



Office Market Report

San Francisco - CA

PREPARED BY



OFFICE MARKET REPORT

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12 Mo Deliveries in SF

1M

12 Mo Net Absorption in SF

(9.3M)

Vacancy Rate

21.4%

12 Mo Rent Growth

-2.9%

Heading towards the end of 2023, the cumulative impact of three years of weakening operating performance and 18 months of elevated interest rates is taking a heavy toll on San Francisco office valuations. Owners, particularly those that financed their properties with debt during the past ten years, are seeing substantial reductions in equity value, leading several to default on mortgage loans. Local all-cash buyers are stepping in to acquire properties at deeply discounted prices.

In the leasing market, brokers report an increase in the amount of space sought by tenants in the market. Moreover, leasing activity by AI companies has been a bright spot, and this includes two examples where expanding AI companies are set to take over 200,000 SF of sublet space, according to reports.

For most owners, however, this uptick in leasing interest is too little, too late. Net absorption remains negative as existing tenants continue to downsize as leases expire, while others continue to add sublet space to the market as they reconfigure their operations around working patterns that involve fewer days in the office.

Activity indicators for San Francisco's central business district, such as Kastle Data Systems' Back To Work Barometer, and transit ridership data from BART, show that the return to office, which had been steadily increasing in previous years, has plateaued in 2023. While some large Bay Area employers are urging more staff to return to the office, the general trend is one of switching from fully remote to a hybrid pattern of two to three days in the office per week, rather than a return to working in the office full time.

Across the metro area, office vacancy increased from around 6% in 2019 to 20.0% in the current quarter, while in the San Francisco financial district vacancy now exceeds 25% and sublease space remains at record highs. Even with an uptick in leasing activity by AI

companies, new leasing activity is on track to finish 2023 on par with the low points of both the pandemic and the Great Recession.

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. As office values are reset at lower price points, so are lease rates. The new owners of 550 California St., having acquired the building for just \$115/SF, have recently listed the space for lease at \$40/SF full service.

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 increase as tenants who have not yet adjusted their space needs do so as their leases expire. With no strong indications of a return to demand growth, rents are expected to continue moving downwards. In the investment market, delinquencies and distressed sales will see investment pricing adjusting to significantly lower levels.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	103,199,825	24.3%	\$62.15	28.5%	(1,406,081)	0	1,983,651
3 Star	55,409,008	19.2%	\$49.59	26.1%	(870,315)	0	231,777
1 & 2 Star	31,948,096	16.2%	\$42.81	18.3%	(36,303)	0	0
Market	190,556,929	21.4%	\$55.32	26.1%	(2,312,699)	0	2,215,428

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	5.3%	9.7%	33.2%	21.4%	2023 Q4	1.3%	2000 Q2
Net Absorption SF	(9.3M)	428,916	(7,557,798)	7,088,036	2000 Q2	(10,164,048)	2021 Q1
Deliveries SF	1M	1,947,314	539,950	5,604,444	2002 Q2	61,810	2006 Q2
Rent Growth	-2.9%	3.0%	-4.8%	30.3%	2000 Q3	-32.7%	2002 Q1
Sales Volume	\$832M	\$3.4B	N/A	\$9.3B	2007 Q3	\$261.4M	2002 Q2

Leasing conditions in the fourth quarter remain subdued, with many tenants continuing the process of reducing their leased space in response to the changed nature and location of office work. While most occupiers 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 quarters, 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 21.4% in the fourth quarter and is forecast to rise further, having now passed the previous high point of 16% that occurred during the dotcom bust in 2002. Annual net absorption was negative by -9.3 million and, with 12.4 million SF of sublease space available, the availability rate has increased to 26.1%. Two thirds of available sublet space is vacant, indicating that many tenants have already vacated spaces that will not be renewed. By comparison, the national availability rate currently stands at 16.6%.

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 6% in 2019 to over 25% in the fourth quarter.

In the core financial district, one third of leased space is currently available. Tech companies were behind the most prominent additions to availability in 2023. In January, 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.

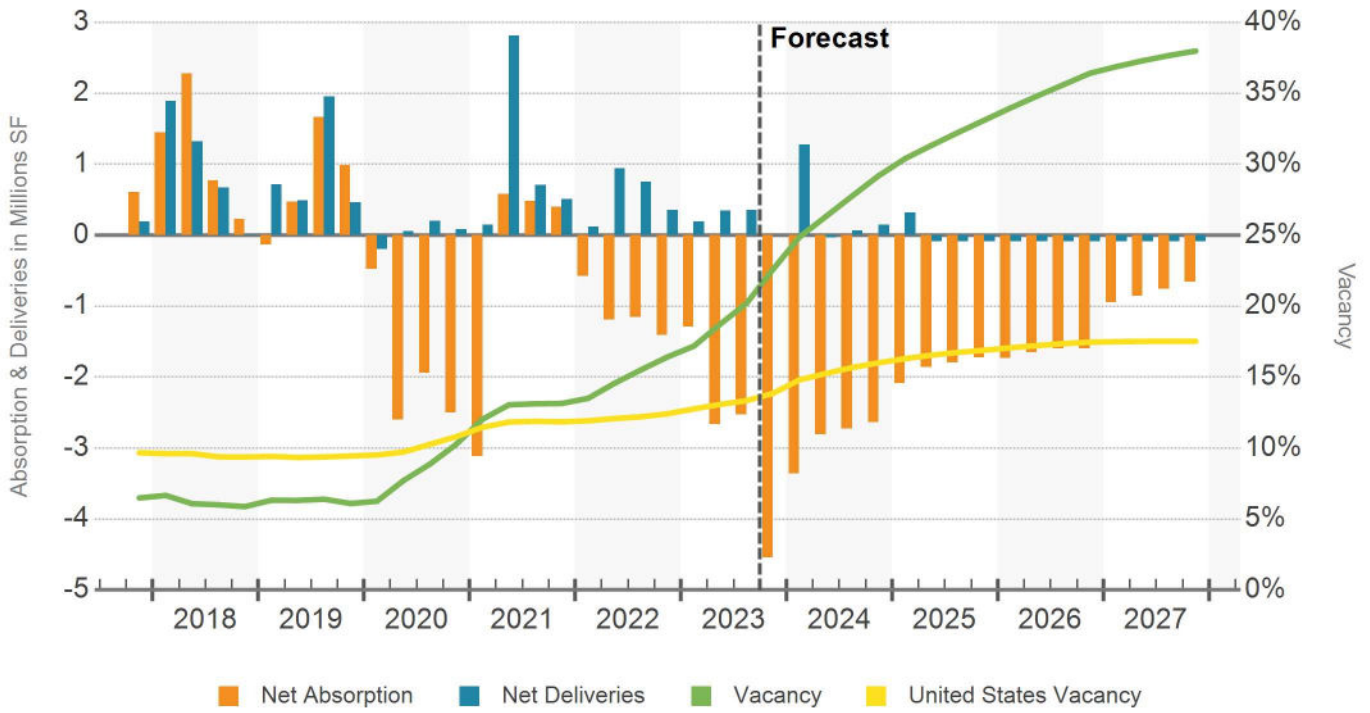
In March, Salesforce made available 150,000 SF in Salesforce Tower, and added 280,000 SF at 50 Fremont St., and 100,000 SF at 350 Mission St. to the sublease market. In October, LinkedIn made 64,000 SF available for sublet at 222 2nd St., while its parent company Microsoft also added 49,000 SF of sublet space at 555 California St.

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, Stifel, Nicolaus & Company renewed at One Montgomery St. reducing the size of its lease from five floors to four.

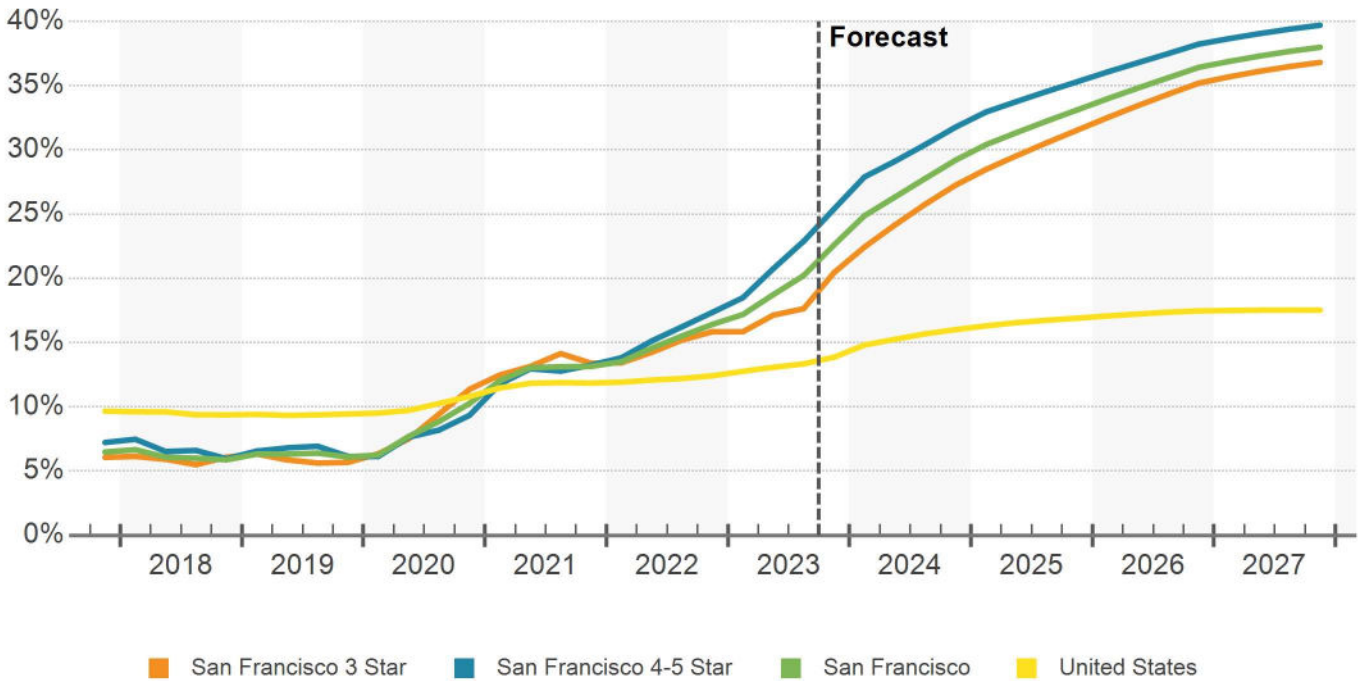
Moreover, local brokers report an increase the amount of space being sought by tenants in the market, with demand being led by AI companies. Six new leases have been signed by such companies in the past few months, all of which took sublease space. These leases ranged in size from 8,500 SF taken by Hex in Jackson Square to 57,100 SF leased by Hive AI in the South Financial District. Two larger subleases, for OpenAI and Anthropic, each over 200,000 SF, are reported to be in negotiation.

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 13% and a few larger leasing deals have closed. In 2023, Roblox took 188,000 SF at 2850 Delaware St. in San Mateo. That said, 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.

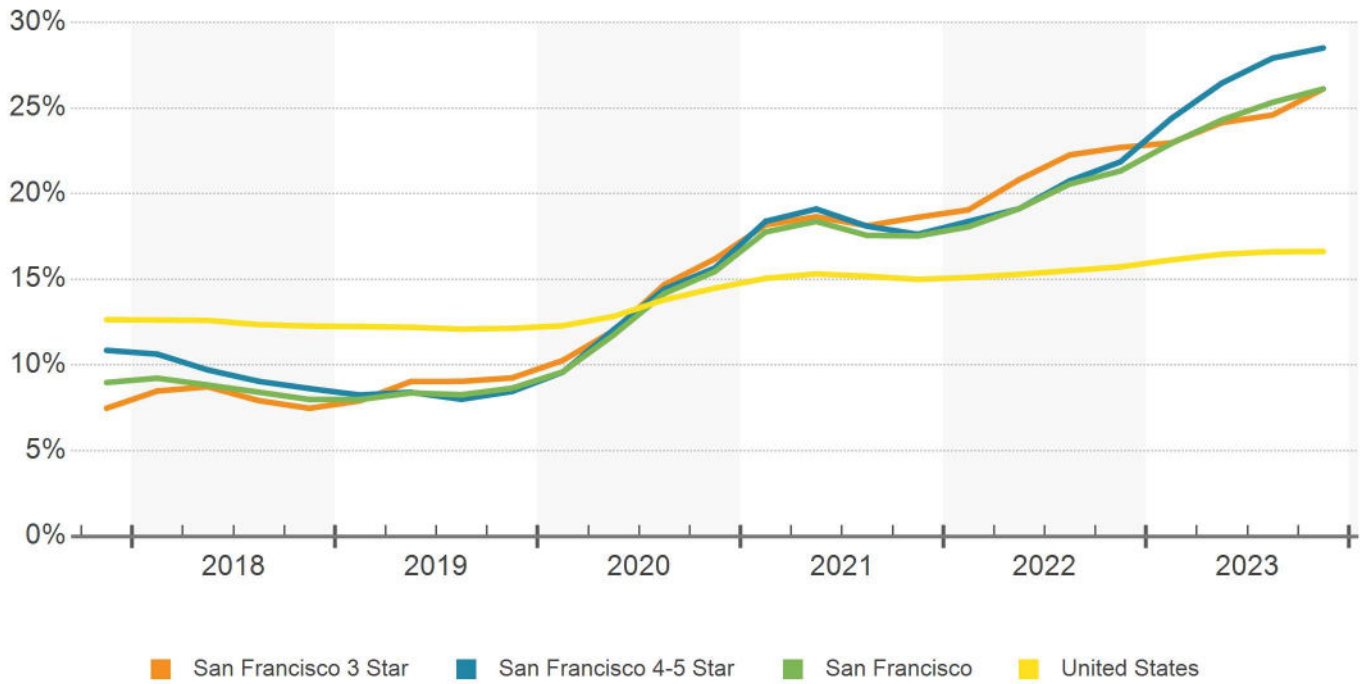
NET ABSORPTION, NET DELIVERIES & VACANCY



