	Property				Sale			
	Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	Cap Rate
1 One Harrison @ The Em... 1 Harrison St	★★★★★	1987	200,000	0%	2/20/2023	\$82,500,000	\$413	-
2 321 Middlefield Rd	★★★★★	1962	44,719	0%	1/5/2023	\$68,000,000	\$1,521	-
3 Union Bank of California 350 California St	★★★★★	1976	297,642	88.4%	8/31/2023	\$61,000,000	\$205	-
4 Peninsula Life Science C... 1828 El Camino Real	★★★★★	1974	65,804	0%	12/22/2022	\$59,350,000	\$902	5.7%
5 345 4th St	★★★★★	2022	59,337	0%	1/10/2023	\$52,800,000	\$890	-
6 Skyway Landing Bldg 2 999 Skyway Rd	★★★★★	2000	144,000	0%	2/8/2023	\$51,317,440	\$356	-
7 Skyway Landing 959 Skyway Rd	★★★★★	2000	144,000	0%	2/8/2023	\$50,682,560	\$352	-
8 60 Spear St	★★★★★	1967	157,436	66.7%	8/8/2023	\$41,000,000	\$260	-
9 807 Montgomery St	★★★★★	1909	10,397	0%	1/24/2023	\$38,000,000	\$3,655	-
10 The Brittan Building 990 Industrial Rd	★★★★★	1990	23,703	9.7%	10/20/2022	\$22,000,000	\$928	-
11 40 Jessie St	★★★★★	1913	37,000	0%	5/4/2023	\$17,600,000	\$476	-
12 1710 Gilbreth Rd	★★★★★	1970	34,504	0%	8/14/2023	\$15,100,000	\$438	-
13 123-133 Kearny St	★★★★★	1909	26,446	19.5%	3/31/2023	\$10,400,000	\$393	6.6%
14 1155 Mission St	★★★★★	1914	15,678	0%	10/4/2022	\$9,500,000	\$606	-
15 701 Sutter St	★★★★★	1910	19,250	39.0%	11/14/2022	\$8,350,000	\$434	-
16 131 Franklin St	★★★★★	1909	9,580	0%	2/21/2023	\$6,300,000	\$658	-
17 California Pacific Medical... 2323 Sacramento St	★★★★★	1965	15,626	0%	5/30/2023	\$6,250,000	\$400	-
18 156-160 2nd St	★★★★★	1907	33,786	0%	6/30/2023	\$6,000,000	\$178	-
19 142 Stambaugh St	★★★★★	1906	4,732	0%	10/20/2022	\$5,750,000	\$1,215	-
20 BHPF Outpatient Mental... 5815 3rd St	★★★★★	1925	16,215	0%	9/28/2022	\$5,750,000	\$355	-



From Gold Rush to Dot-Com, the San Francisco economy has a long history of boom followed by bust. And the current iteration of this cycle may prove to be the most dramatic. The tech boom of the 2010s, fed by the world's appetite for new mobile technologies, brought tremendous demand from expanding tech companies for office space, and a growing workforce that needed housing. Real estate prices increased rapidly to among the highest in the nation, prompting a construction boom across the city. In 2020, the COVID-19 pandemic abruptly halted that pattern. Tech companies quickly adapted to remote working, while their workforce left the city in large numbers. Three years on, in the disrupted real estate markets, demand remains low and prices are adjusting.

San Francisco is one of three major markets—the others being the East Bay and San Jose—that together, comprise most of the San Francisco Bay Area. The Bay Area is one of the largest metropolitan areas in the U.S., with a total population of 9.5 million, and is a major gateway city and generator of economic growth. The San Francisco market comprises San Francisco and San Mateo counties and is home to 1.6 million people. The major center for business activity is the Financial District in Downtown San Francisco. Major industries include information and communications technology, professional and business services, and tourism.

The COVID-19 pandemic triggered an economic downturn that disrupted San Francisco's core economic base and impacted the performance of key commercial real estate sectors. Most notably, the slow pace of a return to in-office working in Downtown San Francisco has impacted the viability and value of downtown office properties and had negative impacts on local businesses. Data from office key card usage and transit activity on BART show that San Francisco has one of the lowest

return-to-office levels of any major market in the nation. Reflecting this fall in activity, office vacancy levels have escalated, particularly in the Financial District and South Financial District, which are the core submarkets that contain the bulk of San Francisco's 4 & 5 Star office space.

The high cost of living led to a decline in San Francisco's population prior to 2020, but the pandemic accelerated this trend, with the population falling by -5.1% at the height of the pandemic. Recently, some of these losses have been recovered. Nevertheless, the metro still has -110,000 fewer people than it did five years ago.

Total employment has recovered and is now slightly ahead of where it was pre-pandemic. However, employment growth has been constrained by outward migration and a fall in the labor market participation rate. After falling to a 10-year low of 2.3% in 2022, the unemployment rate has increased to 2.9% in 2023q3. Layoffs in the technology sector have improved liquidity in the tight employment market but have also contributed to some weakening of demand in residential and retail markets.

Innovation in life sciences and biotechnology has driven growth in areas such as South San Francisco, and prompted developers to move forward with a range of lab space, R&D space, and residential construction projects. That said, delivery of life science projects is occurring at a time when businesses are cutting back on capital commitments, as high interest rates impact company valuations and dampen interest from venture capital and other investors.

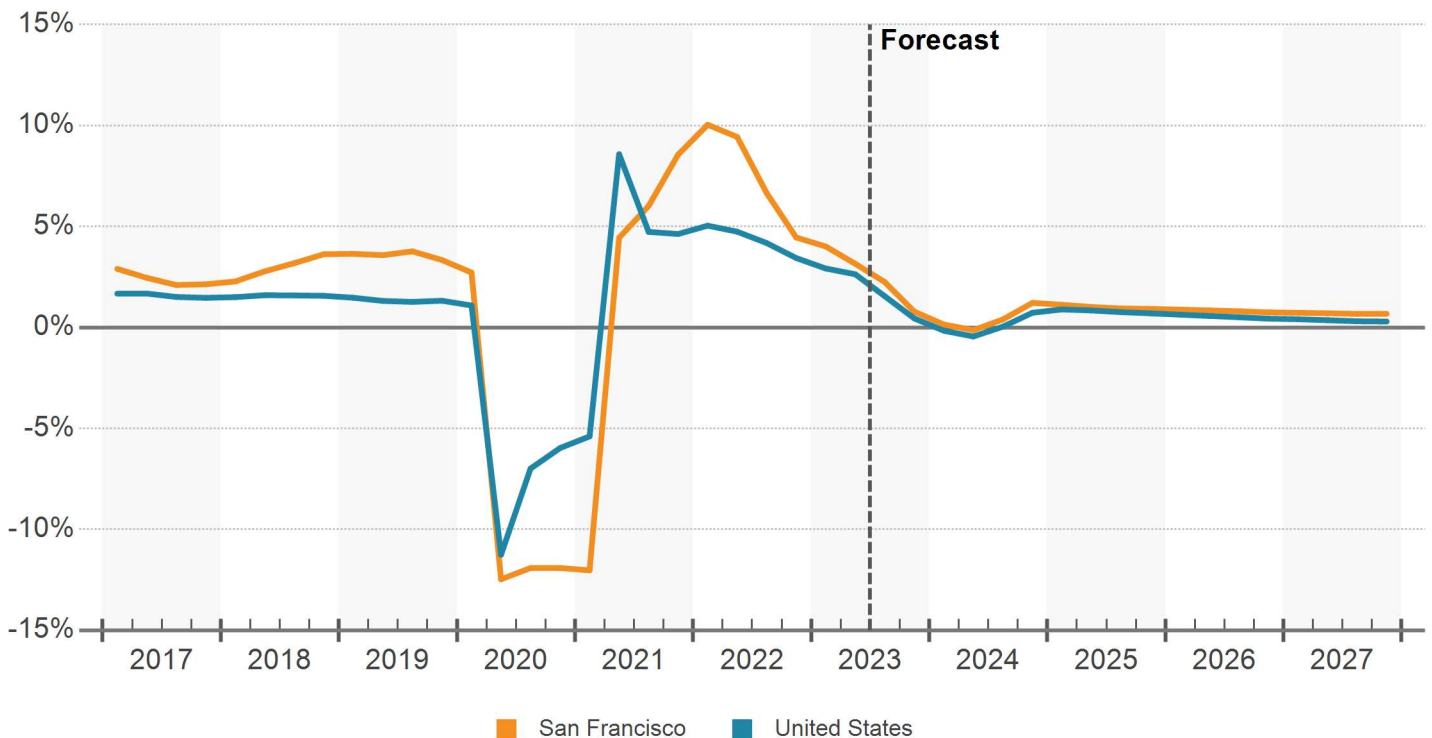
Future tech growth in new areas such as AI is expected to remain focused in the Bay Area, and is expected to drive the economy forward over the coming years.

