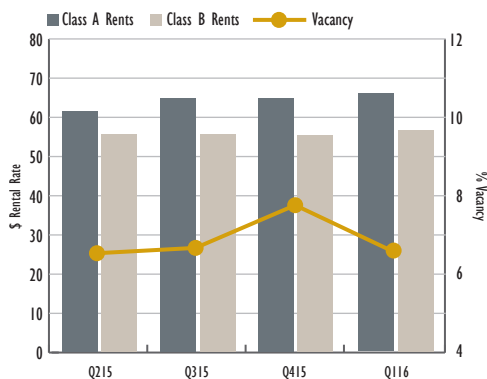


Leasing activity in the 1st quarter increased significantly. Vacancy rates dropped, reversing the increases we saw in the 4th quarter.

Vacancy Drops Demand Increases

1st quarter leasing activity in San Francisco's financial core increased significantly compared to the 4th quarter. Vacancy rates decreased, moving from an adjusted 7.8% in the 4th quarter to 6.7% in the 1st quarter. Gross leasing activity jumped significantly, moving from 969,294 square feet in the 4th quarter to 1,564,204 square feet in the 1st quarter. Net absorption was positive in the 1st quarter at 643,195, increasing from 155,176 square feet in the 4th quarter, a difference of almost 500,000 square feet.

SAN FRANCISCO FINANCIAL CORE



Average asking rental rates for Class A space increased slightly from \$64.68 in the 4th quarter to \$65.80 in the 1st quarter. Average rental rates for Class B financial core space increased from \$55.31 in the 4th quarter to \$56.47 in

the 1st quarter. Class B absorption was slightly positive at 42,506 square feet. This was an increase from the 4th quarter which had negative absorption of (-92,836) square feet.

Oakland-Based Cost Plus Moves to Alameda

In a signal that Oakland is starting to parallel San Francisco: Cost Plus recently made the decision to move their Corporate Headquarters from the Jack London Square area to Alameda. Cost Plus took 107,000 square feet at 1201 Marina Parkway, which represents the largest lease in Alameda's history. Pricing in Alameda has traditionally been a bargain – high \$20's fully serviced – especially when compared to Oakland's recent rental rates in the 50's. Price was not the driving force behind the move to Alameda, rather it was the lack of large blocks of space in Oakland that could accommodate Cost Plus' needs.

Oakland and San Francisco vacancy rates are similar, at approximately 5-6%. The San Francisco Class A market is roughly twelve times that of Oakland's, with seventy million square feet of class A space vs. six million;



Cost Plus' will soon be heading to Alameda

the amount of available space in San Francisco is dramatically higher. When compared, it is easy to see why Cost Plus had a tough time finding the right space in Oakland. Since early in the 1st quarter when this transaction was completed, the majority of large blocks of office space over 15,000 square feet in Alameda have subsequently been leased, demonstrating that the lack of available space in one market trickles over to adjacent markets. Not surprisingly, the owners of the Mariner Square in Alameda have put the complex on the market for sale.

Record Sale Price for 140 New Montgomery

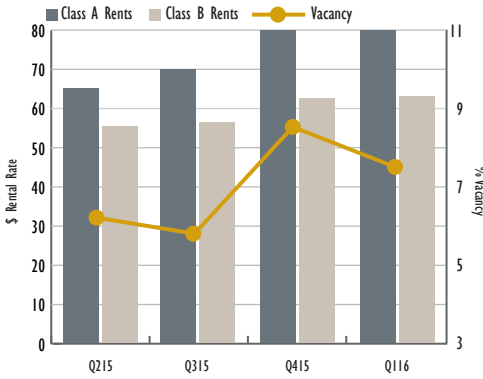
140 New Montgomery recently traded hands and set a new price per square foot record for a commercial office building in San Francisco. The rumored price is \$283 million which converts to \$960 per square foot for the 295,000 square foot tower. Pembroke Real Estate, who advises Fidelity Investments is the buyer. They also own 100 California Street in San Francisco as well as multiple properties in the US, Europe and Asia. Wilson Meany, the seller, purchased it in 2007 for \$118 million