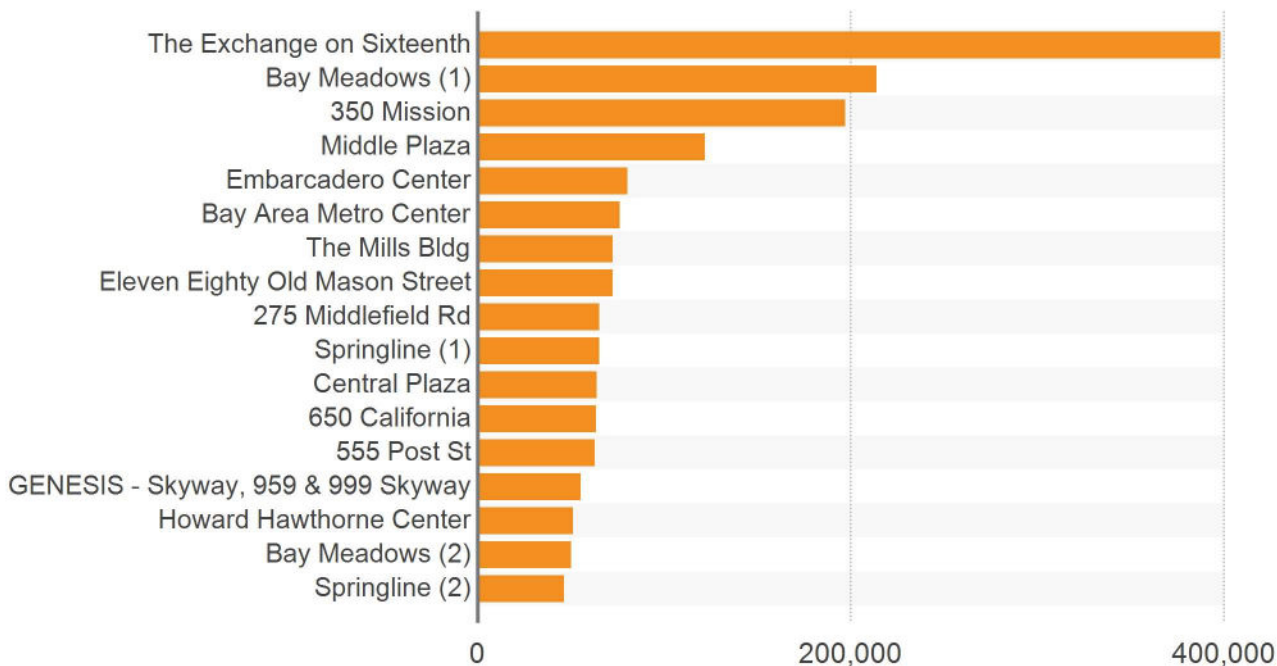
VACANCY RATE



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
The Exchange on Sixteenth	Mission Bay/China B...	750,370	242,479	0	306,390	0	201,501	398,278
Bay Meadows (1)	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	31,973	154,000	0	(31,973)	0	122,027
Embarcadero Center	Financial District	837,261	213,730	43,135	36,827	(5,656)	(2,718)	80,447
Bay Area Metro Center	Rincon/South Beach	482,665	118,355	91,823	0	(15,412)	0	76,411
The Mills Bldg	Financial District	469,617	53,799	(38,015)	(26,561)	40,382	97,408	72,621
Eleven Eighty Old Mason Street	West of Van Ness	84,000	11,415	0	72,585	(67,317)	67,317	72,585
275 Middlefield Rd	Menlo Park	130,935	0	0	65,435	0	0	65,435
Springline (1)	Menlo Park	127,350	0	40,562	0	0	0	65,358
Central Plaza	South Financial District	374,200	79,657	7,865	2,512	28,096	24,250	63,805
650 California	Financial District	483,000	33,013	40,259	0	(17,232)	45,930	63,519
555 Post St	Union Square	62,830	0	0	62,830	0	0	62,830
GENESIS - Skyway, 959 & 999...	Belmont/San Carlos	144,000	0	55,496	0	0	0	55,496
Howard Hawthorne Center	South Financial District	187,594	0	17,054	0	2,583	31,525	51,162
Bay Meadows (2)	San Mateo	189,000	0	17,883	0	38,934	0	50,208
Springline (2)	Menlo Park	108,687	0	42,089	0	0	0	46,513
Subtotal Primary Competitors		5,292,488	820,151	705,093	734,017	(63,325)	465,213	1,757,906
Remaining San Francisco Market		185,264,441	40,017,425	(1,998,011)	(3,399,532)	(2,469,797)	(2,777,912)	(11,083,727)
Total San Francisco Market		190,556,929	40,837,576	(1,292,918)	(2,665,515)	(2,533,122)	(2,312,699)	(9,325,821)

TOP OFFICE LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Company	Leasing Rep Company
UBER HQ	Mission Bay/China Basin	486,600	Q4 23	OpenAI	-	-
Charles Schwab Plaza	South Financial District	415,866	Q4 23	Charles Schwab & Co., Inc.	-	-
Mission Bay Office Campus *	Mission Bay/China Basin	234,537	Q1 23	Cisco Systems, Inc.	-	-
Foundry Square	South Financial District	230,325	Q4 23	ANTHROP/C	-	CBRE
Bay Meadows	San Mateo	179,496	Q1 23	Roblox	JLL	Newmark
Bank of America Tower *	Financial District	142,000	Q4 22	Morgan Stanley	-	CBRE
Britannia Oyster Point II	South San Francisco	100,678	Q3 23	Pliant Therapeutics, Inc	Newmark	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
1390 Market	MidMarket	87,854	Q4 23	-	-	JLL
Shoreline Center *	Foster City/Redwood Shrs	81,568	Q2 23	Auris Surgical Robotics	-	-
Genesis South San Francisco *	South San Francisco	78,369	Q2 23	SmartLabs	-	-
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	-
100 First	South Financial District	57,117	Q2 23	Hive	Kidder Mathews	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	-	-
303 2nd St	Rincon/South Beach	47,872	Q4 22	Reddit	-	JLL
The Mills Bldg	Financial District	45,544	Q1 23	Gensler	-	-
460 Bryant St	Rincon/South Beach	41,976	Q2 23	HaydenAI	Touchstone Comme...	CBRE
Embarcadero Center	Financial District	41,551	Q1 23	-	-	Boston Properties Limit...
West Bldg *	Showplace Square	41,403	Q4 23	Patreon	-	JLL
Levi's Plaza	Waterfront/North Beach	37,675	Q4 23	Snap, Inc	Cushman & Wakefield	Avison Young;Cushma...
Transbay Transit Center	South Financial District	36,467	Q4 23	Navan	-	JLL
350 Rhode Island	Showplace Square	35,648	Q2 23	Adept AI	-	Raise Commercial Real...
680 Folsom St	South Financial District	35,385	Q3 23	Yahoo! Inc	-	JLL
The Cove at Oyster Point	South San Francisco	34,988	Q2 23	Harpoon Therapeutics	-	CBRE
Market Square	MidMarket	32,800	Q1 23	Microsoft	-	-
Forbes Research Center	South San Francisco	31,333	Q4 23	Astellas Pharma Inc	-	CBRE
300 Mission St	South Financial District	29,073	Q4 23	-	-	CBRE
Genesis South San Francisco *	South San Francisco	28,045	Q2 23	Pionyr Immunotherapeutics	-	-
Butterick Garage	Van Ness/Chinatown	27,636	Q1 23	-	-	Calco Commercial, Inc.
Twin Dolphin Center	Foster City/Redwood Shrs	27,352	Q4 23	Coherus Biosciences	-	-
425 Market	South Financial District	26,164	Q4 23	-	-	Avison Young
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	-	-
101 California St *	Financial District	26,000	Q1 23	Business Wire	Cushman & Wakefield	Cushman & Wakefield

Renewal

The growing imbalance between demand and supply in the office leasing market continues to drive rents downwards. San Francisco average asking rents, at \$55/SF, are down from a peak of \$76/SF in the second half of 2019, a 25% decrease. As of the fourth quarter, rents are -2.9% below where they were this time last year.

With 6.4% of the market's inventory available for sublease, office owners have no 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.

While the 25% 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 exceeding 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.

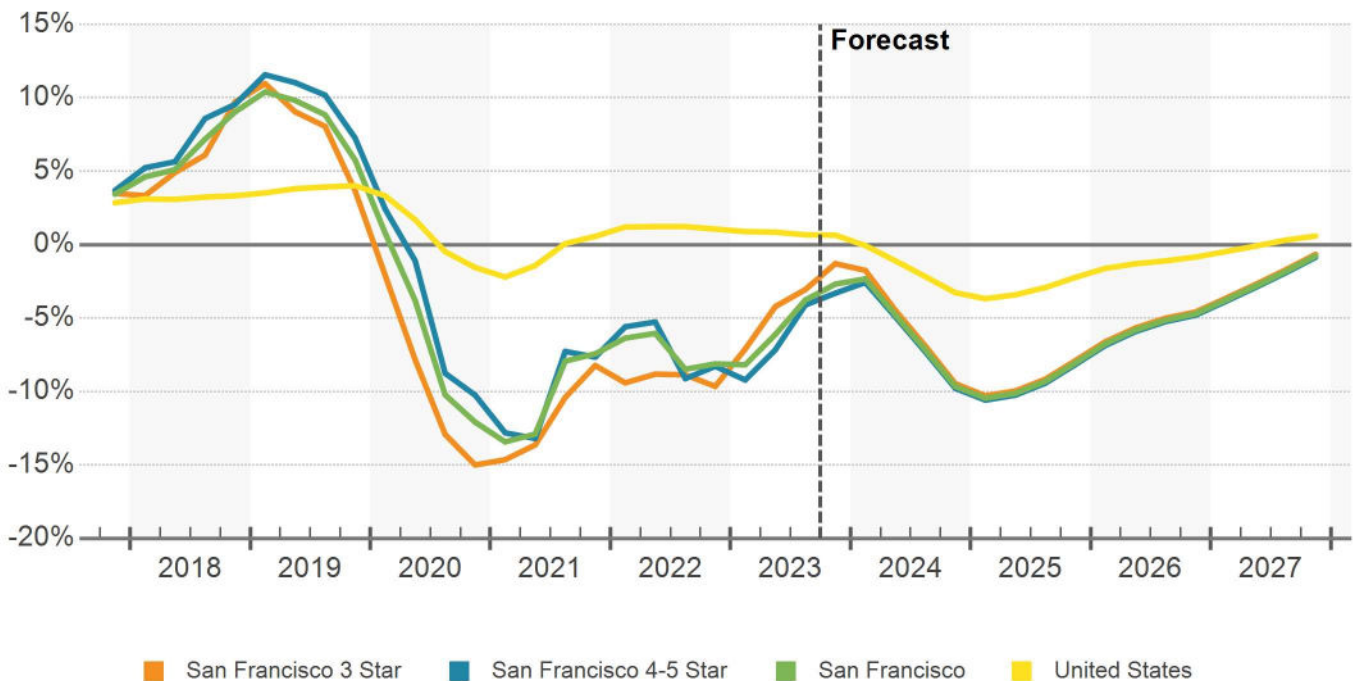
By 2019, rent levels in downtown San Francisco had overtaken those in New York as the highest in the nation. This has now reversed, and average rents in San Francisco are now lower than those in New York and are also now below those in the San Jose market.

Some recent listings in San Francisco suggest that average rents may have further to fall. In early October, the new owner of 550 California St., Peninsula Land & Capital, put almost 300,000 SF on the market at a full-service asking rent of \$40/SF. The listing came just a few weeks after the building had sold at a discounted price of \$114/SF.

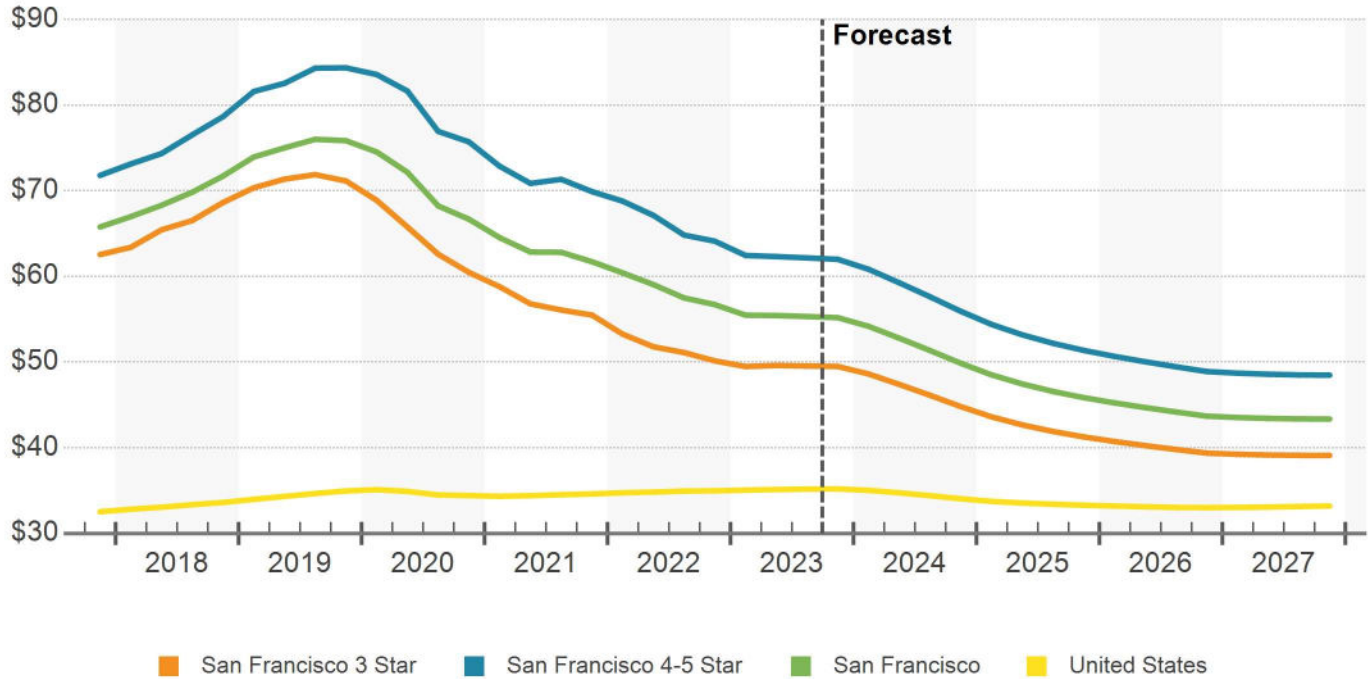
Sublet space continues to set the rent bar lower. Downtown San Francisco has around 9 million SF of sublet availability, with a wide selection of spaces across all quality levels. Recent listings include around 75,000 SF at 760 Market St., offered on an industrial gross lease basis for just under \$20/SF on a sublease that extends through December 2025.