## SAN FRANCISCO EMPLOYMENT BY INDUSTRY IN THOUSANDS

Industry	CURRENT JOBS		CURRENT GROWTH		10 YR HISTORICAL		5 YR FORECAST	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	39	0.4	-0.79%	0.47%	0.74%	0.75%	0.40%	0.06%
Trade, Transportation and Utilities	139	0.6	1.10%	0.39%	0.31%	1.14%	-0.12%	0.10%
Retail Trade	67	0.6	-0.66%	0.24%	-1.48%	0.30%	-0.20%	0.09%
Financial Activities	90	1.3	1.88%	0.55%	2.23%	1.44%	0.04%	0.12%
Government	136	0.8	0.62%	1.46%	1.55%	0.32%	0.47%	0.42%
Natural Resources, Mining and Construction	41	0.6	-1.29%	1.87%	2.78%	2.40%	0.77%	0.22%
Education and Health Services	156	0.8	4.69%	2.95%	2.63%	1.78%	0.51%	0.68%
Professional and Business Services	317	1.8	2.46%	1.34%	3.44%	2.09%	0.69%	0.36%
Information	125	5.2	-2.30%	-1.29%	9.55%	1.25%	1.61%	0.28%
Leisure and Hospitality	131	1.0	9.78%	4.41%	0.38%	1.52%	1.61%	0.89%
Other Services	39	0.9	2.81%	1.99%	0.21%	0.62%	0.38%	0.28%
<b>Total Employment</b>	<b>1,213</b>	<b>1.0</b>	<b>2.32%</b>	<b>1.64%</b>	<b>2.45%</b>	<b>1.32%</b>	<b>0.68%</b>	<b>0.38%</b>

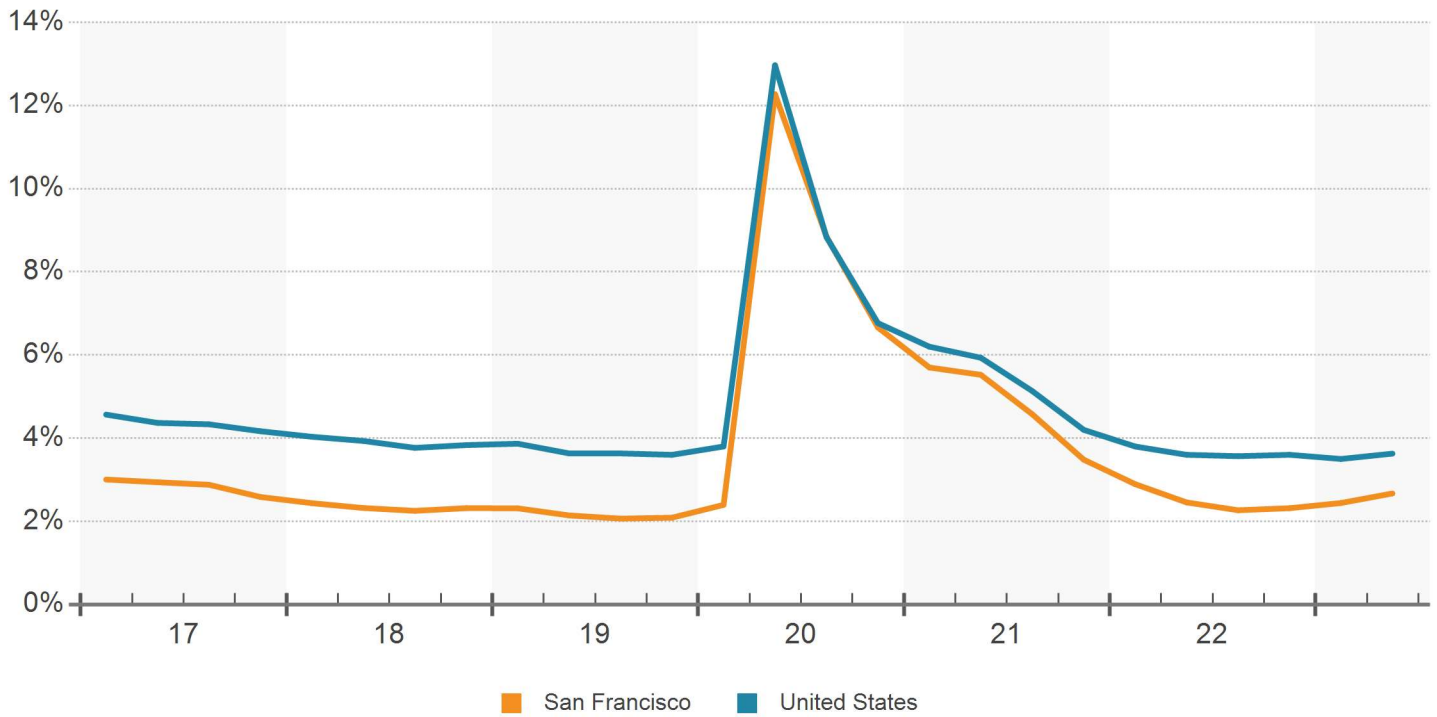
Source: Oxford Economics  
LQ = Location Quotient

