



The Axiant Group  
COMMERCIAL REAL ESTATE SERVICES

# Market Overview

A quarterly publication of the San Francisco office market by The Axiant Group

2nd Quarter 2018

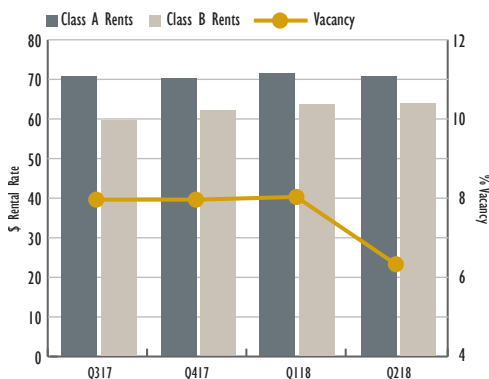
**Second quarter leasing activity continued to increase, moving beyond the records set in the 1st quarter. Proactive Tech firms leased almost all large existing and future blocks of space, as companies tried to preserve their options for future expansion.**

## Vacancy Rate Drops Dramatically

Second quarter leasing increased from 1st quarter historically high numbers. Vacancy rates dropped dramatically from an adjusted 8.1% in the 1st quarter to 6.3% in the 2nd quarter. Gross leasing increased from 2,417,051 square feet in the 1st quarter to 2,443,940 square feet in the 2nd quarter. Net absorption was 1,241,904 square feet, substantially less than 1st

quarter absorption of 1,880,794.

### SAN FRANCISCO FINANCIAL CORE



Average asking rental rates for Class A space decreased to \$70.54 in the 2nd quarter from \$71.37 in the 1st quarter. Average rentals for Class B financial core space increased

from \$63.57 in the 1st quarter to \$63.68 in the 2nd quarter. Class B absorption was positive at 18,897. This was a decrease from the 1st quarter absorption of 135,997 square feet. South of Market (SOMA) vacancy rates dropped dramatically. From 6.5% vacancy rate in the 1st quarter to a historical low 3.7% in the 2nd quarter.

## Massive Space Absorption By Tech Firms

San Francisco has not seen an absorption of major blocks of space at this rate in some time. Facebook committed to 430,000 square feet last quarter and continued their expansion, leasing over 762,000 square feet at Park Tower (250 Howard Street). Facebook's commitment to Park Tower is the largest lease ever completed in San Francisco. This breaks the record recently set by DropBox which leased 732,000

square feet at The Exchange in the fourth quarter of 2017. Until this year, Facebook had no presence in San Francisco. They now control over 1.2 million square feet and are the 4th largest user of space in San Francisco. Demand from Facebook employees living in San Francisco, tired of commuting to the Menlo Park headquarters, pushed the company to commit to San Francisco.

## DropBox Helps Cruise Automation



333 Brannan Street

DropBox cannot keep its name out of the office leasing market in San Francisco. After signing one of the largest leases in the history of San Francisco at The Exchange, they needed to sublet their previous headquar-

ters at 333 and 345 Brannan Street where they occupied roughly 280,000 square feet. Cruise Automation took the space, leasing both buildings and one more site at 301 Brannan. The square footage committed totalled 374,000 square feet. The buildings are brand new and fully furnished (plug and play) which saved Cruise Automation millions in upfront costs. Cruise Automation is a self-driving carmaker owned by General Motors. They are moving from 201 11th Street, where they occupied 28,000 square feet. The new location will increase their square footage by thirteen times. Kilroy, the second largest landlord in San Francisco, owns 333 and 345 Brannan and DropBox's new home at The Exchange.

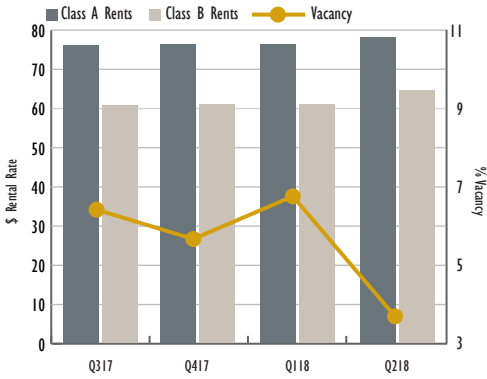
## Axiant Completes Lease in Emeryville

KBS Real Estate Investment Trust III has inked 61,181 square feet in leases with existing and new tenants at The Towers in Emeryville, a three-building, Class A office park in the San Francisco Bay. New additions include law firms Mound Cotton Wollan & Greengrass, Arias Sanguinetti Wang & Torrijos and software company Innovative Interfaces. John Abel of The Axiant Group represented Mound Cotton Wollan & Greengrass.