A few blocks to the south, 55 Hawthorne St. has 17,000 SF of direct space that has recently been listed for \$29/SF full service.

MARKET RENT GROWTH (YOY)



MARKET RENT PER SQUARE FEET



4 & 5 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
San Francisco	\$1.18	\$2.23	\$1.59	\$8.06	\$7.75	\$20.81
San Mateo Central County	\$1.15	\$1.58	\$1.54	\$8.56	\$6.57	\$19.40
San Mateo North County	\$1.07	\$1.64	\$1.64	\$9.84	\$5.88	\$20.07
San Mateo South County	\$1.06	\$1.65	\$1.64	\$7.06	\$5.58	\$16.99
SF Downtown Core	\$1.11	\$3.28	\$1.70	\$8.18	\$10.75	\$25.02
SF Downtown North	\$1	\$2.68	\$1.59	\$7.62	\$9.80	\$22.69
SF Downtown South	\$1.56	\$2.53	\$1.37	\$7.07	\$7.86	\$20.39
SF Downtown West	\$0.81	\$2.59	\$1.61	\$7.79	\$8.94	\$21.74
SF Outer Areas	\$1.09	\$2.78	\$2.10	\$4.35	\$9.97	\$20.29
SF Southeast	\$1.89	\$1.85	\$1.26	\$9.32	\$7.77	\$22.09

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
San Francisco	\$1	\$1.74	\$1.23	\$6.37	\$5.83	\$16.17
San Mateo Central County	\$1.01	\$0.97	\$1.07	\$7.33	\$5.65	\$16.03
San Mateo North County	\$0.98	\$0.97	\$1.07	\$6.94	\$5.17	\$15.13
San Mateo South County	\$0.95	\$0.95	\$1.09	\$9.15	\$4.99	\$17.13
San Mateo West County	\$0.70	\$0.89	\$1	\$5.71	\$5.28	\$13.58
SF Downtown Core	\$1.05	\$3.09	\$1.51	\$6.27	\$6.86	\$18.78
SF Downtown North	\$0.91	\$2.46	\$1.36	\$5.32	\$5.83	\$15.88
SF Downtown South	\$1.37	\$2.39	\$1.30	\$5.33	\$5.77	\$16.16
SF Downtown West	\$0.71	\$2.41	\$1.44	\$5.14	\$6.44	\$16.14
SF Outer Areas	\$0.65	\$1.04	\$1.13	\$4.33	\$6.45	\$13.60
SF Southeast	\$1.10	\$1.68	\$1.20	\$5.55	\$6.16	\$15.69

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
San Francisco	\$0.74	\$1.44	\$0.99	\$5.17	\$2.32	\$10.66
San Mateo Central County	\$0.70	\$0.94	\$1.04	\$5.83	\$2.57	\$11.08
San Mateo North County	\$0.70	\$0.94	\$1.04	\$4.35	\$1.82	\$8.85
San Mateo South County	\$0.70	\$0.95	\$1.09	\$6.20	\$1.68	\$10.62
San Mateo West County	\$0.65	\$0.96	\$1.08	\$5.52	\$2	\$10.21
SF Downtown Core	\$0.97	\$2.68	\$0.87	\$5.67	\$3.42	\$13.61
SF Downtown North	\$0.86	\$2.27	\$0.81	\$5.96	\$2.75	\$12.65
SF Downtown South	\$0.91	\$2.29	\$0.83	\$4.35	\$2.75	\$11.13
SF Downtown West	\$0.72	\$2.20	\$0.81	\$4.83	\$2.81	\$11.37
SF Outer Areas	\$0.66	\$1.07	\$1.12	\$4.94	\$2.17	\$9.96
SF Southeast	\$0.70	\$1.31	\$1	\$3.03	\$2.20	\$8.24
Treasure/Yerba Buena Island	\$0.50	\$0.96	\$1.09	\$3.53	\$2.57	\$8.65

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 largest preleased project that completed this year is in San Mateo, where Roblox took 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 completed in the second half of 2023.

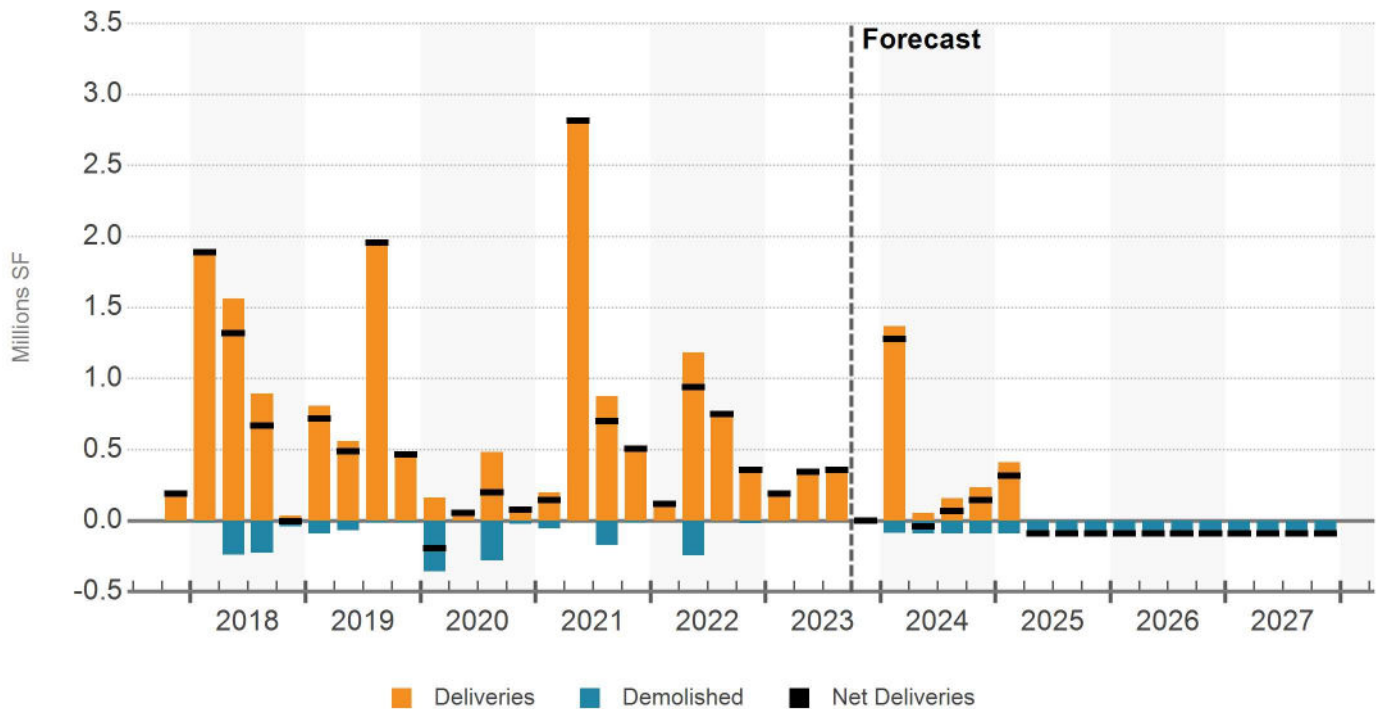
Several approved developments have been delayed due to canceled commitments and unforeseen economic

challenges. Most notably, in San Francisco, construction was recently halted on Lendlease's 30 Van Ness mixed-use tower, which was the tallest tower to have broken ground in San Francisco since the pandemic. On completion, the project will comprise 235,000 SF of office space and 333 condominiums. However, the owners paused construction in 23Q3 due to concerns over the low level of demand in the market.

Other projects that have been delayed 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 1.0 million 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	4	612	612	100%	1	25,396	153,045	5
2	South San Francisco	2	375	375	100%	1	51,030	187,500	2
3	Mission Bay/China Basin	1	326	326	100%	1	170,433	326,250	1
4	San Bruno/Millbrae	2	316	316	100%	1	29,351	158,000	4
5	Foster City/Redwood Shrs	2	239	5	2.1%	8	97,130	119,500	6
6	Burlingame	1	185	8	4.5%	7	31,326	185,000	3
7	South of Market	1	51	0	0%	9	21,220	51,223	7
8	Menlo Park	1	35	35	100%	1	39,262	34,708	8
9	San Mateo	1	33	4	10.8%	6	32,813	33,266	9
10	Showplace Square	1	25	0	0%	9	83,592	24,956	10
	All Other	1	18	0	0%		51,161	17,847	
Totals		17	2,215	1,681	75.9%		46,511	130,319	

Under Construction Properties

San Francisco Office

Properties

Square Feet

Percent of Inventory

Released

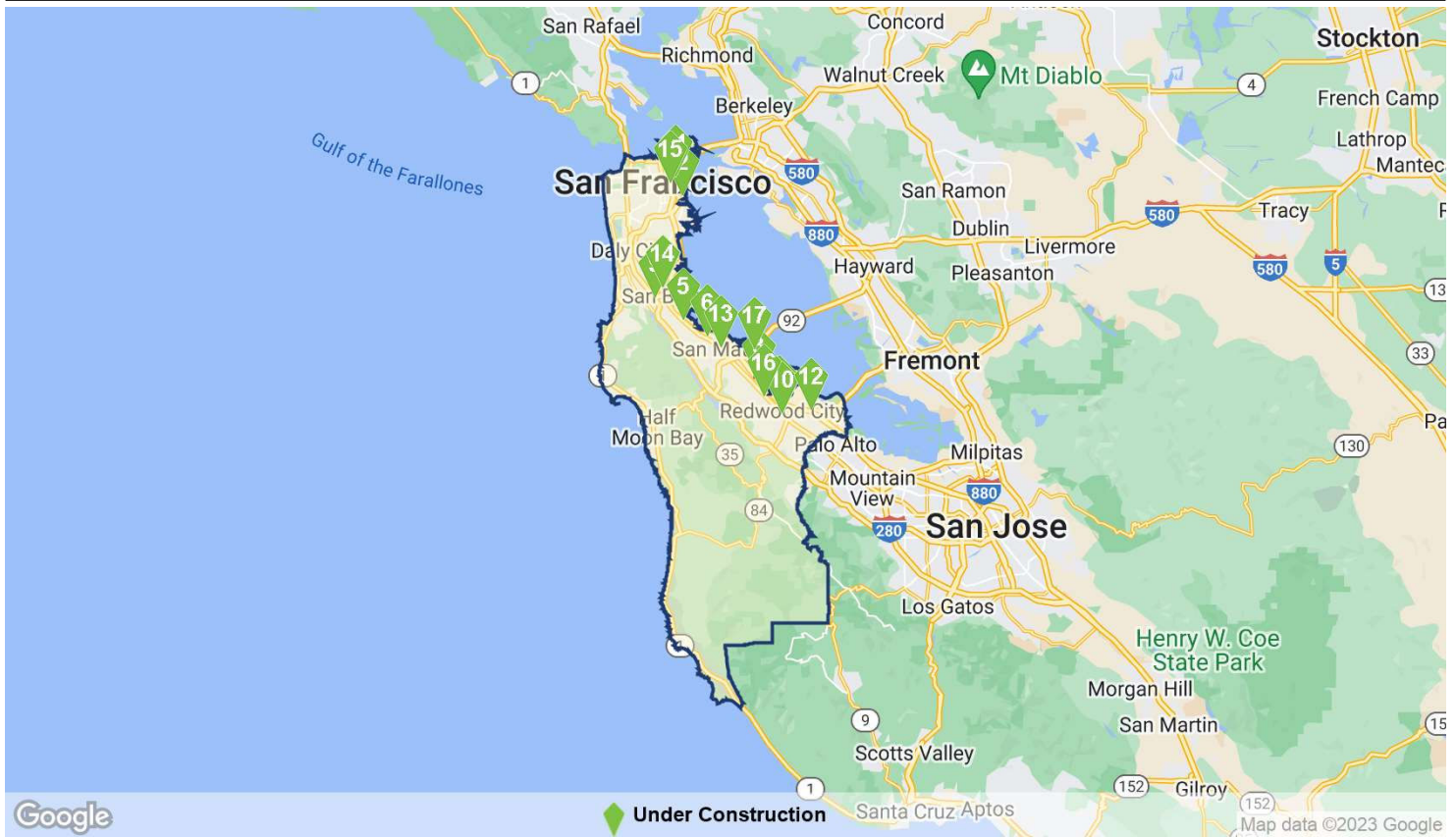
17

2,215,428

1.2%

75.9%

UNDER CONSTRUCTION PROPERTIES



UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 Bldg 1 50 Tanforan Ave	★★★★★	345,000	6	Jan 2023	Jan 2025	Lane Partners Lane Partners
2 Block 15 Station A 420 23rd St	★★★★☆	326,250	13	Jul 2021	Dec 2023	Associate Capital Associate Capital
3 200 Twin Dolphin Dr	★★★★☆	234,000	5	Jun 2023	Nov 2024	Sand Hill Property Company Sand Hill Property Company
4 Bldg E 1303 Main St	★★★★☆	203,332	2	Jan 2023	Dec 2023	Greystar Real Estate Partners Greystar Real Estate Partners
5 230 Harriet Tubman Way	★★★★☆	200,000	6	Jan 2022	Jan 2024	- -
6 220 Park Rd	★★★★☆	185,000	6	Sep 2021	Jan 2024	Sares-Regis Group Dostart Development Company,...
7 San Mateo County Office... 617 Hamilton St	★★★★☆	156,000	5	Aug 2021	Jun 2024	Truebeck Construction County Board Of Supervisors