## JOB GROWTH (YOY)

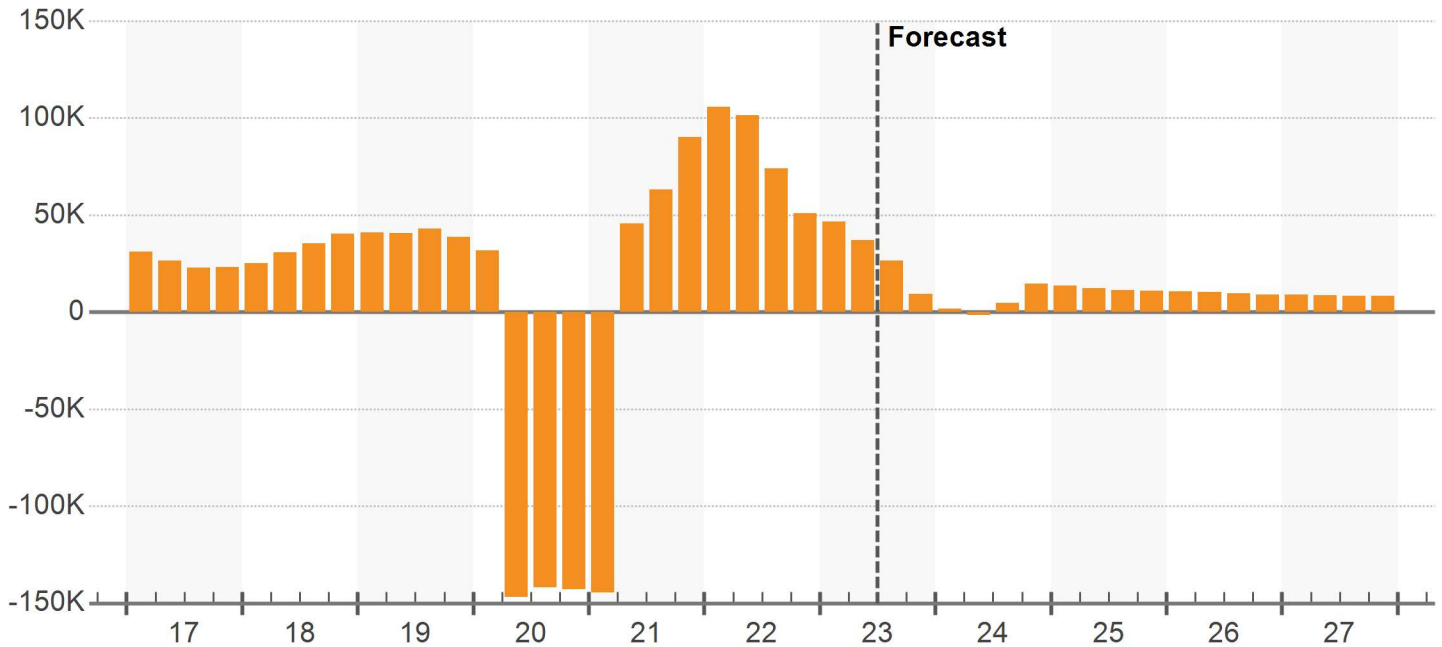


Source: Oxford Economics

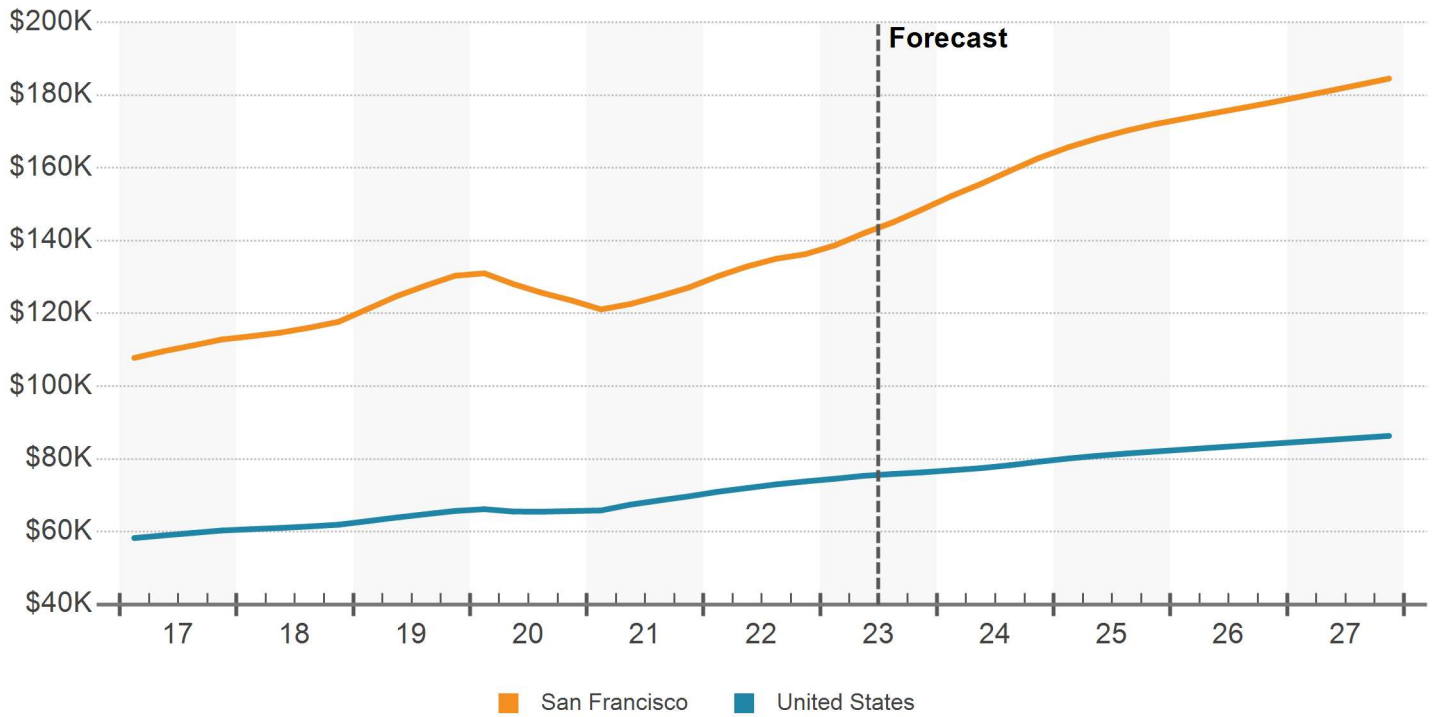
## UNEMPLOYMENT RATE (%)



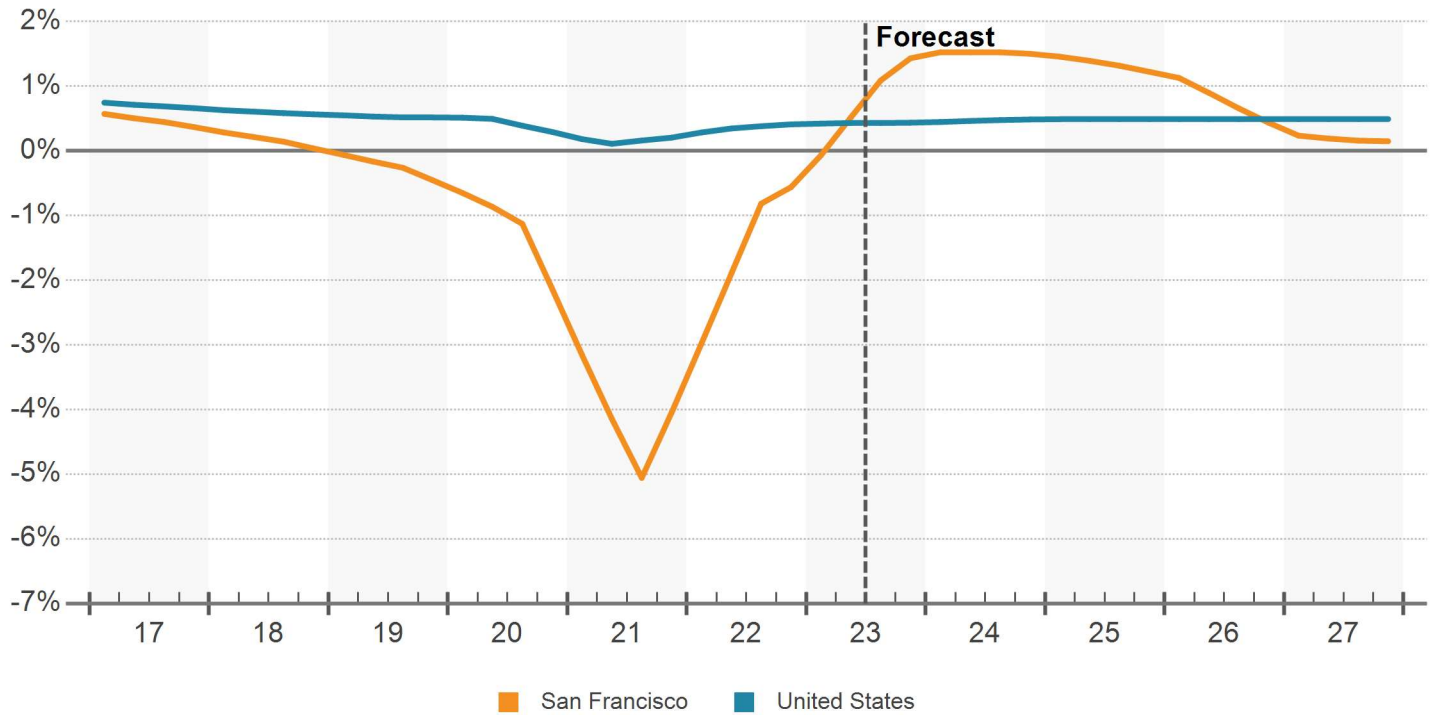
## NET EMPLOYMENT CHANGE (YOY)



