



Market Overview

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

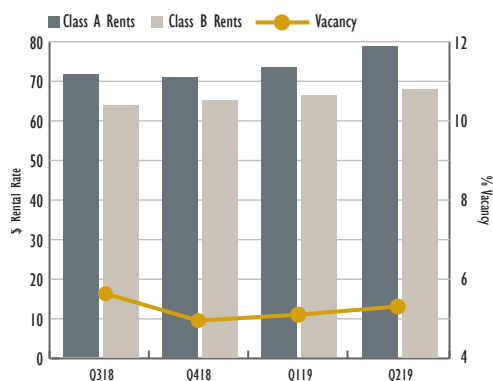
2nd Quarter 2019

Leasing activity continued to be robust in the second quarter. Technology tenants continued to dominate the market, which also saw significant activity from traditional users in San Francisco and the East Bay.

Vacancy Rates Remain Low but Stable

Second quarter leasing activity and vacancy rates moved slightly, from an adjusted 5.1% in the 1st quarter to 5.3% in the 2nd quarter. Gross leasing increased from 1,200,397 s.f. in the 1st quarter to 1,969,857 s.f. in the 2nd quarter. Net absorption was 385,581 square feet, slightly less than 1st quarter absorption of 540,802 square feet.

SAN FRANCISCO FINANCIAL CORE



Average asking rental rates for Class A space increased to \$78.60 in the 2nd quarter from \$73.29 in the 1st quarter, an increase of 6.4%. Average rental rates for Class B financial core space, were

stable, moving from \$66.79 in the 1st quarter to \$67.73 in the 2nd quarter. Class B absorption was positive at 482,264. This was an increase in absorption from the 1st quarter, which had negative absorption of 87,060 square feet. South of Market (SOMA) vacancy rates remained the same as the previous quarter at 4.7%

Kaiser Makes Huge Commitment in Oakland

Kaiser made a huge long term commitment to the Oakland market. They will be consolidating 7,200 employees from seven locations to 2100 Telegraph Ave. This future development, currently know as Eastline, will be their national headquarters and total 1.6 million s.f., one of the largest lease commitments in Bay Area history. Eastline's developers, Lane partners and Strategic Urban Development Alliance, were waiting for an

anchor tenant before breaking ground. Now with Kaiser's commitment, the plan is for construction to begin in early 2020. Kaiser owns three of the buildings they are vacating in Oakland: 1950 Franklin Street, 1800 Harrison Street, and 2000 Broadway. These buildings total almost 1.1 million square feet. As part of the agreement, Lane Partners has agreed to purchase all of them. Kaiser's current plan is to name the new complex "The Kaiser Permanente Thrive Center."



2100 TELEGRAPH

First Republic Expands At One Front

First Republic Bank was on the move in the second quarter, taking an additional 265,000 square feet and doubling its footprint at One Front Street. The 38-floor building has over 650,000 square feet of space. First Republic now occupies almost 80% of the building. The Paramount Group purchased the building at the end of 2016. Paramount is a major player in the national real estate market and owns three other large highrises in San Francisco: One Market Plaza, 50 Beale Street, and 111 Sutter; they also recently entered into an agreement to acquire 55 Second Street. First Republic also has a significant presence at 111 Pine Street (also known as the First Republic Building) and 388 Market Street (both buildings are next door to One Front St.).

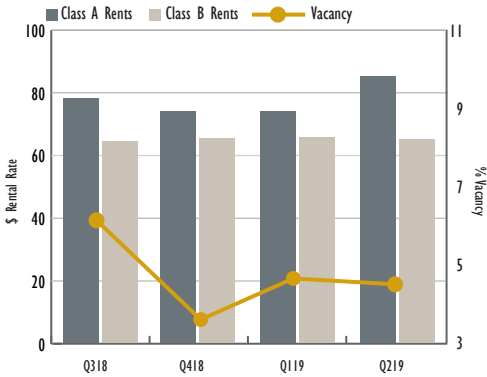


ONE FRONT STREET

Oceanwide's Mega Project In Flux

Oceanwide Center located at 50 First Street is a two-tower mega project: One tower will be comprised of over a million square feet of office space and 250 condominium units, while the other will house the Waldorf Astoria Hotel. Chinese developer Oceanwide Holdings has been in the market trying to secure additional financing to complete the project, but has been slow in doing so. It is rumored that if the developer can find a clear path to additional funding, Salesforce is ready to commit to the majority of the project.