Under Construction Properties

San Francisco Office

UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
8 Bldg B 1601 El Camino Real	★ ★ ★ ★ ☆	142,058	4	Sep 2022	Dec 2023	Greystar Real Estate Partners Ben Kopf
9 YouTube Expansion Pha... 1400-1450 Bayhill Dr	★ ★ ★ ☆ ☆	116,000	3	Jan 2022	Jan 2024	Wilson Meany Alphabet
10 Bldg D 121 Beech St	★ ★ ★ ★ ☆	110,788	3	Apr 2023	Dec 2023	Greystar Real Estate Partners -
11 531 Bryant St	★ ★ ★ ★ ☆	51,223	6	Jan 2023	Apr 2024	Urban Land Development Urban Land Development
12 104 Constitution Dr	★ ★ ★ ☆ ☆	34,708	1	Apr 2022	Dec 2023	Greystar Real Estate Partners Greystar Real Estate Partners
13 300 S Ellsworth Ave	★ ★ ★ ☆ ☆	33,266	4	Feb 2023	Feb 2025	Lane Partners Lane Partners
14 Phase1 B2 Amenities 50 Tanforan Ave	★ ★ ★ ★ ★	30,000	-	Jan 2023	Jan 2025	Lane Partners Lane Partners
15 828 Brannan St	★ ★ ★ ☆ ☆	24,956	2	Feb 2023	Feb 2024	- -
16 993 Laurel St	★ ★ ★ ☆ ☆	17,847	3	Apr 2022	Dec 2023	- John A Baer
17 Family Dental 581 Foster City Blvd	★ ★ ★ ☆ ☆	5,000	1	Aug 2022	Dec 2023	- -

Office sales volume in San Francisco in the 12 months prior to the fourth quarter, \$810 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 2023, 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.

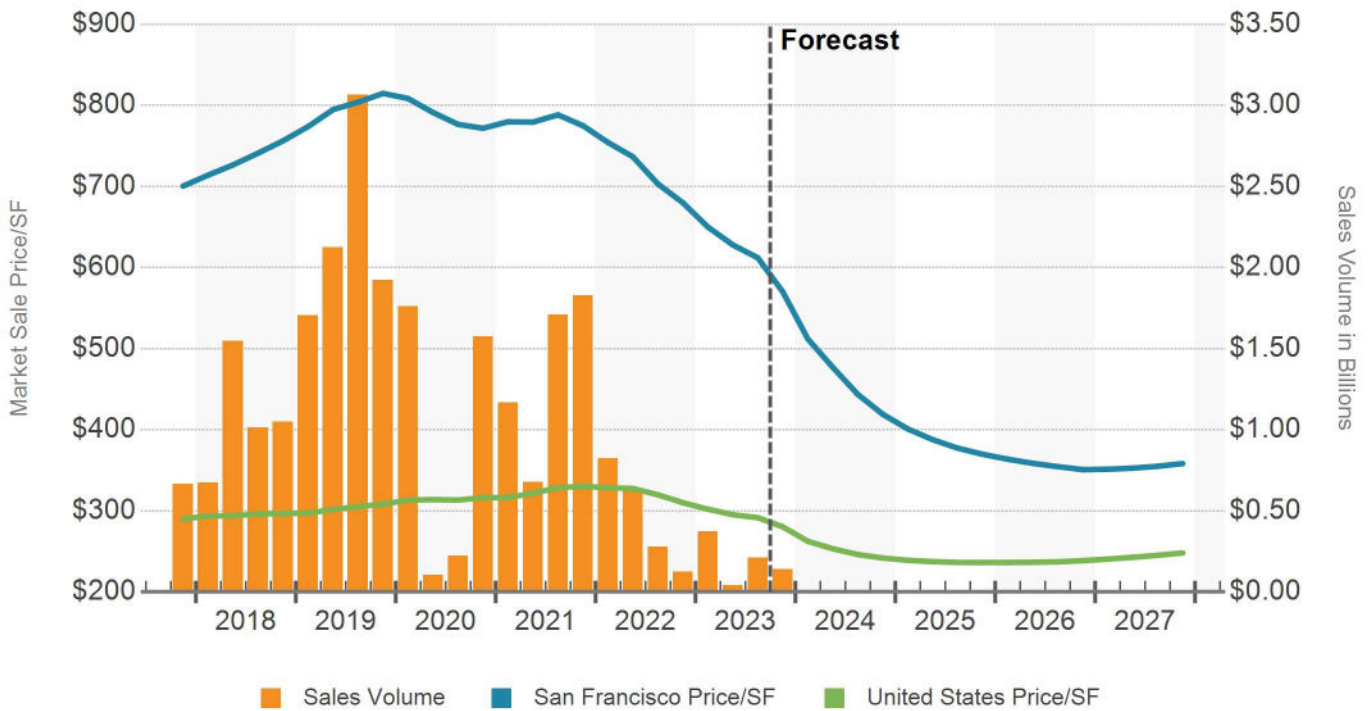
In downtown San Francisco, this was first evident as bids were accepted for two owner-occupied office buildings that were no longer needed. High vacancy levels influenced the prices achieved. Nevertheless, the sale values were notably low. First, the Union Bank building at 350 California Street sold for \$205/SF. Next, the Wells Fargo property at 550 California Street sold for \$115/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.

Institutional owners are reducing their exposure to the San Francisco market. In August, Clarion Partners sold 60 Spear St. for \$41 million, or \$260/SF. The 157,000-SF building previously sold in 2014 for \$680/SF. In September, Blackstone agreed to sell Embarcadero Square for around \$90 million, having previously acquired the property for \$245 million in 2018.

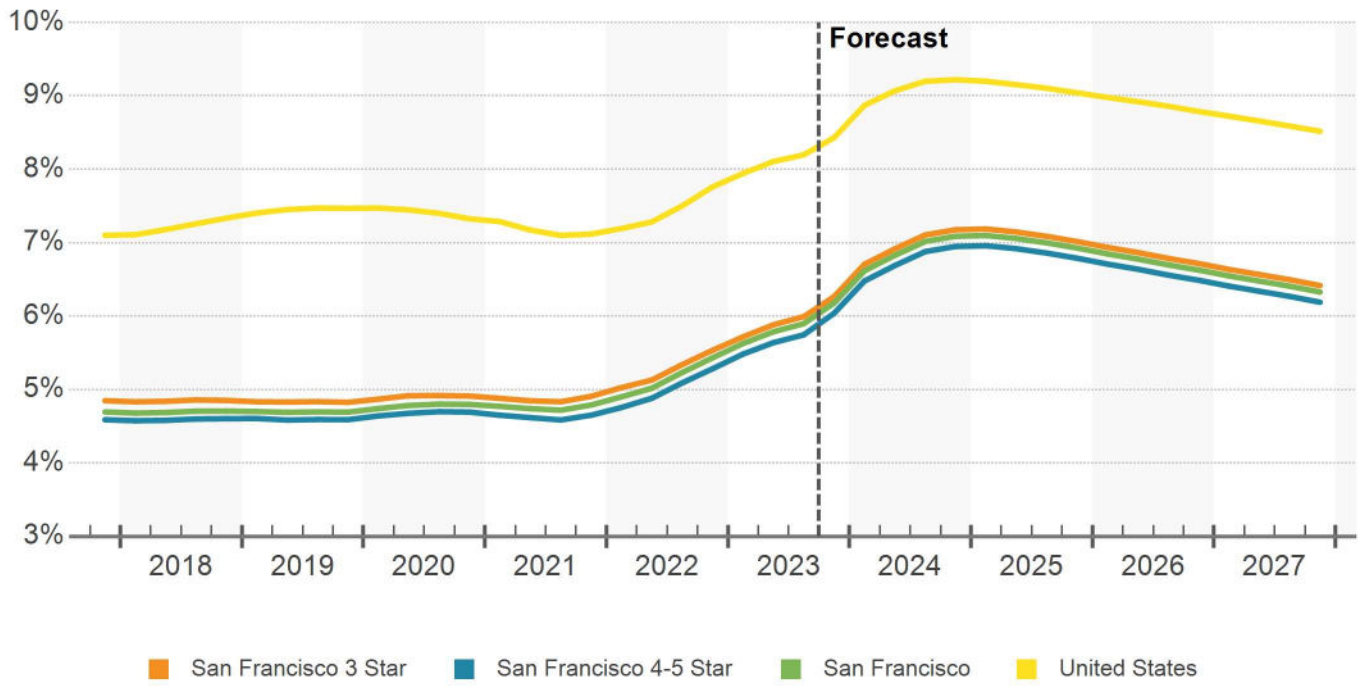
Distressed sales are also set to increase. Among those properties with loans that have been securitized through commercial mortgage-backed securities, 43 properties have loans that mature in the next two years. Of these, 19 are on the loan servicer's watchlist, with a total of 4.4 million square feet, while five 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