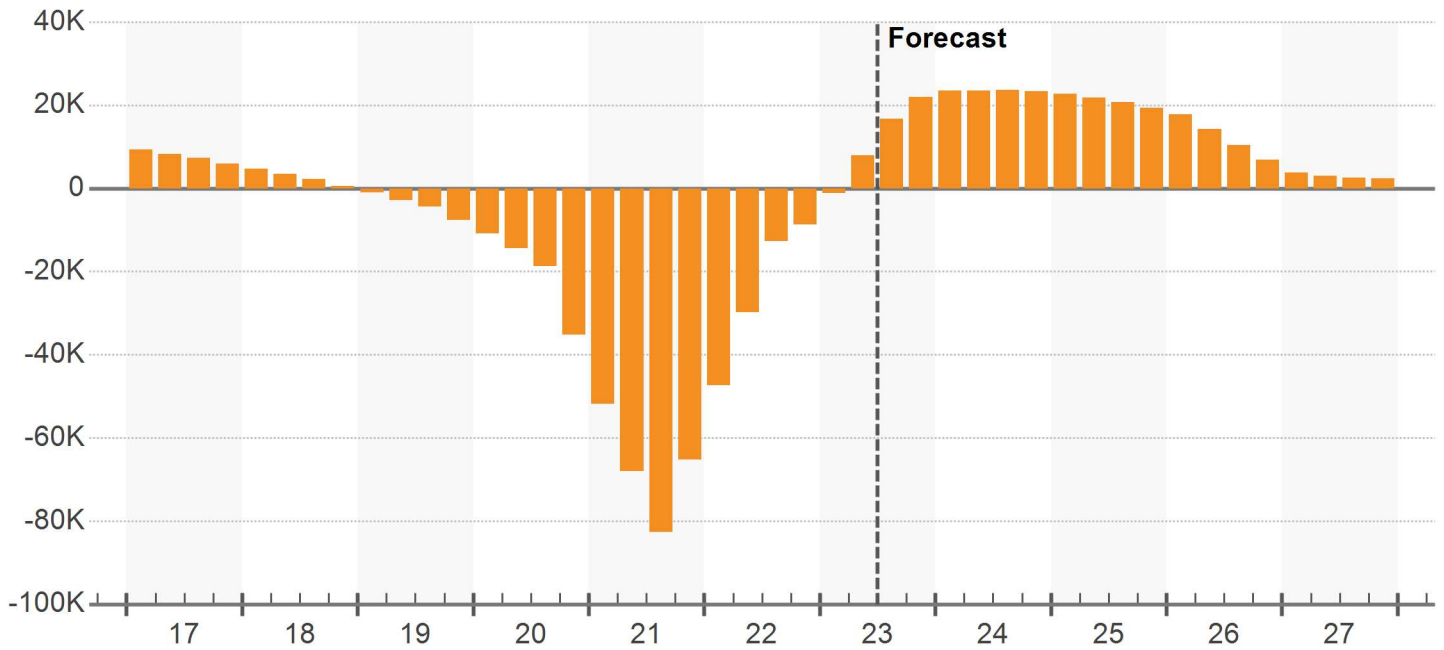
## MEDIAN HOUSEHOLD INCOME



## POPULATION GROWTH (YOY %)



## NET POPULATION CHANGE (YOY)

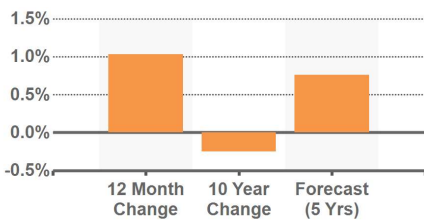


## DEMOGRAPHIC TRENDS

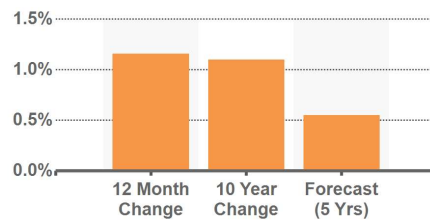
Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	US	Metro	US	Metro	US	Metro	US
Population	1,553,835	334,695,844	1.0%	0.4%	-0.3%	0.6%	0.8%	0.5%
Households	621,823	129,975,961	1.2%	0.6%	-0.1%	0.9%	0.9%	0.6%
Median Household Income	\$144,766	\$75,823	7.4%	4.0%	5.6%	3.8%	5.5%	3.0%
Labor Force	1,037,626	165,913,797	1.2%	0.9%	1.1%	0.6%	0.5%	0.4%
Unemployment	2.7%	3.6%	0.4%	0.1%	-0.3%	-0.4%	-	-