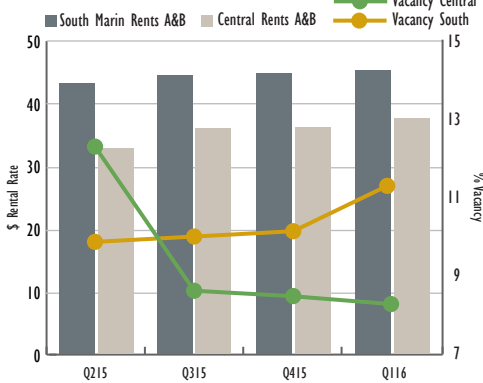
140 New Montgomery breaks record

planning to convert it to residential condos. The project was put on hold for six years during the financial crisis. In 2013, the building was extensively renovated as office space and focused on preserving its historic art deco detail. The building was originally built in 1925 as the Pacific Telephone Building and was the most prominent skyscraper in San Francisco at the time. Yelp is the anchor tenant occupying 140,000 square feet.

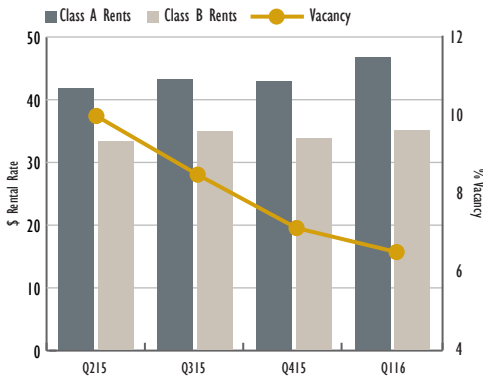
SAN FRANCISCO SOMA



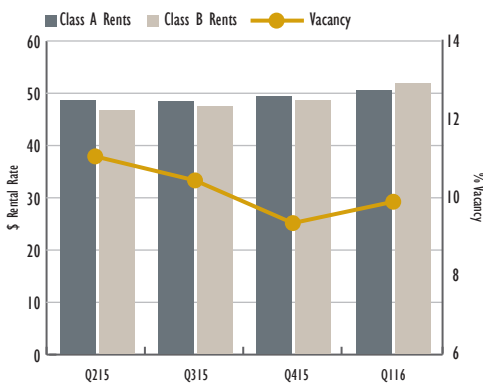
MARIN



OAKLAND CBD



PENINSULA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	632,303	6.70%	139,675	1.50%	771,978	8.20%
Fin. Dist A	2,601,451	6.00%	418,004	1.00%	3,019,455	7.00%
Fin Dist. B	641,041	5.10%	34,554	.30%	675,595	5.40%
SOMA A	61,663	2.10%	0	0.00%	61,663	2.10%
SOMA B	794,848	8.60%	57,267	.80%	852,115	9.30%

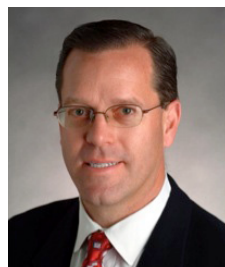
Large Tenants in the Market

Tenant	Sq. Ft.
UCSF	350,000
Prosper S	250,000
Credit Karma	200,000
LYFT	150,000
Instacart	125,000
Pivotal Labs	125,000
OKTA	120,000
Nerdwallet	110,000
Asana	100,000
Zymergen	100,000

Significant Leases Completed in the First Quarter

Tenant	Sq. Ft.	Address
Uber	150,000	999 Brannan Street
Twillo	91,823	375 Beal Street
We Work	72,963	600 California Street
Restoration hardware	60,000	Pier 70
Unity Technologies	53,016	30 Third Street
Uber	48,876	1455 market Street
Reddit	46,024	420 Taylor Street
Intel Corporation	36,642	150 Chestnut Street
Eero	34,314	500 Howard Street

The Axiant Group Can Help You



John Abel – Principal
T 415.374.2103
jabel@axiantgroup.com
License #00884176

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.