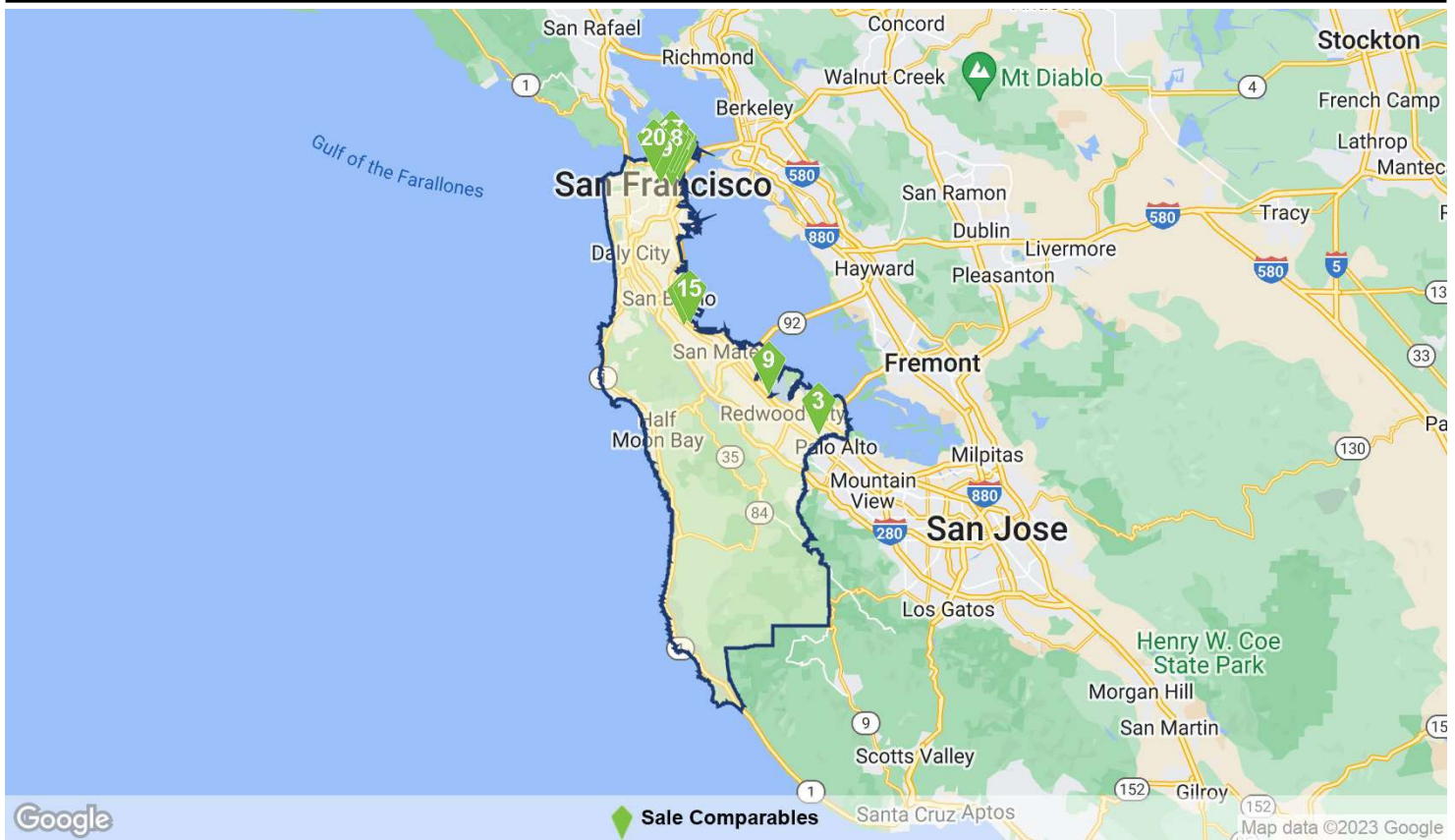
71

5.8%

\$374

16.0%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$965,000	\$19,085,279	\$4,968,000	\$82,500,000
Price/SF	\$102	\$374	\$556	\$3,655
Cap Rate	3.6%	5.8%	6.2%	7.1%
Time Since Sale in Months	0.4	5.9	5.2	11.9
Property Attributes	Low	Average	Median	High
Building SF	1,250	50,373	10,397	297,642
Stories	1	4	3	22
Typical Floor SF	542	10,006	5,172	48,000
Vacancy Rate At Sale	0%	16.0%	0%	100%
Year Built	1900	1944	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 Townsend Bldg 123 Townsend St	★★★★★	1903	136,950	36.3%	10/30/2023	\$72,000,000	\$526	-
3 321 Middlefield Rd	★★★★★	1962	44,719	0%	1/5/2023	\$68,000,000	\$1,521	-
4 Union Bank of California 350 California St	★★★★★	1976	297,642	88.4%	8/31/2023	\$61,050,000	\$205	-
5 Peninsula Life Science C... 1828 El Camino Real	★★★★★	1974	65,804	0%	12/22/2022	\$59,350,000	\$902	5.7%
6 Borel Bldg II 180-182 Howard St	★★★★★	1978	243,418	0%	11/14/2023	\$54,000,000	\$222	-
7 345 4th St	★★★★★	2022	59,337	0%	1/10/2023	\$52,800,000	\$890	-
8 Skyway Landing Bldg 2 999 Skyway Rd	★★★★★	2000	144,000	0%	2/8/2023	\$51,317,440	\$356	-
9 Skyway Landing 959 Skyway Rd	★★★★★	2000	144,000	0%	2/8/2023	\$50,682,560	\$352	-
10 60 Spear St	★★★★★	1967	157,436	66.7%	8/8/2023	\$41,000,000	\$260	-
11 807 Montgomery St	★★★★★	1909	10,397	0%	1/24/2023	\$38,000,000	\$3,655	-
12 California Tower 550 California St	★★★★★	1960	273,911	0%	9/23/2023	\$27,933,223	\$102	-
13 600 Townsend East 600 Townsend St	★★★★★	1903	87,405	100%	9/28/2023	\$25,350,000	\$290	-
14 40 Jessie St	★★★★★	1913	37,000	0%	5/4/2023	\$17,600,000	\$476	-
15 1710 Gilbreth Rd	★★★★★	1970	34,504	0%	8/9/2023	\$15,100,000	\$438	-
16 Sacramento Tower 635 Sacramento St	★★★★★	1962	81,501	0%	9/23/2023	\$12,536,777	\$154	-
17 150 Green St	★★★★★	1917	25,000	0%	10/4/2023	\$11,150,000	\$446	-
18 123-133 Kearny St	★★★★★	1909	26,446	19.5%	3/31/2023	\$10,400,000	\$393	6.6%
19 131 Franklin St	★★★★★	1909	9,580	0%	2/21/2023	\$6,300,000	\$658	-
20 California Pacific Medical... 2323 Sacramento St	★★★★★	1965	15,626	0%	5/30/2023	\$6,250,000	\$400	-

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. Almost four years on, investment 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 compose 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. 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 reversed. Nevertheless, the metro still has 90,000 fewer people than it did five years ago.

Total employment has recovered and is now slightly ahead of where it was pre-pandemic. However, with the increase in flexible working practices, it is unclear how many of those employed in San Francisco are also living in the metro area. After falling to a 10-year low of 2.3% in 2022, the unemployment rate has increased to 2.9% in 2023. 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.

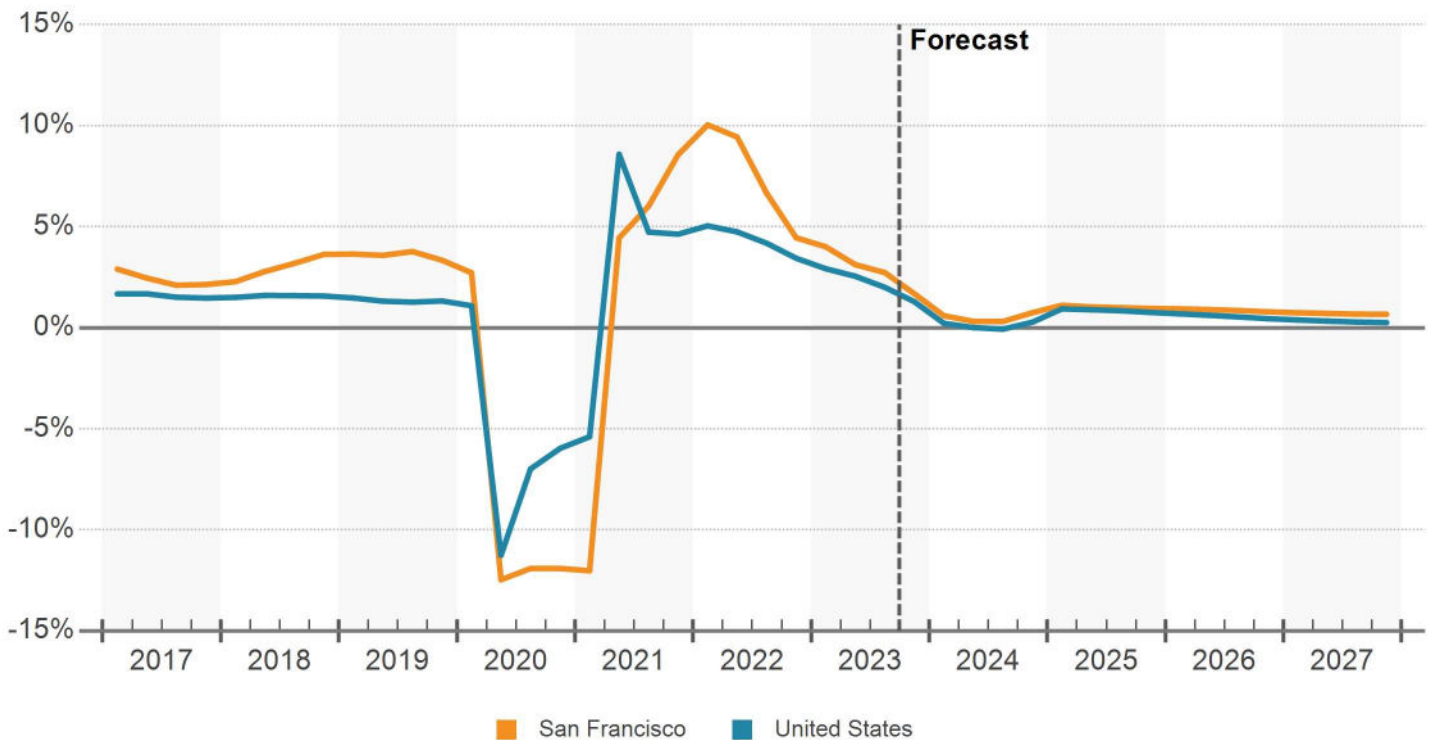
Future tech growth in new areas such as AI is expected to remain focused in the Bay Area, as is evident by an increase in leasing activity by AI companies in the second half of 2023.

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	-0.43%	0.26%	0.68%	0.74%	0.42%	0.06%
Trade, Transportation and Utilities	137	0.6	-0.33%	0.24%	0.10%	1.08%	-0.08%	0.13%
Retail Trade	67	0.6	-0.91%	0.42%	-1.59%	0.26%	-0.20%	0.10%
Financial Activities	91	1.3	1.80%	0.72%	2.27%	1.47%	-0.01%	0.13%
Government	137	0.8	2.17%	1.73%	1.52%	0.37%	0.48%	0.39%
Natural Resources, Mining and Construction	41	0.6	0.13%	1.92%	2.71%	2.39%	0.95%	0.24%
Education and Health Services	159	0.8	4.67%	3.43%	2.75%	1.88%	0.58%	0.65%
Professional and Business Services	315	1.8	1.22%	0.94%	3.26%	2.04%	0.83%	0.49%
Information	124	5.3	-3.53%	-2.42%	9.31%	1.14%	1.73%	0.30%
Leisure and Hospitality	134	1.0	10.49%	3.43%	0.50%	1.50%	1.38%	0.84%
Other Services	40	0.9	3.70%	2.00%	0.25%	0.65%	0.48%	0.26%
Total Employment	1,217	1.0	2.05%	1.54%	2.39%	1.33%	0.73%	0.39%

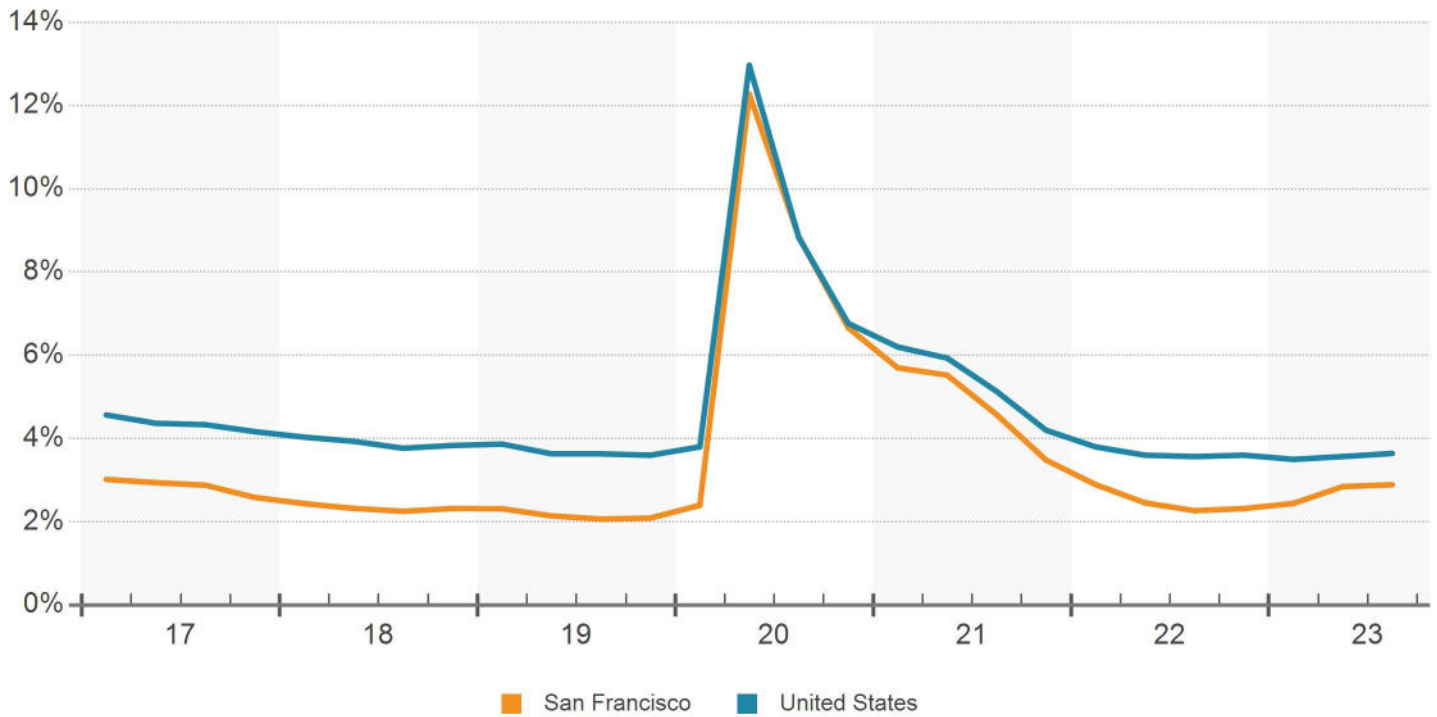
Source: Oxford Economics
LQ = Location Quotient

JOB GROWTH (YOY)