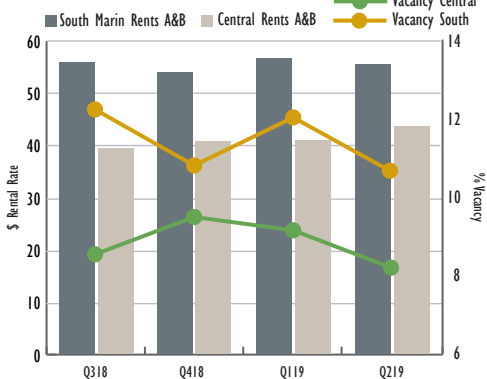
SAN FRANCISCO SOMA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	539,083	4.50%	96,185	.80%	635,268	5.20%
Fin. Dist. A	1,976,208	4.30%	503,845	1.10%	2,480,503	5.30%
Fin. Dist. B	809,958	6.40%	274,497	2.20%	1,084,455	8.60%
SOMA A	187,780	5.30%	37,516	1.10%	229,256	6.40%
SOMA B	342,893	3.40%	69,358	.70%	412,251	4.10%

MARIN



Large Tenants in the Market

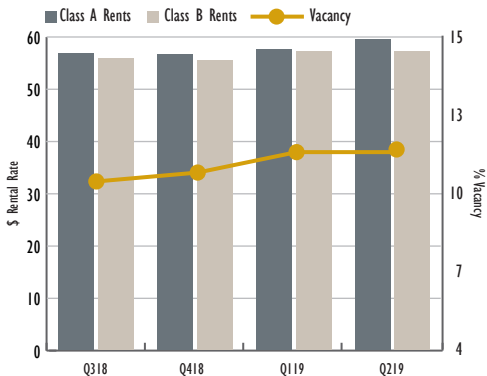
Tenant	Sq. Ft.
SalesForce	700,000+
Credit Karma	110,000
KeepTrucking	51,000
Skillz	45,000

Major Leases Completed in the Second Quarter

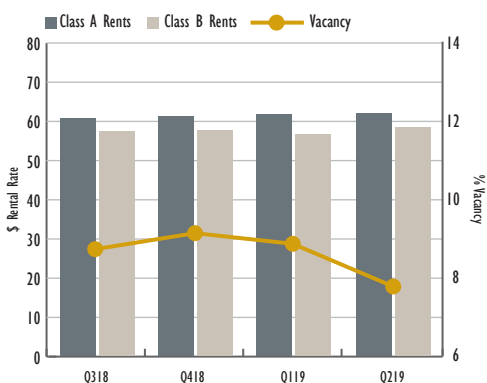
Tenant	Sq. Ft.	Address
Kaiser Permanente****	1,600,000	2100 Telegraph Ave.
First Republic Bank***	265,000	One Front Street
Slack	208,459	45 Fremont Street
Sony / Playstation	131,000	303 Second Street
Autodesk	117,673	50 Beale Street
GlassDoor	116,688	50 Beale Street
Workday* ***	74,430	160 Spear Street
Hanson Bridgett LLP*	54,103	425 Market Street
Knotel	50,821	901 Market Street

*Renewal **Sublease ***Expansion ****Oakland lease

OAKLAND CBD



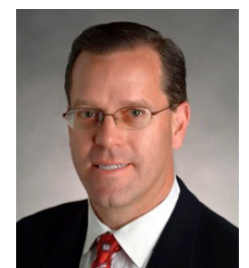
PENINSULA



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?

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.



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