

## San Francisco Office Leasing – Q1 2017

Submarket	Total SF (1000's)	Leasing Activity		Available SF			Availability Rate			Asking Rents Per SF		
		Last 12 Months	This Quarter	% Change from Last Qtr.	Year Ago	5 Yrs Ago	This Quarter	pp Change from Last Qtr. (1)	Year Ago	This Quarter	% Change from Last Qtr.	Year Ago
<b>Financial District North</b>	29,496	2,273	3,557	2.3%	3,149	4,686	12.1%	0.3%	10.0%	\$62.95	-4.0%	\$64.43
Financial District North - Class A	20,695	1,663	2,535	-1.4%	2,382	3,707	12.2%	-0.2%	10.3%	\$65.48	-1.7%	\$64.84
<b>Financial District South</b>	23,338	2,766	2,520	6.2%	1,705	2,804	10.8%	0.6%	8.2%	\$64.45	-1.1%	\$66.06
Financial District South - Class A	19,203	2,479	2,155	2.9%	1,438	2,553	11.2%	0.3%	8.6%	\$64.52	-1.9%	\$66.40
<b>Rincon/South Beach</b>	4,298	381	427	43.7%	229	308	9.9%	3.0%	6.0%	\$65.05	-0.8%	\$67.85
Rincon/South Beach - Class A	1,522	183	201	-29.3%	196	269	13.2%	-5.5%	9.6%	\$65.70	1.5%	\$69.35
<b>Yerba Buena</b>	3,100	142	395	51.9%	216	563	12.7%	4.4%	3.8%	\$70.93	6.1%	\$66.64
Yerba Buena - Class A	730	15	64	N/A	33	142	8.7%	7.9%	0.8%	N/A	N/A	\$66.64
<b>SOMA</b>	4,529	286	230	114.2%	95	661	5.1%	2.7%	1.7%	\$51.08	-24.3%	\$67.17
SOMA - Class A	1,859	N/A	99	0.0%	160	64	5.3%	0.0%	0.5%	\$48.07	-28.6%	\$66.50
<b>Union Square/Civic Center</b>	4,522	226	289	-12.0%	342	346	6.4%	-0.9%	7.1%	\$67.28	8.4%	\$53.71
Union Square/Civic Center - Class A	505	12	22	77.6%	40	75	4.3%	1.9%	4.3%	\$69.06	4.4%	\$62.81
<b>Jackson Square</b>	2,039	157	280	-2.5%	219	137	13.8%	-0.4%	6.8%	\$58.19	1.0%	\$56.95
Jackson Square - Class A	414	6	N/A	N/A	N/A	0	N/A	N/A	N/A	N/A	N/A	N/A
<b>Waterfront/North Beach</b>	3,472	136	200	21.6%	233	154	5.8%	1.0%	5.2%	\$57.50	6.2%	\$51.36
Waterfront/North Beach - Class A	859	22	62	-22.3%	78	46	7.2%	-2.1%	3.4%	\$64.92	14.3%	\$52.06
<b>Mission Bay/Showplace Square</b>	4,954	1,035	341	106.7%	339	347	6.9%	3.6%	4.1%	\$62.93	-4.4%	\$64.59
Mission Bay/Showplace Square - Class A	2,681	377	268	33.6%	351	380	10.0%	0.0%	4.2%	\$64.93	-6.2%	\$64.96
<b>San Francisco Total</b>	79,746	7,402	8,240	3.3%	7,005	10,006	10.3%	0.3%	7.7%	\$64.00	-1.3%	\$64.01
San Francisco Total - Class A	48,468	4,757	5,519	1.3%	4,758	7,236	11.4%	0.1%	8.5%	\$64.55	-2.4%	\$65.53

Per the Q1'17 Savills Studley Report, the office leasing sector has been boosted in San Francisco during the quarter, driven by the expansion in the city of starts-up such as Slack and by bigger companies such as Google, Adobe or GM. The leasing volume increased to 3Msf during this quarter.

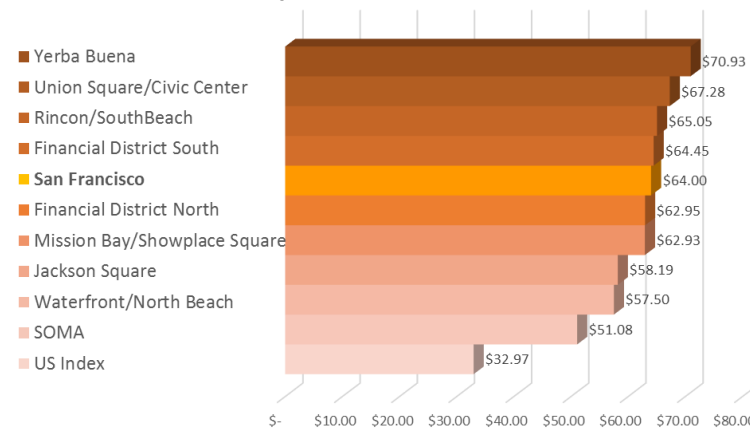
Nonetheless, globally speaking, the tenants have only leased 7.4Msf over a yearly period; resulting in lower than the 8Msf long-term annual average.

Regarding the availability, note an increased (+0.3 point) for the second consecutive quarter to 10.3%, while the rents decreased slightly by 1.3% to \$64.01 during the Q1'17.

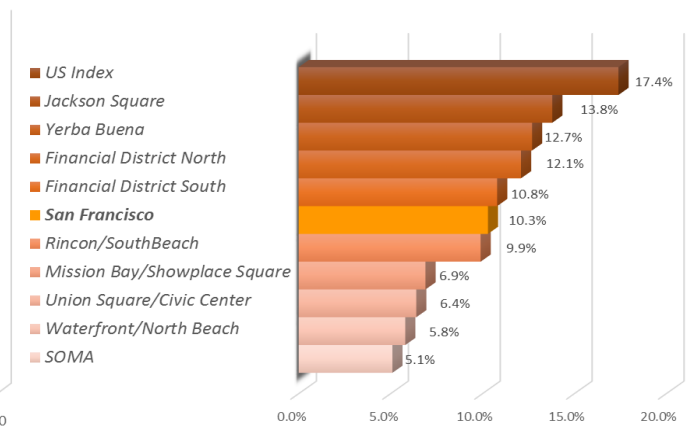
Tenant	Sq Feet	Market Area
Slack	227,632	Financial District South
Google	166,460	Financial District South
Adobe	109,000	Showplace Square
Accenture	100,616	Financial District South
WeWork	64,858	Financial District South
WeWork	60,576	Financial District North
Cisco	55,000	Mission Bay
UBS	54,877	Financial District North
Cengage	45,625	Financial District South
Cengage	42,900	Rincon/South Beach

This quarter, only 37% of the SF's development 5.6Msf pipeline is preleased. More than 3.0Msf available will be delivered in 2017, the highest level since the 1990's. Savills Studley estimates that the direct availability rate could push into double-digits in 2017 for the first time since 2013.

Rental Rate Comparison



Vacancy Rate Comparison



For the rest of the year, the trend should be "more new supply than Demand" given the Tenants demand cannot keep up with the development pipeline. The total net absorption for the four previous quarters totaled 1.25Msf of attrition. The Q1 2017 represents more than half of the effect. Note that office property sales fell by 31.3% from \$2.57Bn in Q4 2016 to \$1.73Bn in Q1 2017.