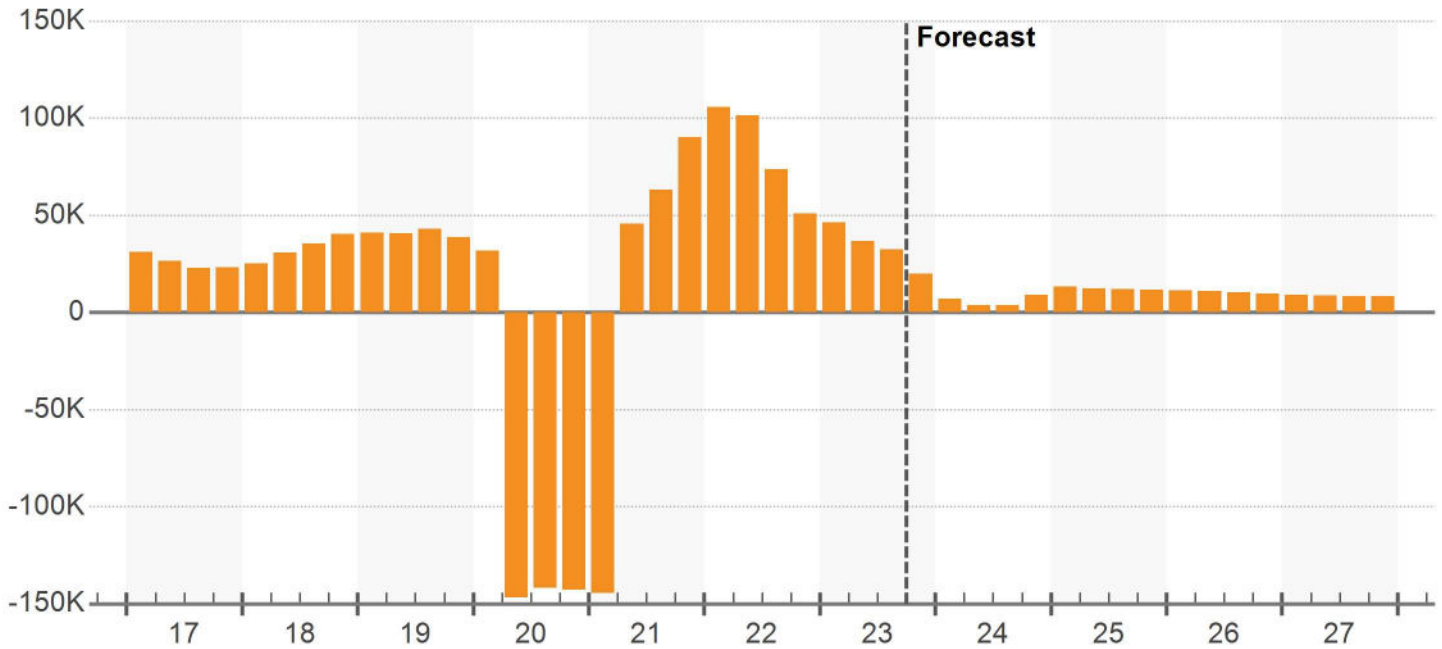


Source: Oxford Economics

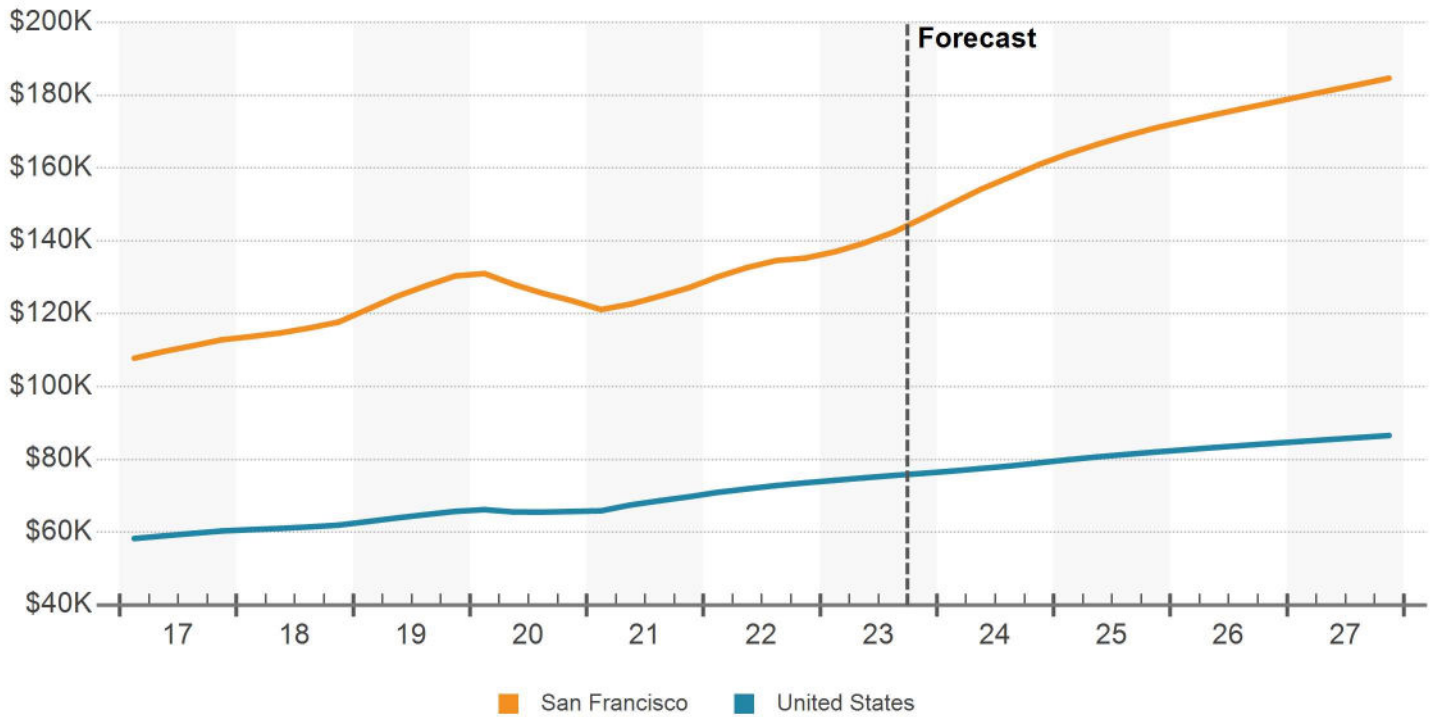
UNEMPLOYMENT RATE (%)



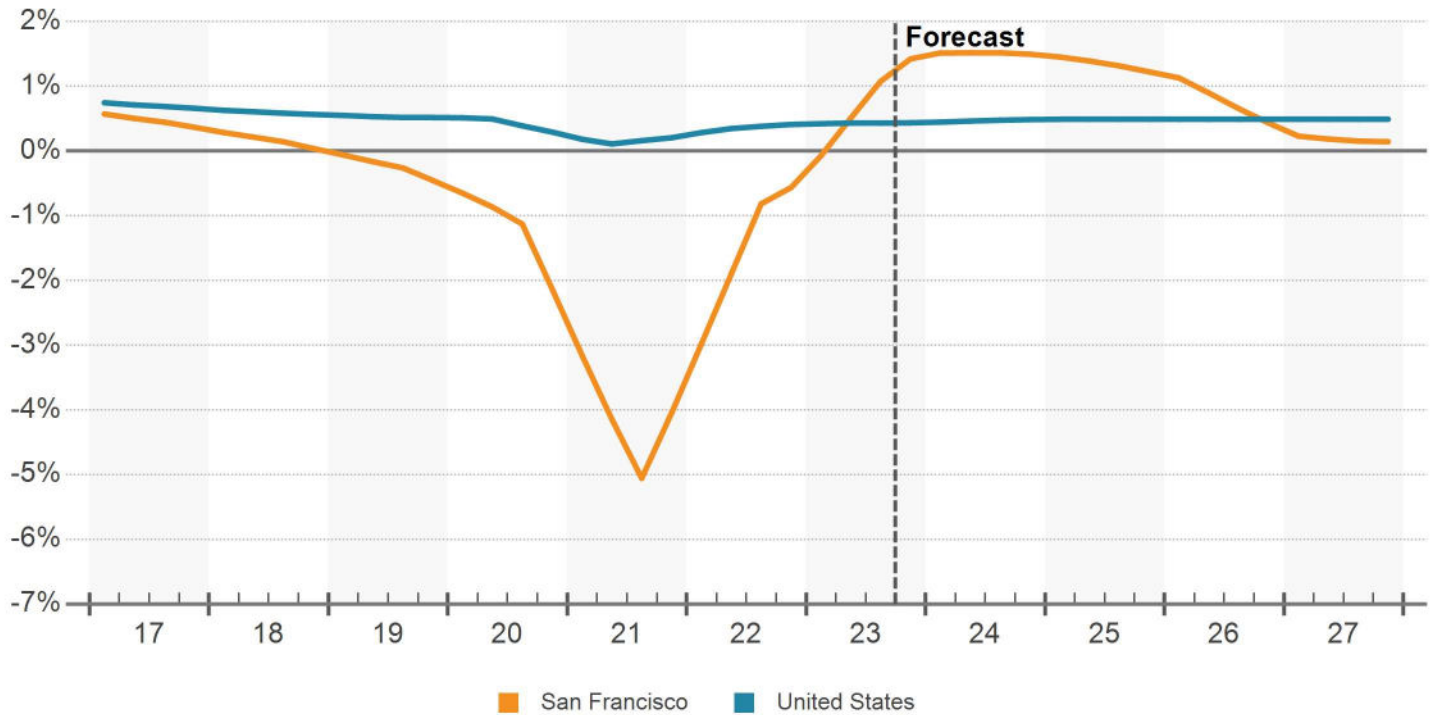
NET EMPLOYMENT CHANGE (YOY)



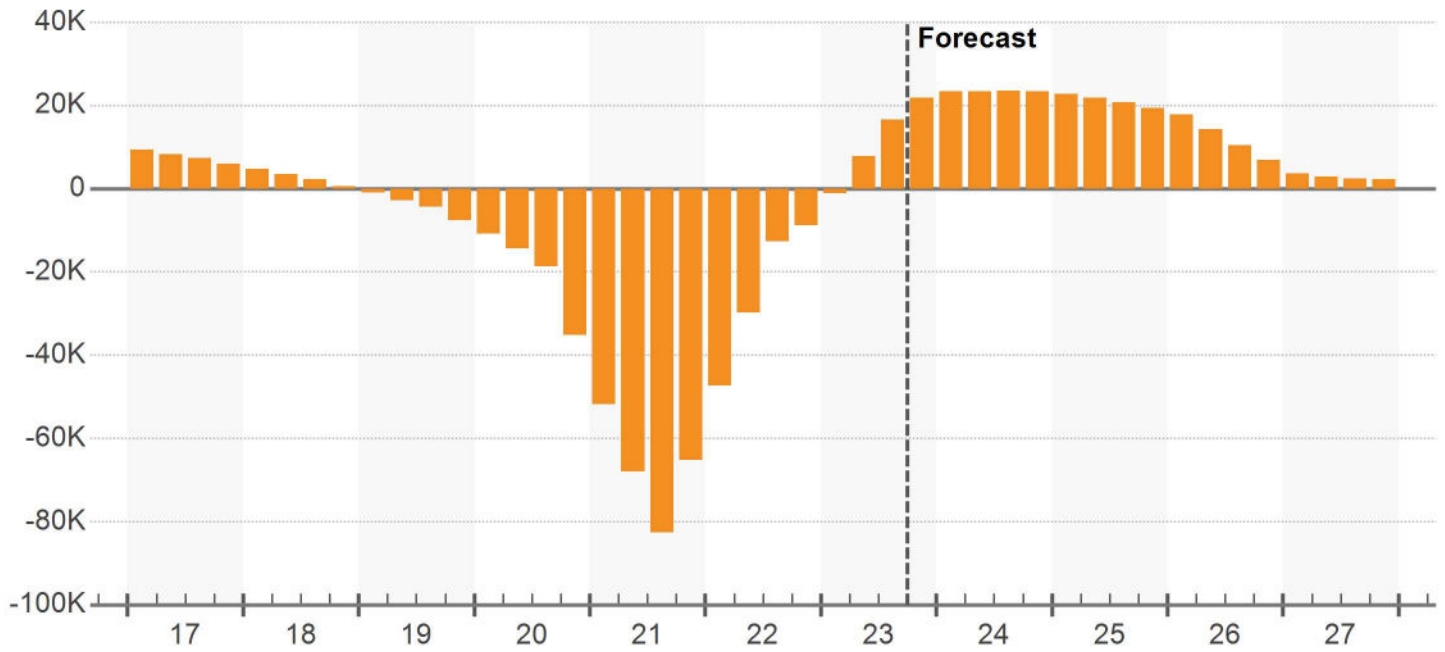
MEDIAN HOUSEHOLD INCOME



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	1,557,943	334,969,969	1.3%	0.4%	-0.2%	0.5%	0.7%	0.5%
Households	627,027	130,762,383	1.5%	0.6%	0%	0.9%	0.8%	0.6%
Median Household Income	\$144,773	\$75,938	7.2%	3.6%	5.7%	3.8%	5.7%	3.1%
Labor Force	1,044,818	167,555,109	1.5%	1.8%	1.1%	0.8%	0.4%	0.2%
Unemployment	2.9%	3.6%	0.6%	0.1%	-0.2%	-0.3%	-	-