Source: Oxford Economics

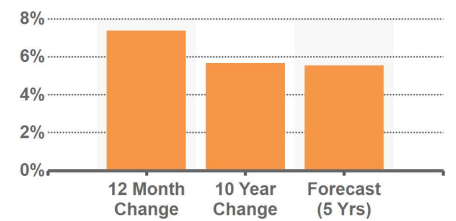
### POPULATION GROWTH



### LABOR FORCE GROWTH



### INCOME GROWTH

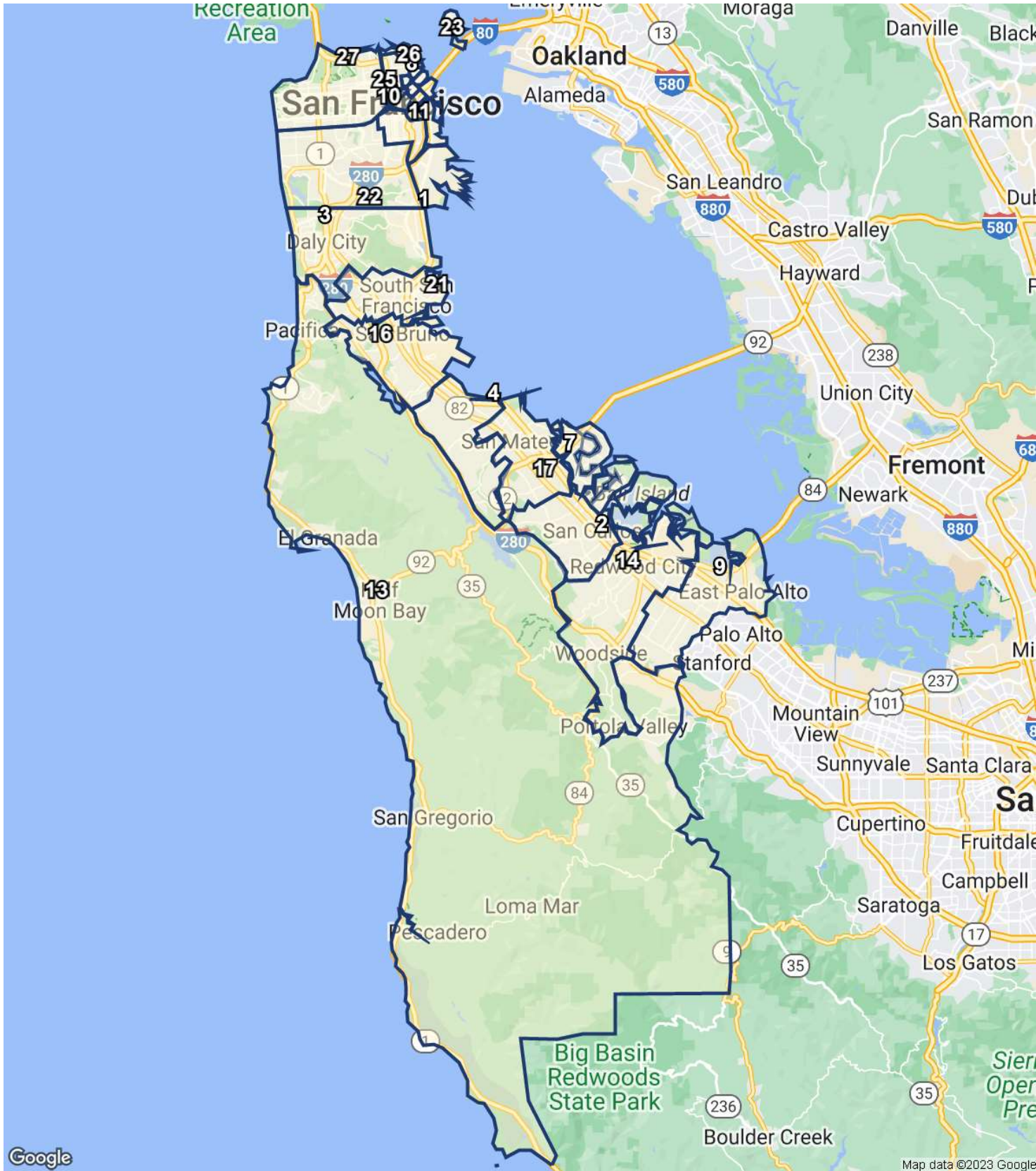


Source: Oxford Economics



# Submarkets

## SAN FRANCISCO SUBMARKETS



Google

Map data ©2023 Google

# Submarkets

San Francisco Office

## SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	Bayview/Hunters Point	26	630	0.3%	27	0	0	0%	-	0	-	-	-
2	Belmont/San Carlos	152	2,628	1.4%	23	1	2	0.1%	8	1	18	0.7%	13
3	Brisbane/Daly City	90	2,882	1.5%	22	0	0	0%	-	0	-	-	-
4	Burlingame	128	3,972	2.1%	18	0	0	0%	-	2	230	5.8%	6
5	Civic Center	64	4,353	2.3%	16	0	0	0%	-	0	-	-	-
6	Financial District	173	31,200	16.4%	2	0	0	0%	-	0	-	-	-
7	Foster City/Redwood Shrs	103	9,862	5.2%	5	0	0	0%	-	2	225	2.3%	7
8	Jackson Square	123	3,356	1.8%	21	0	0	0%	-	0	-	-	-
9	Menlo Park	279	10,936	5.8%	3	3	199	1.8%	3	1	35	0.3%	10
10	MidMarket	82	7,902	4.2%	7	0	0	0%	-	1	235	3.0%	5
11	Mission Bay/China Basin	33	5,420	2.9%	12	1	315	5.8%	1	1	326	6.0%	4
12	Mission/Potrero	189	3,642	1.9%	20	0	0	0%	-	0	-	-	-
13	Peninsula Coastline	137	665	0.4%	26	0	0	0%	-	0	-	-	-
14	Redwood City	318	8,036	4.2%	6	0	0	0%	-	6	1,095	13.6%	1
15	Rincon/South Beach	139	7,621	4.0%	8	0	0	0%	-	0	-	-	-
16	San Bruno/Millbrae	85	2,356	1.2%	24	0	0	0%	-	4	672	28.5%	2
17	San Mateo	324	10,607	5.6%	4	2	238	2.2%	2	1	33	0.3%	11
18	Showplace Square	51	4,262	2.2%	17	1	102	2.4%	4	1	25	0.6%	12
19	South Financial District	164	31,959	16.8%	1	0	0	0%	-	1	78	0.2%	8
20	South of Market	251	5,366	2.8%	13	1	25	0.5%	7	1	51	1.0%	9
21	South San Francisco	129	6,599	3.5%	9	1	46	0.7%	6	2	375	5.7%	3
22	Southern City	185	1,346	0.7%	25	0	0	0%	-	0	-	-	-
23	Treasure/Yerba Buena Isl...	2	39	0%	28	0	0	0%	-	0	-	-	-
24	Union Square	118	5,724	3.0%	11	0	0	0%	-	0	-	-	-
25	Van Ness/Chinatown	168	3,653	1.9%	19	0	0	0%	-	0	-	-	-
26	Waterfront/North Beach	104	4,626	2.4%	14	0	0	0%	-	0	-	-	-
27	West of Van Ness	397	5,818	3.1%	10	0	0	0%	-	0	-	-	-
28	Yerba Buena	73	4,448	2.3%	15	1	59	1.3%	5	0	-	-	-

# Submarkets

San Francisco Office

## SUBMARKET RENT

No.	Submarket	Market Rent		12 Month Market Rent		QTD Annualized Market Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Bayview/Hunters Point	\$34.11	28	-4.1%	28	-0.9%	24
2	Belmont/San Carlos	\$55.52	8	-2.8%	12	-0.5%	11
3	Brisbane/Daly City	\$43.15	23	-3.0%	17	-0.5%	14
4	Burlingame	\$52.18	10	-2.8%	8	-0.6%	16
5	Civic Center	\$49.44	15	-3.1%	19	-0.7%	21
6	Financial District	\$56.58	7	-3.5%	24	-0.9%	26
7	Foster City/Redwood Shrs	\$62.28	3	-3.3%	21	-0.8%	23
8	Jackson Square	\$49.31	17	-2.7%	7	-0.5%	9
9	Menlo Park	\$80.72	1	-2.7%	5	-0.4%	2
10	MidMarket	\$52.36	9	-2.8%	11	-0.6%	19
11	Mission Bay/China Basin	\$62.02	4	-3.7%	27	-0.9%	27
12	Mission/Potrero	\$40.73	26	-2.8%	13	-0.3%	1
13	Peninsula Coastline	\$39.04	27	-3.0%	15	-0.4%	3
14	Redwood City	\$65.55	2	-2.7%	6	-0.5%	7
15	Rincon/South Beach	\$50.31	14	-3.1%	20	-0.6%	18
16	San Bruno/Millbrae	\$47.07	19	-2.6%	4	-0.5%	10
17	San Mateo	\$59.79	6	-2.3%	2	-0.4%	4
18	Showplace Square	\$48.95	18	-3.0%	16	-0.7%	20
19	South Financial District	\$60.62	5	-3.7%	26	-1.0%	28
20	South of Market	\$42.69	24	-3.4%	22	-0.7%	22
21	South San Francisco	\$50.48	13	-2.9%	14	-0.6%	17
22	Southern City	\$44.11	21	-3.1%	18	-0.5%	8
23	Treasure/Yerba Buena Isl...	\$41.73	25	-3.6%	25	-0.5%	13
24	Union Square	\$49.33	16	-2.6%	3	-0.6%	15
25	Van Ness/Chinatown	\$43.62	22	-2.8%	10	-0.4%	5
26	Waterfront/North Beach	\$46.25	20	-2.8%	9	-0.4%	6
27	West of Van Ness	\$51.92	11	-2.3%	1	-0.5%	12
28	Yerba Buena	\$51.47	12	-3.5%	23	-0.9%	25

## SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
1	Bayview/Hunters Point	4,574	0.7%	1	40,297	6.4%	1	-
2	Belmont/San Carlos	472,788	18.0%	16	(139,218)	-5.3%	17	-
3	Brisbane/Daly City	168,922	5.9%	5	(48,147)	-1.7%	12	-
4	Burlingame	254,690	6.4%	6	(30,059)	-0.8%	10	-
5	Civic Center	252,579	5.8%	4	(2,910)	-0.1%	7	-
6	Financial District	8,691,201	27.9%	23	(1,787,465)	-5.7%	27	-
7	Foster City/Redwood Shrs	1,235,040	12.5%	12	(160,703)	-1.6%	19	-
8	Jackson Square	602,874	18.0%	15	11,383	0.3%	3	-
9	Menlo Park	1,282,735	11.7%	11	(114,115)	-1.0%	15	-
10	MidMarket	1,506,419	19.1%	18	(338,963)	-4.3%	22	-
11	Mission Bay/China Basin	1,703,107	31.4%	26	(615,806)	-11.4%	25	-
12	Mission/Potrero	289,794	8.0%	8	(38,591)	-1.1%	11	-
13	Peninsula Coastline	14,500	2.2%	2	9,623	1.4%	5	-
14	Redwood City	1,496,931	18.6%	17	(673,996)	-8.4%	26	-
15	Rincon/South Beach	2,062,628	27.1%	22	(588,077)	-7.7%	24	-
16	San Bruno/Millbrae	367,560	15.6%	14	11,229	0.5%	4	-
17	San Mateo	1,612,081	15.2%	13	36,301	0.3%	2	5.9
18	Showplace Square	1,234,271	29.0%	25	(272,553)	-6.4%	21	-
19	South Financial District	7,301,275	22.8%	20	(1,975,092)	-6.2%	28	-
20	South of Market	1,518,204	28.3%	24	(401,524)	-7.5%	23	-
21	South San Francisco	446,225	6.8%	7	(140,429)	-2.1%	18	-
22	Southern City	61,478	4.6%	3	(4,603)	-0.3%	8	-
23	Treasure/Yerba Buena Isl...	-	-	-	0	0%	-	-
24	Union Square	1,241,972	21.7%	19	(17,222)	-0.3%	9	-
25	Van Ness/Chinatown	404,373	11.1%	10	(55,807)	-1.5%	13	-
26	Waterfront/North Beach	1,179,501	25.5%	21	(205,199)	-4.4%	20	-
27	West of Van Ness	548,551	9.4%	9	(135,134)	-2.3%	16	-
28	Yerba Buena	1,929,684	43.4%	27	(104,014)	-2.3%	14	-

## OVERALL SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2027	191,524,248	(364,371)	-0.2%	(742,831)	-0.4%	-
2026	191,888,619	(365,173)	-0.2%	(6,008,738)	-3.1%	-
2025	192,253,792	228,444	0.1%	(7,131,096)	-3.7%	-
2024	192,025,348	1,218,180	0.6%	(11,583,256)	-6.0%	-
2023	190,807,168	1,431,026	0.8%	(10,107,929)	-5.3%	-
YTD	189,905,923	529,781	0.3%	(6,199,940)	-3.3%	-
2022	189,376,142	2,158,752	1.2%	(4,354,821)	-2.3%	-
2021	187,217,390	4,108,326	2.2%	(1,701,820)	-0.9%	-
2020	183,109,064	129,176	0.1%	(7,529,449)	-4.1%	-
2019	182,979,888	3,662,530	2.0%	2,970,797	1.6%	1.2
2018	179,317,358	3,872,044	2.2%	4,709,352	2.6%	0.8
2017	175,445,314	612,542	0.4%	265,600	0.2%	2.3
2016	174,832,772	2,512,417	1.5%	1,816,391	1.0%	1.4
2015	172,320,355	2,070,902	1.2%	2,957,611	1.7%	0.7
2014	170,249,453	106,098	0.1%	3,377,116	2.0%	0
2013	170,143,355	(634,013)	-0.4%	2,141,871	1.3%	-
2012	170,777,368	287,209	0.2%	1,326,063	0.8%	0.2
2011	170,490,159	(618,976)	-0.4%	3,039,156	1.8%	-

## 4 & 5 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2027	105,608,424	0	0%	(112,703)	-0.1%	-
2026	105,608,424	0	0%	(2,758,818)	-2.6%	-
2025	105,608,424	560,000	0.5%	(3,242,093)	-3.1%	-
2024	105,048,424	1,516,240	1.5%	(5,356,073)	-5.1%	-
2023	103,532,184	1,212,830	1.2%	(6,981,962)	-6.7%	-
YTD	102,849,135	529,781	0.5%	(4,690,587)	-4.6%	-
2022	102,319,354	2,206,873	2.2%	(2,314,890)	-2.3%	-
2021	100,112,481	4,304,247	4.5%	(18,883)	0%	-
2020	95,808,234	354,976	0.4%	(2,728,135)	-2.8%	-
2019	95,453,258	3,282,904	3.6%	2,917,517	3.1%	1.1
2018	92,170,354	4,189,673	4.8%	5,049,538	5.5%	0.8
2017	87,980,681	839,891	1.0%	479,239	0.5%	1.8
2016	87,140,790	2,031,537	2.4%	1,821,595	2.1%	1.1
2015	85,109,253	2,024,035	2.4%	2,203,136	2.6%	0.9
2014	83,085,218	604,643	0.7%	2,194,670	2.6%	0.3
2013	82,480,575	41,969	0.1%	1,646,646	2.0%	0
2012	82,438,606	492,599	0.6%	1,840,810	2.2%	0.3
2011	81,946,007	145,205	0.2%	1,198,757	1.5%	0.1



# Supply & Demand Trends

San Francisco Office

## 3 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2027	55,399,040	(1)	0%	(211,556)	-0.4%	-
2026	55,399,041	(2)	0%	(1,851,994)	-3.3%	-
2025	55,399,043	33,264	0.1%	(2,256,209)	-4.1%	-
2024	55,365,779	64,660	0.1%	(3,728,523)	-6.7%	-
2023	55,301,119	304,732	0.6%	(1,930,056)	-3.5%	-
YTD	54,996,387	0	0%	(986,139)	-1.8%	-
2022	54,996,387	15,929	0%	(1,336,697)	-2.4%	-
2021	54,980,458	(62,389)	-0.1%	(1,174,270)	-2.1%	-
2020	55,042,847	52,164	0.1%	(3,098,586)	-5.6%	-
2019	54,990,683	352,273	0.6%	530,634	1.0%	0.7
2018	54,638,410	(103,261)	-0.2%	(119,295)	-0.2%	-
2017	54,741,671	(181,841)	-0.3%	(325,037)	-0.6%	-
2016	54,923,512	676,364	1.2%	334,427	0.6%	2.0
2015	54,247,148	177,638	0.3%	596,214	1.1%	0.3
2014	54,069,510	(350,818)	-0.6%	1,057,731	2.0%	-
2013	54,420,328	(176,372)	-0.3%	642,667	1.2%	-
2012	54,596,700	(38,528)	-0.1%	(482,503)	-0.9%	-
2011	54,635,228	(525,525)	-1.0%	1,651,953	3.0%	-

