

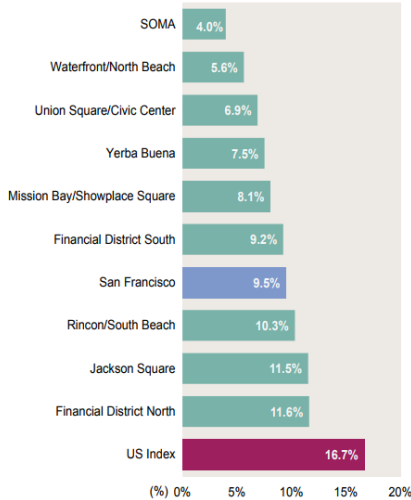


San Francisco Office Leasing – Q3 2017

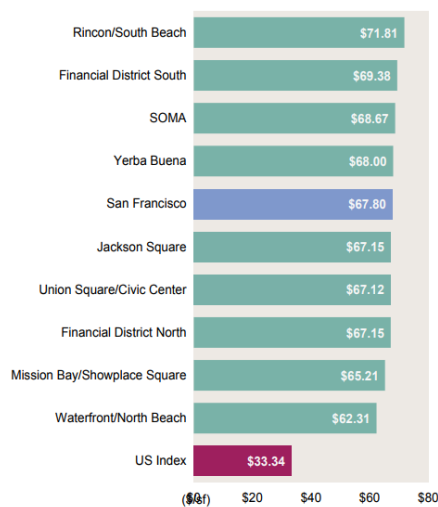
This year is becoming the most active leasing year since 2014, when activity reached 9.8M SF, according to a report from Cushman & Wakefield. San Francisco is undergoing another wave of very strong activity, this time around not just start-ups but established technology companies taking down large blocks of space. The dearth of options continues to be challenge for very large requirements, nut companies looking for full floors or less still have plenty of alternative.

Map	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
1	Financial District North	29,496	2,271	3,428	-6.7%	3,341	4,108	11.6%	-0.8%	10.0%	\$67.15	-2.8%	\$64.42
	Financial District North - Class A	20,695	1,697	2,433	-5.0%	2,541	3,290	11.8%	-0.6%	10.3%	\$66.86	-1.8%	\$65.54
2	Financial District South	23,338	2,413	2,158	-15.3%	1,671	2,702	9.2%	-1.7%	8.2%	\$69.38	-1.2%	\$65.51
	Financial District South - Class A	19,203	2,159	1,770	-17.9%	1,355	2,337	9.2%	-2.0%	8.6%	\$69.48	-1.4%	\$66.36
3	Rincon/South Beach	4,298	676	444	4.9%	255	283	10.3%	0.5%	6.0%	\$71.81	3.0%	\$67.80
	Rincon/South Beach - Class A	1,522	418	244	18.9%	217	156	16.0%	2.5%	9.6%	\$71.78	2.5%	\$69.73
4	Yerba Buena	3,100	433	233	-18.3%	126	787	7.5%	-1.7%	3.8%	\$68.00	-2.5%	\$66.45
	Yerba Buena - Class A	730	15	37	N/A	41	130	5.1%	-3.8%	0.8%	N/A	N/A	N/A
5	SOMA	4,529	315	180	-30.2%	75	599	4.0%	-1.7%	1.7%	\$68.67	-5.1%	\$63.46
	SOMA - Class A	1,859	N/A	94	-5.7%	79	64	5.0%	-0.3%	0.5%	\$66.03	-0.5%	\$70.00
6	Union Square/Civic Center	4,522	220	312	1.3%	354	539	6.9%	0.1%	7.1%	\$67.12	3.6%	\$57.23
	Union Square/Civic Center - Class A	505	12	22	-11.7%	24	93	4.3%	-0.6%	4.3%	\$69.06	0.7%	\$67.81
7	Jackson Square	2,039	170	235	-13.4%	232	203	11.5%	-1.8%	6.8%	\$67.15	7.8%	\$57.54
	Jackson Square - Class A	414	23	N/A	N/A	N/A	0	N/A	N/A	N/A	N/A	N/A	N/A
8	Waterfront/North Beach	3,472	103	196	-12.4%	179	344	5.6%	-0.8%	5.2%	\$62.31	8.6%	\$55.11
	Waterfront/North Beach - Class A	859	44	32	-6.0%	46	103	3.8%	-0.2%	3.4%	\$65.00	11.9%	\$55.46
9	Mission Bay/Showplace Square	4,954	387	399	32.2%	204	1,290	8.1%	2.0%	4.1%	\$65.21	-3.8%	\$66.07
	Mission Bay/Showplace Square - Class A	2,681	109	209	-6.1%	351	374	7.8%	0.0%	4.2%	\$69.48	0.6%	\$70.00
1-9	San Francisco Total	79,746	6,989	7,585	-8.5%	7,342	10,857	9.5%	-0.5%	9.2%	\$67.80	-1.0%	\$64.30
	San Francisco Total - Class A	48,468	4,478	4,939	-9.4%	4,734	6,546	10.2%	-1.1%	9.8%	\$68.50	-0.6%	\$66.12

Availability Rate Comparison



Rental Rate Comparison



According to Q3'17 Savills Studley Report, Quarterly leasing activity spiked in the third quarter, rising from 1.6 msf to 2.7 msf. Tenants have leased 7.0 msf in the four most recent quarters, roughly 10% below the long-term annual average of 7.7 msf.

San Francisco's overall availability rate dipped to 9.5%. The Class A availability rate posted a sharper decrease in the quarter, dropping by 110 basis points to 10.2%.

Vacancy is above 8% and could rise as more large developments deliver, but the high demand will temper any increases and push vacancy lower in the long term.

Major Transactions

The largest transaction of the quarter was Facebook's 412,234 sf at 181 Fremont Street. Facebook will occupy the entire office portion in the first half of 2018. The second largest lease in the third quarter totaled 270,000 sf at 525 Market Street and was leased to AirBnB.

Additionally, Dropbox is pending to take the entire 736,000 sf at The Exchange in Mission Bay.

Tenant	Sq Feet	Address	Market Area
Facebook	412,234	181 Fremont St	Financial District South
AirBnB	270,000	650 Townsend St	Mission Bay/Showplace Square
Amazon	175,727	525 Market St	Financial District South
WeWork	98,357	44 Montgomery St	Financial District North
LendingHome	60,212	315 Montgomery St	Financial District North
First Republic Bank	43,449	1 Front St	Financial District North
Venable	38,317	101 California St	Financial District North
Mozilla	36,600	2 Harrison St	Financial District South
MasterClass	33,611	475 Brannan St	Rincon/South Beach
Holberton School	28,000	972 Mission St	Yerba Buena