Source: Oxford Economics

POPULATION GROWTH



LABOR FORCE GROWTH



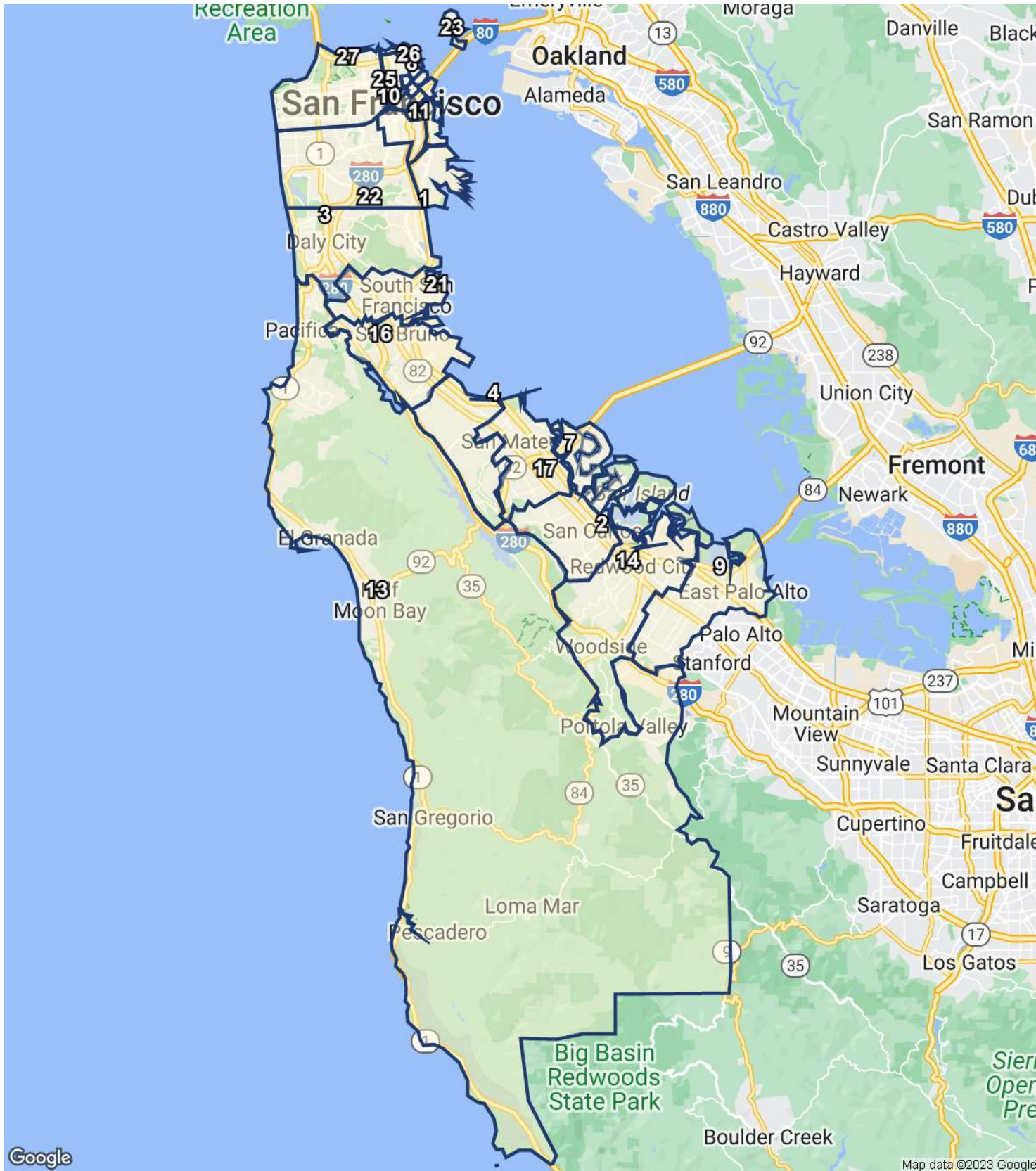
INCOME GROWTH



Source: Oxford Economics

Submarkets

SAN FRANCISCO SUBMARKETS



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	2,623	1.4%	23	0	0	0%	-	1	18	0.7%	11
3	Brisbane/Daly City	91	2,887	1.5%	22	0	0	0%	-	0	-	-	-
4	Burlingame	130	4,072	2.1%	18	1	45	1.1%	5	1	185	4.5%	6
5	Civic Center	64	4,353	2.3%	16	0	0	0%	-	0	-	-	-
6	Financial District	173	30,951	16.2%	2	0	0	0%	-	0	-	-	-
7	Foster City/Redwood Shrs	103	10,004	5.3%	5	0	0	0%	-	2	239	2.4%	5
8	Jackson Square	122	3,348	1.8%	21	0	0	0%	-	0	-	-	-
9	Menlo Park	279	10,954	5.7%	3	2	189	1.7%	3	1	35	0.3%	8
10	MidMarket	82	7,900	4.1%	7	0	0	0%	-	0	-	-	-
11	Mission Bay/China Basin	34	5,795	3.0%	11	2	427	7.4%	1	1	326	5.6%	3
12	Mission/Potrero	189	3,642	1.9%	20	0	0	0%	-	0	-	-	-
13	Peninsula Coastline	138	676	0.4%	26	0	0	0%	-	0	-	-	-
14	Redwood City	318	8,076	4.2%	6	0	0	0%	-	4	612	7.6%	1
15	Rincon/South Beach	139	7,656	4.0%	8	0	0	0%	-	0	-	-	-
16	San Bruno/Millbrae	85	2,495	1.3%	24	0	0	0%	-	2	316	12.7%	4
17	San Mateo	323	10,599	5.6%	4	1	214	2.0%	2	1	33	0.3%	9
18	Showplace Square	51	4,263	2.2%	17	1	102	2.4%	4	1	25	0.6%	10
19	South Financial District	165	31,962	16.8%	1	0	0	0%	-	0	-	-	-
20	South of Market	254	5,390	2.8%	13	1	25	0.5%	6	1	51	1.0%	7
21	South San Francisco	129	6,583	3.5%	9	0	0	0%	-	2	375	5.7%	2
22	Southern City	186	1,354	0.7%	25	0	0	0%	-	0	-	-	-
23	Treasure/Yerba Buena Isl...	2	39	0%	28	0	0	0%	-	0	-	-	-
24	Union Square	118	5,695	3.0%	12	0	0	0%	-	0	-	-	-
25	Van Ness/Chinatown	168	3,655	1.9%	19	0	0	0%	-	0	-	-	-
26	Waterfront/North Beach	104	4,633	2.4%	14	0	0	0%	-	0	-	-	-
27	West of Van Ness	399	5,843	3.1%	10	0	0	0%	-	0	-	-	-
28	Yerba Buena	73	4,480	2.4%	15	1	22	0.5%	7	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	\$33.95	28	-3.2%	24	-0.9%	28
2	Belmont/San Carlos	\$54.02	8	-2.6%	12	0.1%	13
3	Brisbane/Daly City	\$43.71	21	-2.7%	17	0.2%	4
4	Burlingame	\$51.80	11	-2.4%	5	-0.3%	26
5	Civic Center	\$48.44	15	-2.8%	19	0.1%	14
6	Financial District	\$54.54	7	-3.6%	27	-0.2%	25
7	Foster City/Redwood Shrs	\$61.91	3	-3.0%	21	-0.1%	20
8	Jackson Square	\$47.99	17	-2.4%	7	0.2%	8
9	Menlo Park	\$79.74	1	-2.4%	6	0.4%	3
10	MidMarket	\$52.49	10	-2.6%	14	-0.1%	18
11	Mission Bay/China Basin	\$61.60	4	-3.7%	28	-0.2%	23
12	Mission/Potrero	\$40.16	26	-2.3%	4	0%	15
13	Peninsula Coastline	\$38.42	27	-2.4%	8	0%	16
14	Redwood City	\$63.05	2	-2.7%	16	0.2%	7
15	Rincon/South Beach	\$49.24	14	-2.7%	18	1.3%	1
16	San Bruno/Millbrae	\$46.65	19	-2.2%	3	0.2%	6
17	San Mateo	\$59.22	6	-1.7%	1	0.5%	2
18	Showplace Square	\$48.12	16	-2.8%	20	0.1%	12
19	South Financial District	\$59.34	5	-3.5%	26	0.2%	10
20	South of Market	\$41.84	24	-3.1%	23	-0.1%	22
21	South San Francisco	\$53.98	9	-2.6%	15	0.1%	11
22	Southern City	\$43.27	22	-2.6%	13	-0.1%	19
23	Treasure/Yerba Buena Isl...	\$40.43	25	-3.1%	22	-0.6%	27
24	Union Square	\$47.97	18	-2.4%	10	0.2%	5
25	Van Ness/Chinatown	\$43.07	23	-2.5%	11	-0.1%	17
26	Waterfront/North Beach	\$45.69	20	-2.4%	9	0.2%	9
27	West of Van Ness	\$50.91	12	-2.1%	2	-0.1%	21
28	Yerba Buena	\$50.84	13	-3.2%	25	-0.2%	24

SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
1	Bayview/Hunters Point	9,437	1.5%	1	36,130	5.7%	1	-
2	Belmont/San Carlos	462,012	17.6%	14	(124,658)	-4.8%	17	-
3	Brisbane/Daly City	208,163	7.2%	7	(86,871)	-3.0%	15	-
4	Burlingame	262,662	6.4%	6	16,900	0.4%	2	2.6
5	Civic Center	243,257	5.6%	4	10,833	0.2%	4	-
6	Financial District	9,116,429	29.5%	25	(1,942,431)	-6.3%	27	-
7	Foster City/Redwood Shrs	1,192,335	11.9%	11	(59,969)	-0.6%	13	-
8	Jackson Square	608,602	18.2%	15	5,739	0.2%	6	-
9	Menlo Park	2,123,267	19.4%	17	(992,790)	-9.1%	25	-
10	MidMarket	2,235,562	28.3%	22	(1,085,672)	-13.7%	26	-
11	Mission Bay/China Basin	1,810,300	31.2%	26	(226,969)	-3.9%	21	-
12	Mission/Potrero	299,697	8.2%	9	(21,632)	-0.6%	11	-
13	Peninsula Coastline	24,110	3.6%	2	10,570	1.6%	5	-
14	Redwood City	1,482,173	18.4%	16	(606,369)	-7.5%	24	-
15	Rincon/South Beach	2,129,249	27.8%	21	(548,719)	-7.2%	23	-
16	San Bruno/Millbrae	363,855	14.6%	12	11,155	0.4%	3	-
17	San Mateo	1,724,542	16.3%	13	(4,284)	0%	9	-
18	Showplace Square	1,223,059	28.7%	24	(226,902)	-5.3%	20	-
19	South Financial District	8,091,752	25.3%	20	(2,581,270)	-8.1%	28	-
20	South of Market	1,532,977	28.4%	23	(391,133)	-7.3%	22	-
21	South San Francisco	385,590	5.9%	5	(145,943)	-2.2%	19	-
22	Southern City	67,475	5.0%	3	(3,536)	-0.3%	8	-
23	Treasure/Yerba Buena Isl...	-	-	-	0	0%	-	-
24	Union Square	1,285,596	22.6%	18	(9,103)	-0.2%	10	-
25	Van Ness/Chinatown	416,176	11.4%	10	(64,792)	-1.8%	14	-
26	Waterfront/North Beach	1,121,253	24.2%	19	(96,507)	-2.1%	16	-
27	West of Van Ness	467,739	8.0%	8	(53,266)	-0.9%	12	-
28	Yerba Buena	1,950,307	43.5%	27	(144,334)	-3.2%	18	-

Supply & Demand Trends

San Francisco Office

OVERALL SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2027	191,308,679	(366,328)	-0.2%	(3,226,836)	-1.7%	-
2026	191,675,007	(367,068)	-0.2%	(6,584,751)	-3.4%	-
2025	192,042,075	41,310	0%	(7,464,893)	-3.9%	-
2024	192,000,765	1,443,836	0.8%	(11,539,931)	-6.0%	-
2023	190,556,929	885,357	0.5%	(11,038,438)	-5.8%	-
YTD	190,556,929	885,357	0.5%	(8,804,254)	-4.6%	-
2022	189,671,572	2,158,752	1.2%	(4,339,019)	-2.3%	-
2021	187,512,820	4,161,525	2.3%	(1,662,819)	-0.9%	-
2020	183,351,295	129,176	0.1%	(7,526,105)	-4.1%	-
2019	183,222,119	3,662,530	2.0%	2,976,420	1.6%	1.2
2018	179,559,589	3,872,846	2.2%	4,717,317	2.6%	0.8
2017	175,686,743	612,542	0.3%	265,847	0.2%	2.3
2016	175,074,201	2,512,417	1.5%	1,799,508	1.0%	1.4
2015	172,561,784	2,067,320	1.2%	2,957,289	1.7%	0.7
2014	170,494,464	106,165	0.1%	3,376,883	2.0%	0
2013	170,388,299	(634,013)	-0.4%	2,140,753	1.3%	-
2012	171,022,312	287,209	0.2%	1,327,981	0.8%	0.2
2011	170,735,103	(618,935)	-0.4%	3,039,197	1.8%	-

4 & 5 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2027	105,183,476	0	0%	(1,546,009)	-1.5%	-
2026	105,183,476	0	0%	(3,083,046)	-2.9%	-
2025	105,183,476	375,000	0.4%	(3,452,378)	-3.3%	-
2024	104,808,476	1,608,651	1.6%	(5,474,059)	-5.2%	-
2023	103,199,825	885,357	0.9%	(7,565,980)	-7.3%	-
YTD	103,199,825	885,357	0.9%	(6,380,015)	-6.2%	-
2022	102,314,468	2,206,873	2.2%	(2,289,511)	-2.2%	-
2021	100,107,595	4,357,446	4.6%	34,316	0%	127.0
2020	95,750,149	354,976	0.4%	(2,728,135)	-2.8%	-
2019	95,395,173	3,282,904	3.6%	2,917,517	3.1%	1.1
2018	92,112,269	4,189,678	4.8%	5,049,543	5.5%	0.8
2017	87,922,591	839,891	1.0%	479,239	0.5%	1.8
2016	87,082,700	2,031,537	2.4%	1,821,595	2.1%	1.1
2015	85,051,163	2,020,453	2.4%	2,199,554	2.6%	0.9
2014	83,030,710	604,710	0.7%	2,194,737	2.6%	0.3
2013	82,426,000	41,969	0.1%	1,646,646	2.0%	0
2012	82,384,031	492,599	0.6%	1,840,810	2.2%	0.3
2011	81,891,432	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	55,638,801	(496)	0%	(900,139)	-1.6%	-
2026	55,639,297	(497)	0%	(2,035,071)	-3.7%	-
2025	55,639,794	32,768	0.1%	(2,355,895)	-4.2%	-
2024	55,607,026	198,018	0.4%	(3,625,044)	-6.5%	-
2023	55,409,008	0	0%	(2,547,074)	-4.6%	-
YTD	55,409,008	0	0%	(1,861,033)	-3.4%	-
2022	55,409,008	15,929	0%	(1,346,127)	-2.4%	-
2021	55,393,079	(62,389)	-0.1%	(1,178,109)	-2.1%	-
2020	55,455,468	52,164	0.1%	(3,107,336)	-5.6%	-
2019	55,403,304	352,273	0.6%	534,591	1.0%	0.7
2018	55,051,031	(102,464)	-0.2%	(107,991)	-0.2%	-
2017	55,153,495	(181,841)	-0.3%	(328,420)	-0.6%	-
2016	55,335,336	676,364	1.2%	317,400	0.6%	2.1
2015	54,658,972	177,638	0.3%	606,860	1.1%	0.3
2014	54,481,334	(350,818)	-0.6%	1,059,331	1.9%	-
2013	54,832,152	(176,372)	-0.3%	634,888	1.2%	-
2012	55,008,524	(38,528)	-0.1%	(484,170)	-0.9%	-
2011	55,047,052	(525,484)	-0.9%	1,698,117	3.1%	-

1 & 2 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2027	30,486,402	(365,832)	-1.2%	(780,688)	-2.6%	-
2026	30,852,234	(366,571)	-1.2%	(1,466,634)	-4.8%	-
2025	31,218,805	(366,458)	-1.2%	(1,656,620)	-5.3%	-
2024	31,585,263	(362,833)	-1.1%	(2,440,828)	-7.7%	-
2023	31,948,096	0	0%	(925,384)	-2.9%	-
YTD	31,948,096	0	0%	(563,206)	-1.8%	-
2022	31,948,096	(64,050)	-0.2%	(703,381)	-2.2%	-
2021	32,012,146	(133,532)	-0.4%	(519,026)	-1.6%	-
2020	32,145,678	(277,964)	-0.9%	(1,690,634)	-5.3%	-
2019	32,423,642	27,353	0.1%	(475,688)	-1.5%	-
2018	32,396,289	(214,368)	-0.7%	(224,235)	-0.7%	-
2017	32,610,657	(45,508)	-0.1%	115,028	0.4%	-
2016	32,656,165	(195,484)	-0.6%	(339,487)	-1.0%	-
2015	32,851,649	(130,771)	-0.4%	150,875	0.5%	-
2014	32,982,420	(147,727)	-0.4%	122,815	0.4%	-
2013	33,130,147	(499,610)	-1.5%	(140,781)	-0.4%	-
2012	33,629,757	(166,862)	-0.5%	(28,659)	-0.1%	-
2011	33,796,619	(238,656)	-0.7%	142,323	0.4%	-