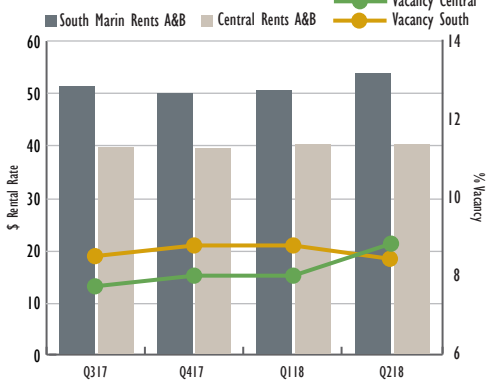


2200 Powell Street

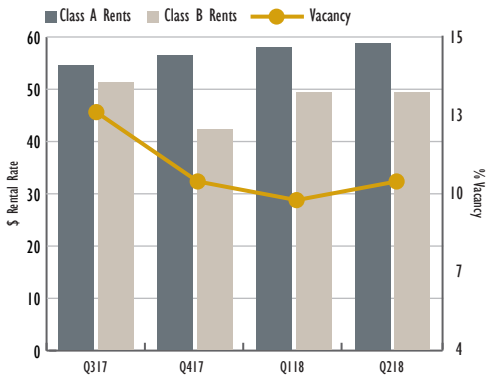
**SAN FRANCISCO SOMA**



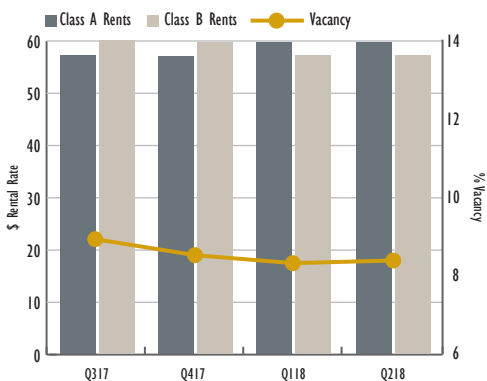
**MARIN**



**OAKLAND CBD**



**PENINSULA**



**Where's the Space?**

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	625,309	5.6%	181,823	1.60%	807,132	7.30%
Fin. Dist A	2,439,977	5.4%	407,265	.90%	2,847,242	6.30%
Fin Dist.	797,581	6.3%	151,656	1.20%	949,237	7.50%
SOMA A	132,449	4.9%	36,678	1.40%	169,127	6.30%
SOMA B	261,032	2.6%	38,750	.40%	299,782	3.00%

**Large Tenants in the Market**

Tenant	Sq. Ft.
Google	400,000
Amazon	200,000
Pivotal Labs	125,000
Nixon Peabody	100,000
Asana	100,000
Mulesoft	100,000

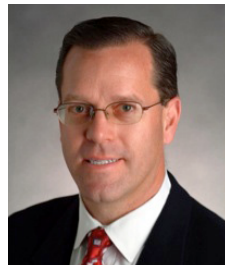
**Significant Leases Completed in the Second Quarter**

Tenant	Sq. Ft.	Address
Facebook	762,102	250 Howard Street
Cruise Automation	374,627	301, 333 & 345 Brannan St
Nectar Therapeutics	135,936	360 Third Street
Federal Home Loan Bank	102,288	333 Bush Street
Udemy*	79,990	600 Harrison Street
Square***	78,450	1455 Market Street
Wework	77,181	353 Sacramento Street

\*Renewal \*\*Sublease \*\*\*Expansion

**The Axiant Group Can Help You**

Do you want information about rents and space available in your building? Are you interested in subleasing or terminating your lease? Is your lease expiring in the next three years?



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Contact The Axiant Group. We have handled transactions from 1,000 to 1,000,000 sq.ft. in the Bay Area and throughout the U.S. The average tenure of our brokers is over 20 years. We have handled assignments for clients including Chevron U.S.A., Coblenz, Patch, Duffy & Bass, Oracle Corporation, PG&E, Sutro & Company, Zurich Scudder Investments, Charles Schwab, Texas Pacific Group, Club One, Moss Adams, and many others.