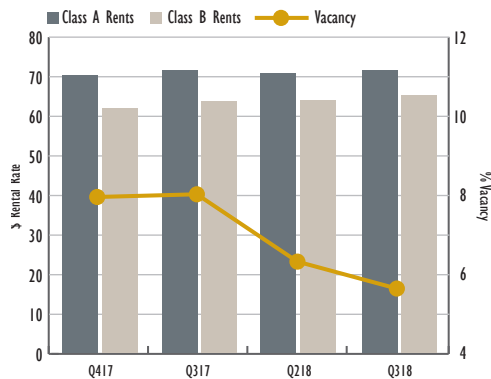


**Third quarter leasing activity was strong but, failed to match the historical highs of the 2nd quarter. Vacancy rates continued to drop with demand exceeding supply. Large blocks of space continued to be absorbed by technology groups.**

### Vacancy Rates Drop Again

Third quarter leasing activity decreased from 2nd Quarter historically high numbers. Vacancy rates dropped from an adjusted 6.2% in the 2nd quarter to 5.6% in the 3rd quarter. Gross leasing decreased from 2,443,940 square feet in the 2nd quarter to 1,081,384 square feet in the 3rd quarter. Net

#### SAN FRANCISCO FINANCIAL CORE



absorption was 459,503 square feet, less than 2nd quarter absorption of 1,241,904. Average asking rental rates for Class A space increased to \$71.45 in the 3rd quarter from \$70.54 in the 2nd quarter. Average rentals for Class B financial core space increased from \$63.68 in the 2nd quarter to \$65.01 in the 3rd quarter. Class B absorption was positive at 155,222. This was an increase from the 2nd quarter absorption of 18,897 square feet. South of Market (SOMA) vacancy rates increased dramatically, due to the addition of two new buildings to the inventory, from 3.7% vacancy rate in the 2nd quarter to 6.1% in the 3rd quarter.

### Twilio Takes Over Salesforce Sublet

SalesForce is steadily vacating leased space to occupy buildings it has purchased or master leased adjacent to each other on Mission Street. They own Salesforce Tower (415 Mission)

and 550 Mission Street. One of the excess properties is 121 Spear Street, which is part of the Rincon Center. The project is about 260,000 square feet. Twilio has signed a letter of intent



Rincon Center

to sublet the entire space. Originally the space was listed in the low 90's per square foot. It subleased in the mid-70's due to the space having a less than optimal layout. The building has a beautiful center atrium with office space along the perimeter. This feature creates planning issues as employees have to navigate around the atrium to connect with others. Twilio is a cloud-based service that enables powerful interaction between mobile devices, applications, services, and systems to bridge the gap between conventional communication.

### WeWork Leases Entire Building

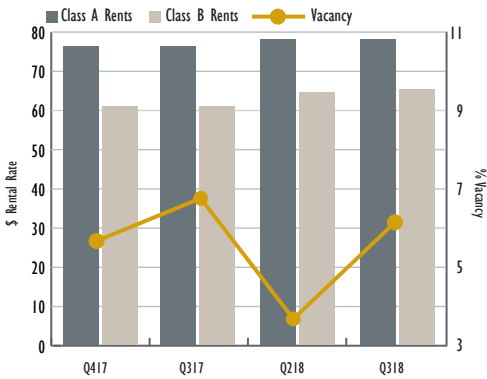
In our first quarter newsletter, we noted that WeWork was committing to master leasing all of 400 California Street, a building totalling 240,000 square ft. WeWork has found a tenant in Coinbase, which has committed to taking 100% of the building. Founded in June of 2012, Coinbase is a digital currency wallet and platform where merchants and consumers can transact with new digital currencies like Bitcoin, Ethereum,



400 California Street

and Litecoin. Based in San Francisco, Bitcoin is the world's most widely used alternative currency with a total market cap of over \$100 billion. The bitcoin network is made up of thousands of computers run by individuals all over the world. No one is quite sure why they are acquiring such a large block of space as their current office is located at One Bush Street where they have roughly 10,000 square feet.

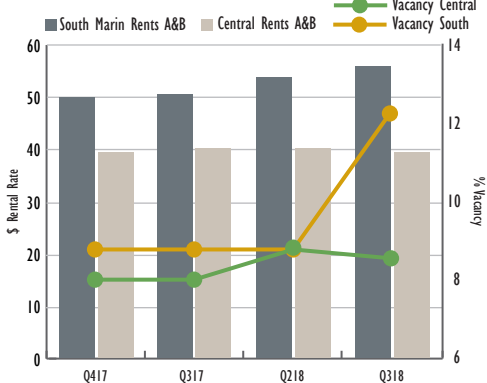
**SAN FRANCISCO SOMA**



**Where's the Space?**

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	678,721	6.10%	159,938	1.40%	838,659	7.50%
Fin. Dist. A	2,158,104	4.80%	363,794	.80%	2,521,898	5.60%
Fin. Dist. B	715,914	5.70%	75,101	.60%	791,015	6.30%
SOMA A	95,892	3.50%	53,792	2.00%	149,684	5.50%
SOMA B	591,816	5.6%	72,399	.70%	664,215	6.30%

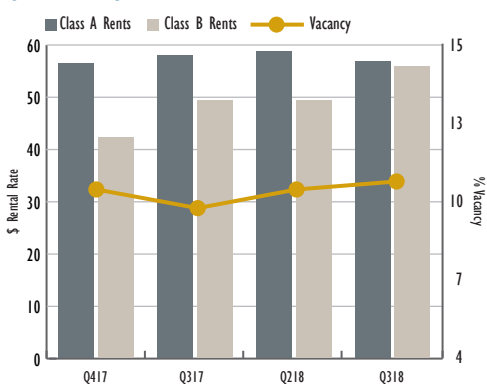
**MARIN**



**Large Tenants in the Market**

Tenant	Sq. Ft.
Google	400,000
Twilio	260,000
Slack	200,000
DoorDash	190,000
Asana	100,000
Mulesoft	100,000
Lime	45,000
Skillz	45,000

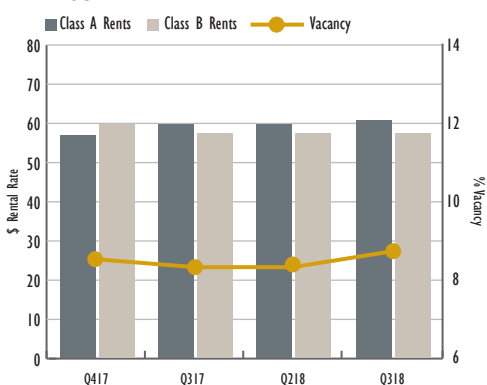
**OAKLAND CBD**



**Significant Leases Completed in the Third Quarter**

Tenant	Sq. Ft.	Address
Price Waterhouse	196,356	405 Howard Street
Amazon***	143,168	525 Market Street
Unity Technologies	127,161	657-667 Mission Street
Splunk	100,850	250 Brannan Street
SoFi	98,566	246 First Street
Ancestry	91,520	153 Townsend Street
Spaces	77,999	345 Montgomery Street
Nixon Peabody*	53,904	1 Embarcadero Center
CloudFlare	45,031	634 Second Street
OneLogin	40,369	840-848 Battery Street

**PENINSULA**

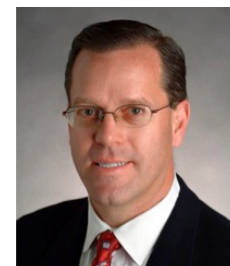


\*Renewal \*\*Sublease \*\*\*Expansion

**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?

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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