OVERALL RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2027	\$43.35	113	-0.8%	-42.8%	72,660,662	38.0%	1.6%
2026	\$43.68	113	-4.7%	-42.4%	69,795,000	36.4%	3.3%
2025	\$45.84	119	-8.0%	-39.5%	63,572,170	33.1%	3.9%
2024	\$49.85	129	-9.7%	-34.3%	56,060,801	29.2%	6.6%
2023	\$55.18	143	-2.7%	-27.2%	43,071,852	22.6%	6.2%
YTD	\$55.32	144	-2.9%	-27.1%	40,837,576	21.4%	5.0%
2022	\$56.70	147	-8.1%	-25.2%	31,147,965	16.4%	3.3%
2021	\$61.71	160	-7.4%	-18.6%	24,650,194	13.1%	2.9%
2020	\$66.67	173	-12.1%	-12.1%	18,822,350	10.3%	4.2%
2019	\$75.83	197	5.8%	0%	11,170,569	6.1%	0.2%
2018	\$71.70	186	9.0%	-5.4%	10,553,798	5.9%	-0.6%
2017	\$65.76	171	3.4%	-13.3%	11,398,269	6.5%	0.2%
2016	\$63.58	165	2.1%	-16.2%	11,051,574	6.3%	0.3%
2015	\$62.24	162	13.0%	-17.9%	10,338,665	6.0%	-0.6%
2014	\$55.11	143	12.2%	-27.3%	11,228,634	6.6%	-1.9%
2013	\$49.10	127	13.5%	-35.3%	14,499,352	8.5%	-1.6%
2012	\$43.25	112	13.3%	-43.0%	17,274,118	10.1%	-0.6%
2011	\$38.17	99	18.4%	-49.7%	18,314,890	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	\$48.47	113	-0.9%	-42.5%	41,752,228	39.7%	1.5%
2026	\$48.89	114	-4.8%	-42.0%	40,206,219	38.2%	2.9%
2025	\$51.36	119	-8.2%	-39.1%	37,123,173	35.3%	3.5%
2024	\$55.92	130	-9.8%	-33.7%	33,295,795	31.8%	6.4%
2023	\$61.98	144	-3.3%	-26.5%	26,213,085	25.4%	8.0%
YTD	\$62.15	145	-3.4%	-26.3%	25,027,096	24.3%	6.9%
2022	\$64.10	149	-8.3%	-24.0%	17,761,724	17.4%	4.1%
2021	\$69.89	163	-7.7%	-17.1%	13,265,340	13.3%	3.9%
2020	\$75.69	176	-10.3%	-10.3%	8,942,210	9.3%	3.2%
2019	\$84.34	196	7.3%	0%	5,859,099	6.1%	0.2%
2018	\$78.63	183	9.5%	-6.8%	5,493,712	6.0%	-1.3%
2017	\$71.78	167	3.7%	-14.9%	6,353,577	7.2%	0.3%
2016	\$69.23	161	2.0%	-17.9%	5,992,925	6.9%	0.1%
2015	\$67.88	158	11.2%	-19.5%	5,782,983	6.8%	-0.4%
2014	\$61.07	142	11.9%	-27.6%	5,962,084	7.2%	-2.0%
2013	\$54.59	127	13.1%	-35.3%	7,552,111	9.2%	-2.0%
2012	\$48.26	112	11.9%	-42.8%	9,156,788	11.1%	-1.7%
2011	\$43.12	100	20.8%	-48.9%	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	\$39.10	114	-0.7%	-45.0%	20,476,364	36.8%	1.6%
2026	\$39.37	115	-4.6%	-44.7%	19,576,718	35.2%	3.7%
2025	\$41.26	121	-7.9%	-42.0%	17,542,139	31.5%	4.3%
2024	\$44.80	131	-9.5%	-37.0%	15,153,470	27.3%	6.8%
2023	\$49.48	145	-1.3%	-30.4%	11,330,404	20.4%	4.6%
YTD	\$49.59	145	-1.8%	-30.3%	10,644,326	19.2%	3.4%
2022	\$50.13	147	-9.6%	-29.5%	8,783,293	15.9%	2.5%
2021	\$55.49	162	-8.2%	-22.0%	7,421,237	13.4%	2.0%
2020	\$60.46	177	-15.0%	-15.0%	6,305,517	11.4%	5.7%
2019	\$71.13	208	3.7%	0%	3,146,017	5.7%	-0.4%
2018	\$68.62	201	9.7%	-3.5%	3,352,880	6.1%	0%
2017	\$62.54	183	3.5%	-12.1%	3,347,353	6.1%	0.3%
2016	\$60.44	177	1.2%	-15.0%	3,200,774	5.8%	0.6%
2015	\$59.72	175	16.7%	-16.0%	2,841,810	5.2%	-0.8%
2014	\$51.16	150	12.5%	-28.1%	3,271,032	6.0%	-2.5%
2013	\$45.46	133	14.0%	-36.1%	4,681,181	8.5%	-1.4%
2012	\$39.86	117	16.6%	-44.0%	5,492,441	10.0%	0.8%
2011	\$34.19	100	16.4%	-51.9%	5,046,799	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	\$33.86	108	-0.6%	-39.5%	10,432,070	34.2%	1.8%
2026	\$34.06	108	-4.5%	-39.2%	10,012,063	32.5%	3.9%
2025	\$35.66	113	-7.8%	-36.3%	8,906,858	28.5%	4.4%
2024	\$38.68	123	-9.4%	-30.9%	7,611,536	24.1%	6.8%
2023	\$42.68	136	-2.5%	-23.8%	5,528,363	17.3%	2.9%
YTD	\$42.81	136	-2.7%	-23.6%	5,166,154	16.2%	1.8%
2022	\$43.77	139	-4.0%	-21.9%	4,602,948	14.4%	2.0%
2021	\$45.60	145	-4.5%	-18.6%	3,963,617	12.4%	1.3%
2020	\$47.75	152	-14.8%	-14.8%	3,574,623	11.1%	4.4%
2019	\$56.01	178	3.2%	0%	2,165,453	6.7%	1.4%
2018	\$54.26	173	5.2%	-3.1%	1,707,206	5.3%	0.1%
2017	\$51.55	164	2.1%	-8.0%	1,697,339	5.2%	-0.5%
2016	\$50.47	161	5.0%	-9.9%	1,857,875	5.7%	0.5%
2015	\$48.07	153	13.6%	-14.2%	1,713,872	5.2%	-0.8%
2014	\$42.33	135	13.3%	-24.4%	1,995,518	6.1%	-0.8%
2013	\$37.36	119	14.5%	-33.3%	2,266,060	6.8%	-1.0%
2012	\$32.64	104	13.4%	-41.7%	2,624,889	7.8%	-0.4%
2011	\$28.80	92	11.6%	-48.6%	2,763,092	8.2%	-1.1%

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	-	-	-	-	-	-	\$358.39	117	6.3%
2026	-	-	-	-	-	-	\$350.94	115	6.6%
2025	-	-	-	-	-	-	\$369.83	121	6.9%
2024	-	-	-	-	-	-	\$419.13	137	7.1%
2023	-	-	-	-	-	-	\$569.94	186	6.2%
YTD	55	\$764.4M	1.3%	\$15,925,926	\$354.25	5.8%	\$594.17	194	6.0%
2022	97	\$1.9B	1.5%	\$21,797,705	\$809.67	4.8%	\$679.93	222	5.4%
2021	123	\$5.4B	4.9%	\$46,782,064	\$775.79	5.0%	\$775.02	253	4.8%
2020	78	\$3.7B	1.9%	\$47,533,033	\$1,045.82	4.7%	\$771.83	252	4.8%
2019	231	\$8.8B	6.1%	\$59,192,625	\$845.49	5.1%	\$814.81	266	4.7%
2018	193	\$4.3B	4.1%	\$32,448,295	\$662.77	4.8%	\$756.37	247	4.7%
2017	219	\$4.3B	4.6%	\$34,017,150	\$606.30	5.2%	\$700.57	229	4.7%
2016	207	\$6.9B	8.0%	\$47,745,188	\$579.11	4.8%	\$699.97	229	4.5%
2015	237	\$5.1B	7.2%	\$35,559,897	\$620.95	4.8%	\$669.01	218	4.5%
2014	284	\$8.1B	9.6%	\$39,352,500	\$517.57	5.0%	\$578.52	189	4.8%
2013	221	\$2.9B	4.9%	\$18,177,173	\$373.03	5.3%	\$484.41	158	5.2%
2012	306	\$6.4B	9.8%	\$36,784,666	\$438.26	5.3%	\$414.24	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	-	-	-	-	-	-	\$386.73	112	6.2%
2026	-	-	-	-	-	-	\$378.71	110	6.5%
2025	-	-	-	-	-	-	\$399.18	116	6.8%
2024	-	-	-	-	-	-	\$452.77	131	6.9%
2023	-	-	-	-	-	-	\$617.91	179	6.0%
YTD	3	\$154.8M	0.3%	\$51,600,000	\$445.68	-	\$644.12	186	5.9%
2022	10	\$1.1B	1.2%	\$133,598,596	\$1,054.78	-	\$743.22	215	5.3%
2021	30	\$4.1B	6.9%	\$177,705,647	\$873.44	5.0%	\$849.04	246	4.6%
2020	9	\$2.3B	2.3%	\$253,740,544	\$1,028.59	-	\$833.60	241	4.7%
2019	37	\$5.8B	7.3%	\$166,926,588	\$896.70	4.7%	\$878.36	254	4.6%
2018	25	\$2.5B	4.3%	\$107,648,361	\$720.50	4.8%	\$814.89	236	4.6%
2017	29	\$3.2B	6.0%	\$115,335,742	\$639.77	5.5%	\$755.54	219	4.6%
2016	34	\$4.6B	8.6%	\$152,637,185	\$644.98	4.4%	\$759.10	220	4.4%
2015	37	\$3.1B	7.9%	\$146,331,953	\$690.48	4.6%	\$729.88	211	4.4%
2014	46	\$6.1B	12.9%	\$131,775,121	\$567.73	4.0%	\$637.39	184	4.6%
2013	19	\$1.7B	4.9%	\$91,036,662	\$424.70	4.9%	\$539.36	156	5.0%
2012	37	\$5.1B	12.3%	\$140,689,674	\$500.89	4.9%	\$464.19	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.

Sale Trends

San Francisco Office

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	-	-	-	-	-	-	\$334.10	129	6.4%
2026	-	-	-	-	-	-	\$327.09	126	6.7%
2025	-	-	-	-	-	-	\$344.58	133	7.0%
2024	-	-	-	-	-	-	\$390.15	150	7.2%
2023	-	-	-	-	-	-	\$528.77	203	6.3%
YTD	25	\$499.4M	3.4%	\$22,700,294	\$299.86	6.9%	\$551.27	212	6.1%
2022	36	\$468.7M	1.3%	\$13,784,489	\$634.39	5.2%	\$624.63	240	5.5%
2021	33	\$922M	3.1%	\$28,812,606	\$534.17	5.0%	\$703.95	271	4.9%
2020	22	\$630M	1.4%	\$30,001,360	\$806.16	-	\$705.20	271	4.9%
2019	82	\$2.4B	5.8%	\$39,493,623	\$758.76	5.5%	\$737.70	284	4.8%
2018	53	\$1.3B	4.2%	\$30,144,031	\$595.51	5.2%	\$682.24	262	4.9%
2017	46	\$578.4M	2.3%	\$14,831,164	\$503.62	5.8%	\$630.50	243	4.8%
2016	80	\$1.9B	9.7%	\$31,815,344	\$468.09	5.2%	\$625.47	241	4.7%
2015	65	\$1.5B	7.8%	\$35,542,924	\$552	5.0%	\$593.85	228	4.7%
2014	86	\$1.4B	6.8%	\$21,057,929	\$409.39	5.7%	\$509.25	196	5.0%
2013	71	\$865.3M	4.3%	\$14,918,201	\$376.20	5.2%	\$419.83	161	5.4%
2012	79	\$1B	8.0%	\$18,839,900	\$317.44	5.8%	\$357.81	138	5.9%

(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.

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	-	-	-	-	-	-	\$307.42	120	6.6%
2026	-	-	-	-	-	-	\$301.05	117	6.9%
2025	-	-	-	-	-	-	\$317.18	123	7.2%
2024	-	-	-	-	-	-	\$358.87	140	7.4%
2023	-	-	-	-	-	-	\$483.70	188	6.5%
YTD	27	\$110.2M	0.5%	\$4,792,957	\$759.53	3.6%	\$504.50	196	6.3%
2022	51	\$315.3M	2.9%	\$7,333,570	\$588.02	4.2%	\$567.90	221	5.7%
2021	60	\$370.7M	1.7%	\$6,178,401	\$700.35	5.0%	\$655.12	255	5.0%
2020	47	\$746.4M	1.5%	\$15,879,789	\$1,498.79	4.7%	\$684.50	266	4.9%
2019	112	\$568.2M	3.0%	\$10,719,991	\$766.74	3.8%	\$739.91	288	4.8%
2018	115	\$480.9M	3.4%	\$7,398,850	\$602	4.5%	\$692.86	270	4.8%
2017	144	\$512.4M	4.6%	\$8,539,364	\$551.42	4.7%	\$641.65	250	4.8%
2016	93	\$466.8M	3.6%	\$8,336,276	\$552.45	4.6%	\$635.07	247	4.6%
2015	135	\$519.3M	4.1%	\$6,491,355	\$505.56	4.6%	\$599.55	233	4.6%
2014	152	\$636.8M	5.9%	\$6,774,910	\$406.59	5.4%	\$505.37	197	4.9%
2013	131	\$313.4M	5.6%	\$3,775,850	\$220.13	6.2%	\$415.95	162	5.4%
2012	190	\$281.6M	6.7%	\$3,392,341	\$233.88	5.4%	\$348.11	135	5.9%

(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.