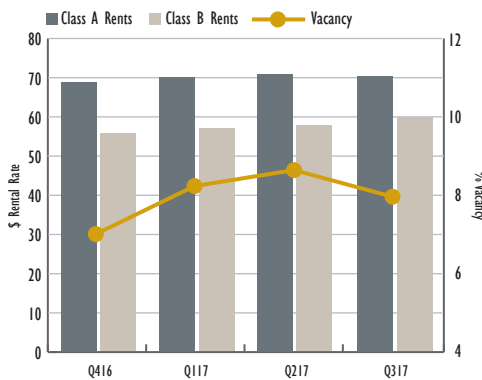


Leasing activity remained stable in the 3rd quarter. Net absorption continued to be negative, consistent with the 2nd quarter. Vacancy rates and rental rates increased marginally. Large technology groups were extremely active in the market.

Vacancy Rates Remain Stable

Third quarter leasing activity in San Francisco's financial core remained stable, increasing marginally from the 2nd quarter. Vacancy rates rose from an adjusted 8.1% in the 2nd quarter to 8.3% in the 3rd quarter. Gross leasing increased slightly moving from 734,324 square feet in the 2nd quarter to 873,490 square feet in the 3rd quarter. Net absorption remained negative at -119,934 square feet, very close to 2nd quarter absorption numbers of -113,742 square feet.

SAN FRANCISCO FINANCIAL CORE



Average asking rental rates for Class A space decreased from \$70.63 in the 2nd quarter to \$70.00 in the 3rd quarter. Average rental rates for Class B financial core space increased from \$57.62 in the 2nd quarter to \$59.42 in the 3rd quarter. Class

B absorption was negative at -66,809 square feet. This was a small decrease from the 2nd quarter negative absorption of -72,082 square feet.

Largest Leases in 2017 Today?

The Facebook lease has officially been executed for 432,000 square feet at 181 Fremont Street. The Instagram division will be taking the space. Airbnb has also been aggressively committing to office space in San Francisco and has 150,000 square feet of space at 999 Brannan Street and 170,000 square feet of space at 888 Brannan Street. They just committed to an additional 287,000 square feet at 650 Townsend Street. This building is owned and leased by Zynga, a gaming group that has been downsizing and trying to sell the building for some time. Airbnb signed a nine-year lease in the low 70's and will occupy the space in 2018. Airbnb's total commitment in San Francisco is now over 600,000 square feet. These are the two largest leases signed this year.

Largest Deal in SF History Almost Signed

Facebook is the largest signed lease this year in San Francisco. However, rumor has it an enormous transaction substantially larger than Facebook is days away from completion at "The Exchange," a unique mixed office and Production, Distribution and Repair ("PDR") complex which is 760,000 square feet, located at 701 16th Street in Mission Bay. The Exchange is being developed by Kilroy and is new ground-up construction. The complex has twin towers of thirteen stories with connecting lower floors spanning up to 90,000 square feet. Dropbox is committing to lease the entire complex. At 760,000 square feet, it will rank not only as the largest lease in San Francisco this year but the largest transaction in the history of San Francisco!

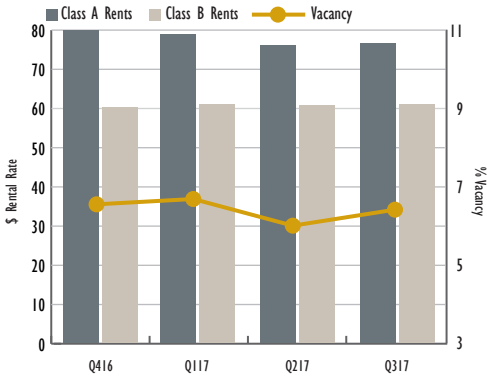


The Exchange at Mission Bay

VC Focuses On Mature Technology

Larger lease transactions tend to receive more exposure and press. The reality is they make up a smaller percentage of the overall market as the number of smaller lease transactions is much higher numerically. However, for the last year we have seen a much higher percentage of the available space being taken by larger more established technology users. This shift is logical as larger tech firms are receiving a disproportionate amount of venture capital funding. The reason for this trend is venture capital firms and their investors are demanding higher returns. This is forcing the venture capital firms to concentrate their funding on more mature technology companies, which are more likely to show a return on investment. These more established technology companies are more likely to have a steady income stream and significant market share for their particular product.