## 1 & 2 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2027	30,516,784	(364,370)	-1.2%	(418,572)	-1.4%	-
2026	30,881,154	(365,171)	-1.2%	(1,397,926)	-4.5%	-
2025	31,246,325	(364,820)	-1.2%	(1,632,794)	-5.2%	-
2024	31,611,145	(362,720)	-1.1%	(2,498,660)	-7.9%	-
2023	31,973,865	(86,536)	-0.3%	(1,195,911)	-3.7%	-
YTD	32,060,401	0	0%	(523,214)	-1.6%	-
2022	32,060,401	(64,050)	-0.2%	(703,234)	-2.2%	-
2021	32,124,451	(133,532)	-0.4%	(508,667)	-1.6%	-
2020	32,257,983	(277,964)	-0.9%	(1,702,728)	-5.3%	-
2019	32,535,947	27,353	0.1%	(477,354)	-1.5%	-
2018	32,508,594	(214,368)	-0.7%	(220,891)	-0.7%	-
2017	32,722,962	(45,508)	-0.1%	111,398	0.3%	-
2016	32,768,470	(195,484)	-0.6%	(339,631)	-1.0%	-
2015	32,963,954	(130,771)	-0.4%	158,261	0.5%	-
2014	33,094,725	(147,727)	-0.4%	124,715	0.4%	-
2013	33,242,452	(499,610)	-1.5%	(147,442)	-0.4%	-
2012	33,742,062	(166,862)	-0.5%	(32,244)	-0.1%	-
2011	33,908,924	(238,656)	-0.7%	188,446	0.6%	-

### OVERALL RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2027	\$43.98	115	1.9%	-41.2%	68,898,060	36.0%	0.3%
2026	\$43.14	113	-4.3%	-42.3%	68,514,328	35.7%	3.0%
2025	\$45.07	118	-7.2%	-39.7%	62,865,600	32.7%	3.8%
2024	\$48.56	127	-12.1%	-35.1%	55,501,042	28.9%	6.5%
2023	\$55.25	145	-3.8%	-26.1%	42,694,397	22.4%	5.9%
YTD	\$56.25	147	-3.1%	-24.8%	37,883,957	19.9%	3.5%
2022	\$57.40	151	-6.5%	-23.2%	31,154,236	16.5%	3.3%
2021	\$61.37	161	-6.9%	-17.9%	24,640,663	13.2%	2.9%
2020	\$65.91	173	-11.9%	-11.9%	18,827,017	10.3%	4.2%
2019	\$74.79	196	5.6%	0%	11,171,892	6.1%	0.2%
2018	\$70.84	186	9.0%	-5.3%	10,549,498	5.9%	-0.6%
2017	\$65.01	170	3.4%	-13.1%	11,386,806	6.5%	0.2%
2016	\$62.85	165	2.1%	-16.0%	11,039,864	6.3%	0.3%
2015	\$61.55	161	12.9%	-17.7%	10,343,838	6.0%	-0.6%
2014	\$54.50	143	12.2%	-27.1%	11,230,547	6.6%	-1.9%
2013	\$48.59	127	13.5%	-35.0%	14,501,565	8.5%	-1.6%
2012	\$42.80	112	13.3%	-42.8%	17,277,449	10.1%	-0.6%
2011	\$37.77	99	18.4%	-49.5%	18,316,303	10.7%	-2.1%

### 4 & 5 STAR RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2027	\$49.02	116	1.9%	-40.7%	39,527,841	37.4%	0.1%
2026	\$48.13	114	-4.4%	-41.8%	39,415,138	37.3%	2.6%
2025	\$50.32	119	-7.3%	-39.1%	36,656,320	34.7%	3.4%
2024	\$54.28	128	-12.2%	-34.3%	32,854,227	31.3%	6.2%
2023	\$61.84	146	-4.5%	-25.2%	25,981,914	25.1%	7.7%
YTD	\$62.99	149	-3.5%	-23.8%	23,007,471	22.4%	5.0%
2022	\$64.74	153	-6.5%	-21.7%	17,787,103	17.4%	4.1%
2021	\$69.21	163	-7.2%	-16.3%	13,265,340	13.3%	3.9%
2020	\$74.56	176	-9.8%	-9.8%	8,942,210	9.3%	3.2%
2019	\$82.66	195	7.0%	0%	5,859,099	6.1%	0.2%
2018	\$77.23	182	9.5%	-6.6%	5,493,712	6.0%	-1.3%
2017	\$70.55	167	3.7%	-14.6%	6,353,577	7.2%	0.3%
2016	\$68.04	161	1.8%	-17.7%	5,992,925	6.9%	0.1%
2015	\$66.80	158	11.1%	-19.2%	5,782,983	6.8%	-0.4%
2014	\$60.13	142	11.8%	-27.3%	5,962,084	7.2%	-2.0%
2013	\$53.79	127	13.1%	-34.9%	7,552,111	9.2%	-2.0%
2012	\$47.56	112	11.9%	-42.5%	9,156,788	11.1%	-1.7%
2011	\$42.50	100	20.8%	-48.6%	10,504,999	12.8%	-1.3%

### 3 STAR RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2027	\$39.87	117	2.1%	-43.5%	19,139,014	34.5%	0.4%
2026	\$39.07	115	-4.1%	-44.7%	18,927,458	34.2%	3.3%
2025	\$40.76	120	-7.0%	-42.3%	17,075,464	30.8%	4.1%
2024	\$43.84	129	-11.9%	-37.9%	14,785,989	26.7%	6.8%
2023	\$49.77	146	-2.3%	-29.5%	10,992,802	19.9%	4.0%
YTD	\$50.63	149	-2.2%	-28.3%	9,744,126	17.7%	1.8%
2022	\$50.92	150	-7.9%	-27.9%	8,757,987	15.9%	2.5%
2021	\$55.26	162	-7.6%	-21.7%	7,405,361	13.5%	2.0%
2020	\$59.81	176	-15.3%	-15.3%	6,293,480	11.4%	5.7%
2019	\$70.61	208	3.5%	0%	3,142,730	5.7%	-0.4%
2018	\$68.25	201	9.6%	-3.3%	3,345,636	6.1%	0%
2017	\$62.27	183	3.5%	-11.8%	3,329,602	6.1%	0.3%
2016	\$60.18	177	1.4%	-14.8%	3,186,406	5.8%	0.6%
2015	\$59.35	174	16.8%	-16.0%	2,844,469	5.2%	-0.8%
2014	\$50.79	149	12.5%	-28.1%	3,263,045	6.0%	-2.5%
2013	\$45.16	133	14.0%	-36.1%	4,671,594	8.6%	-1.5%
2012	\$39.60	116	16.6%	-43.9%	5,490,633	10.1%	0.8%
2011	\$33.97	100	16.3%	-51.9%	5,046,658	9.2%	-3.9%

### 1 & 2 STAR RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2027	\$34.46	110	2.1%	-38.5%	10,231,205	33.5%	0.6%
2026	\$33.77	108	-4.1%	-39.8%	10,171,732	32.9%	3.7%
2025	\$35.22	112	-7.0%	-37.2%	9,133,816	29.2%	4.4%
2024	\$37.88	121	-11.9%	-32.4%	7,860,826	24.9%	7.0%
2023	\$42.99	137	-3.2%	-23.3%	5,719,681	17.9%	3.5%
YTD	\$43.74	140	-3.1%	-22.0%	5,132,360	16.0%	1.6%
2022	\$44.43	142	-3.6%	-20.8%	4,609,146	14.4%	2.0%
2021	\$46.09	147	-3.9%	-17.8%	3,969,962	12.4%	1.2%
2020	\$47.94	153	-14.5%	-14.5%	3,591,327	11.1%	4.5%
2019	\$56.06	179	3.3%	0%	2,170,063	6.7%	1.4%
2018	\$54.26	173	5.3%	-3.2%	1,710,150	5.3%	0.1%
2017	\$51.51	165	2.2%	-8.1%	1,703,627	5.2%	-0.5%
2016	\$50.38	161	4.8%	-10.1%	1,860,533	5.7%	0.5%
2015	\$48.06	153	13.5%	-14.3%	1,716,386	5.2%	-0.9%
2014	\$42.33	135	13.3%	-24.5%	2,005,418	6.1%	-0.8%
2013	\$37.35	119	14.5%	-33.4%	2,277,860	6.9%	-0.9%
2012	\$32.62	104	13.5%	-41.8%	2,630,028	7.8%	-0.4%
2011	\$28.75	92	11.7%	-48.7%	2,764,646	8.2%	-1.2%