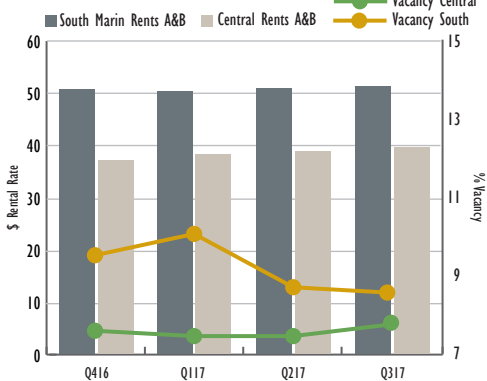
SAN FRANCISCO SOMA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	556,273	5.7%	144,234	1.50%	700,507	7.20%
Fin. Dist A	3,018,130	7.00%	408,471	1.00%	3,426,601	8.00%
Fin Dist. B	1,040,444	8.3%	144,119	1.20%	1,184,563	9.50%
SOMA A	168,462	5.70%	28,682	1.00%	197,151	6.70%
SOMA B	386,442	3.8%	249,424	2.5%	617,866	6.30%

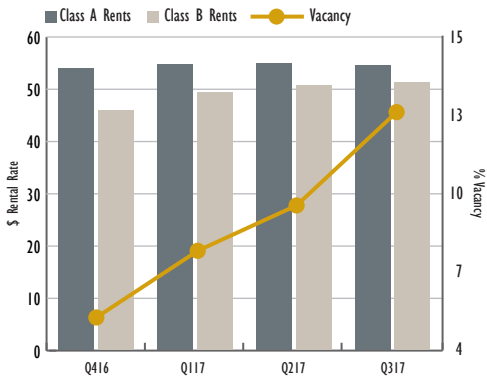
MARIN



Large Tenants in the Market

Tenant	Sq. Ft.
Dropbox	750,000
Instacart	125,000
Pivotal Labs	125,000
OKTA	120,000
Nixon Peabody	100,000
Asana	100,000
Mulesoft	80,000

OAKLAND CBD

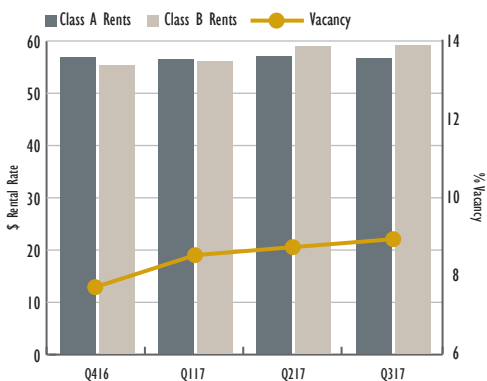


Significant Leases Completed in the Third Quarter

Tenant	Sq. Ft.	Address
Facebook	432,312	181 Fremont Street
Airbnb	287,000	650 Townsend Street
Amazon	175,727	525 Market Street
Ancestry.com	160,000	350 Bush Street
Wish*	107,000	1 Sansome Street
We Work	98,357	44 Montgomery Street
Zendesk	51,810	989 Market Street
Doordash	50,821	901 Market Street

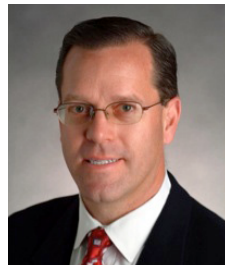
*Renewal **Sublease

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?



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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.