### OVERALL SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2027	-	-	-	-	-	-	\$389.48	128	6.0%
2026	-	-	-	-	-	-	\$370.15	122	6.2%
2025	-	-	-	-	-	-	\$391.68	129	6.4%
2024	-	-	-	-	-	-	\$446	146	6.4%
2023	-	-	-	-	-	-	\$584.86	192	6.0%
YTD	40	\$553.3M	0.7%	\$15,370,124	\$426.40	5.3%	\$637.20	209	5.7%
2022	97	\$1.9B	1.5%	\$21,797,705	\$810.15	4.8%	\$690.02	227	5.4%
2021	123	\$4.8B	4.9%	\$43,200,780	\$737.82	5.0%	\$775.79	255	4.8%
2020	77	\$3.7B	1.9%	\$48,099,257	\$1,054.23	4.4%	\$769.50	253	4.8%
2019	231	\$8.8B	6.1%	\$59,192,625	\$843.10	5.1%	\$811.05	266	4.7%
2018	192	\$4.3B	4.1%	\$32,667,763	\$662.52	4.7%	\$753.40	247	4.7%
2017	219	\$4.3B	4.6%	\$34,017,150	\$606.12	5.2%	\$697.51	229	4.7%
2016	207	\$6.9B	8.0%	\$47,745,188	\$578.67	4.8%	\$697	229	4.5%
2015	237	\$5.1B	7.2%	\$35,600,977	\$621.76	4.8%	\$666.38	219	4.5%
2014	281	\$8.1B	9.6%	\$39,707,117	\$518.80	5.0%	\$576.21	189	4.8%
2013	221	\$2.9B	4.9%	\$18,177,173	\$370.95	5.3%	\$482.37	158	5.2%
2012	306	\$6.4B	9.8%	\$36,782,756	\$440.08	5.3%	\$412	135	5.6%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

### 4 & 5 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2027	-	-	-	-	-	-	\$421.48	123	5.9%
2026	-	-	-	-	-	-	\$400.63	117	6.0%
2025	-	-	-	-	-	-	\$424.09	124	6.2%
2024	-	-	-	-	-	-	\$483.34	141	6.3%
2023	-	-	-	-	-	-	\$635.48	185	5.8%
YTD	3	\$154.8M	0.3%	\$51,600,000	\$445.68	-	\$693.10	202	5.6%
2022	10	\$1.1B	1.2%	\$133,598,596	\$1,054.78	-	\$752.93	219	5.2%
2021	30	\$3.5B	6.9%	\$177,288,994	\$824.47	5.0%	\$848.44	247	4.6%
2020	9	\$2.3B	2.3%	\$253,740,544	\$1,041.55	-	\$829.61	242	4.7%
2019	37	\$5.8B	7.3%	\$166,926,588	\$892.48	4.7%	\$873.20	254	4.6%
2018	25	\$2.5B	4.3%	\$107,648,361	\$720.21	4.8%	\$810.82	236	4.6%
2017	29	\$3.2B	6.0%	\$115,335,742	\$639.50	5.5%	\$751.54	219	4.6%
2016	34	\$4.6B	8.5%	\$152,637,185	\$645.48	4.4%	\$755.15	220	4.4%
2015	37	\$3.1B	7.9%	\$146,331,953	\$690.48	4.6%	\$726.43	212	4.4%
2014	46	\$6.1B	12.8%	\$131,775,121	\$569.42	4.0%	\$634.33	185	4.6%
2013	19	\$1.7B	5.0%	\$91,036,662	\$421.38	4.9%	\$536.46	156	5.0%
2012	37	\$5.1B	12.2%	\$140,689,264	\$503.87	4.9%	\$461.36	134	5.4%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

### 3 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2027	-	-	-	-	-	-	\$362.50	140	6.1%
2026	-	-	-	-	-	-	\$344.34	133	6.3%
2025	-	-	-	-	-	-	\$364.14	141	6.4%
2024	-	-	-	-	-	-	\$414.12	160	6.5%
2023	-	-	-	-	-	-	\$541.58	209	6.0%
YTD	15	\$294.7M	1.7%	\$21,047,604	\$361.68	6.2%	\$589.39	228	5.8%
2022	36	\$468.7M	1.3%	\$13,784,489	\$635.48	5.2%	\$635.39	246	5.5%
2021	33	\$922M	3.1%	\$28,812,606	\$533.63	5.0%	\$706.20	273	4.9%
2020	22	\$630M	1.4%	\$30,001,360	\$806.16	-	\$704.86	273	4.9%
2019	82	\$2.4B	5.9%	\$39,493,623	\$758.76	5.5%	\$735.26	284	4.8%
2018	53	\$1.3B	4.2%	\$30,144,031	\$595.51	5.2%	\$680.15	263	4.8%
2017	46	\$578.4M	2.3%	\$14,831,164	\$503.62	5.8%	\$628.10	243	4.8%
2016	80	\$1.9B	9.8%	\$31,815,344	\$466.42	5.2%	\$623.20	241	4.7%
2015	64	\$1.5B	7.8%	\$36,301,684	\$551.48	5.0%	\$591.50	229	4.7%
2014	84	\$1.4B	6.8%	\$21,610,279	\$409.35	5.7%	\$507.25	196	5.0%
2013	70	\$848.3M	4.3%	\$14,881,678	\$377.82	5.2%	\$418.36	162	5.4%
2012	79	\$1B	8.0%	\$18,839,900	\$317.44	5.8%	\$355.71	138	5.9%

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(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

### 1 & 2 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2027	-	-	-	-	-	-	\$330.74	129	6.3%
2026	-	-	-	-	-	-	\$314.34	123	6.5%
2025	-	-	-	-	-	-	\$332.54	130	6.7%
2024	-	-	-	-	-	-	\$378.08	148	6.7%
2023	-	-	-	-	-	-	\$492.96	193	6.3%
YTD	22	\$103.9M	0.4%	\$5,466,211	\$765.89	3.6%	\$535.69	209	6.0%
2022	51	\$315.3M	2.8%	\$7,333,570	\$588.10	4.2%	\$577.22	226	5.7%
2021	60	\$370.7M	1.6%	\$6,178,401	\$700.35	5.0%	\$656.75	257	5.0%
2020	46	\$741.9M	1.5%	\$16,127,176	\$1,503.52	4.4%	\$683.21	267	4.9%
2019	112	\$568.2M	3.0%	\$10,719,991	\$768.04	3.8%	\$737.33	288	4.8%
2018	114	\$477.2M	3.4%	\$7,456,676	\$600.74	4.5%	\$690.82	270	4.8%
2017	144	\$512.4M	4.6%	\$8,539,364	\$551.42	4.7%	\$639.48	250	4.8%
2016	93	\$466.8M	3.5%	\$8,336,276	\$552.45	4.6%	\$632.98	247	4.6%
2015	136	\$528.9M	4.1%	\$6,529,616	\$513.51	4.6%	\$598.01	234	4.6%
2014	151	\$637.4M	5.9%	\$6,781,293	\$407.11	5.4%	\$503.91	197	4.9%
2013	132	\$330.4M	5.7%	\$3,933,280	\$221.70	6.2%	\$414.81	162	5.4%
2012	190	\$281.2M	6.7%	\$3,388,539	\$233.82	5.4%	\$346.68	135	5.9%

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