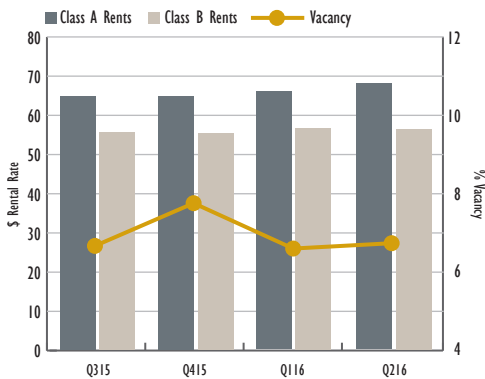


Leasing activity in the 2nd quarter stabilized, with vacancy rates increasing slightly. Space absorption dropped significantly, reversing the strong increase in absorption we saw in the 1st quarter.

Absorption Down, Vacancy Stabilizes

Second quarter leasing activity in San Francisco's financial core decreased slightly when compared to the 1st quarter. Vacancy rates increased slightly, moving from an adjusted 6.7% in the 1st quarter to 6.8% in the 2nd quarter. Gross leasing activity dropped significantly, moving from 1,564,204 square feet in the 1st quarter to 918,318 square feet in the 2nd quarter. Net absorption was negative in the 2nd quarter at -103,150, a swing of over 750,000 square from 1st quarter which had 643,195 square feet of positive absorption.

SAN FRANCISCO FINANCIAL CORE



Average asking rental rates for Class A space increased slightly from \$65.80 in the 1st quarter to \$67.85 in the 2nd quarter. Average rental rates for Class B financial core space decreased slightly from \$56.47 in the 1st quarter to \$56.23

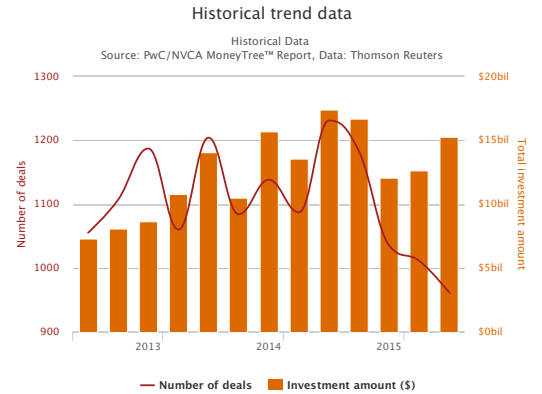
in the 2nd quarter. Class B absorption was negative at (-189,224) square feet. This was a significant decrease from the 1st quarter which had positive absorption of 42,506 square feet.

VC Money Flows to Existing Companies

Continuing a trend seen in the last few quarters, venture capital companies are increasing the amount of tech funding they are putting in the market. However, more of that money is going to a few established companies, rather than funding new start up deals.

From quarter to quarter, there is a downward trend in the number of deals. The 2nd quarter of 2016 saw 961 completed deals compared to 1,011 in the 1st quarter. When compared on a year-to-year basis, the difference is substantial – moving from 961 to 1,231 – a difference

of over 28%. And despite the many established tech companies in the landscape, only a few received the majority of funding. In the 2nd quarter of this year for example, 50% of funding was allocated to just two companies: Uber and Snap Chat. Many experts believe VC's are moving to relatively safer, more established investments and away from funding new companies which present a greater risk.



Historical Building 244 California in Escrow

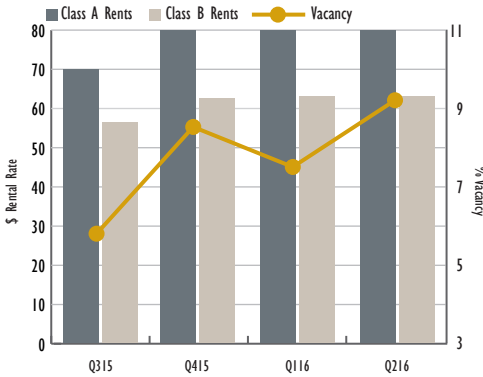
244 California Street is scheduled to close escrow in August of this year. Built in 1908, the building consists of 34,026 square feet on seven floors, plus a basement. Located on California Street between Battery and Front streets, it is a prime financial district location. The building is easily identified owing to its ground floor tenant – the highly regarded restaurant Michael Mina and its award-winning chef and namesake, who started as a sous chef at Aqua, which previously occupied the space.

Over forty years ago, the building was purchased by 244 California Street Associates LP Limited for approximately \$24 per square foot. The building now rents space on an annual basis at over \$60 per square foot. The new sales price will be over \$600 per square foot. This represents a return of over twenty-five times the original purchase price. The building is scheduled to close escrow in mid-August. John Abel of the Axiant Group advised on the leasing values for the building. Charles K. McCabe represented the sellers of the property. Charles McCabe is the President of San Francisco Capital Advisors and shares office space with the Axiant Group in San Francisco.



New ownership for 244 California

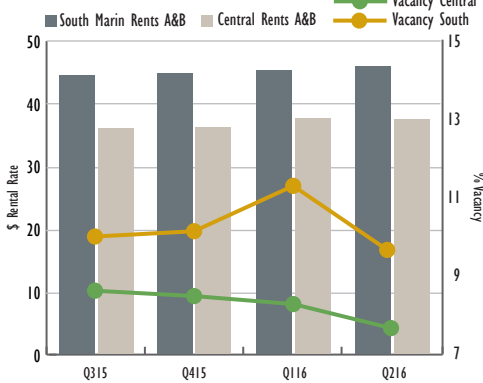
SAN FRANCISCO SOMA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	568,004	6.00%	184,748	2.00%	752,752	8.00%
Fin. Dist. A	2,408,127	5.60%	433,915	1.00%	2,842,042	6.70%
Fin. Dist. B	867,371	6.70%	82,069	.60%	949,440	7.30%
SOMA A	131,604	4.50%	91,364	3.10%	222,968	7.60%
SOMA B	841,776	8.50%	103,953	1.00%	945,729	9.50%

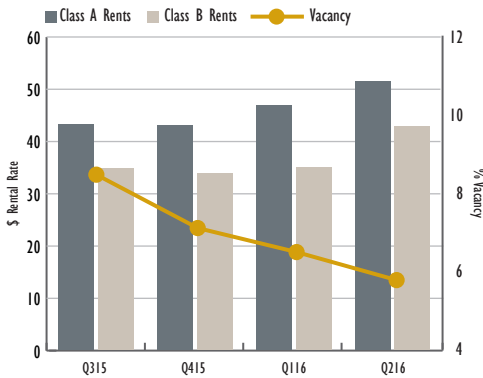
MARIN



Large Tenants in the Market

Tenant	Sq. Ft.
Mass Innovation Labs	300,000
Nerdwallet	150,000
Instacart	125,000
Pivotal Labs	125,000
OKTA	120,000
Asana	100,000
Zymergen	100,000

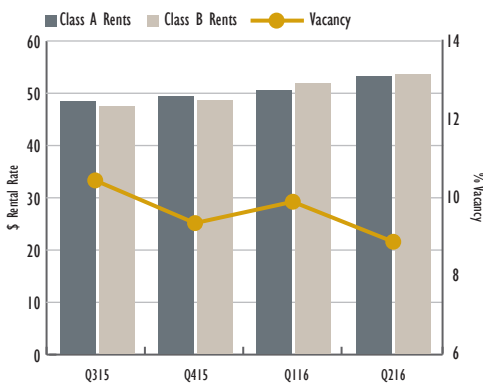
OAKLAND CBD



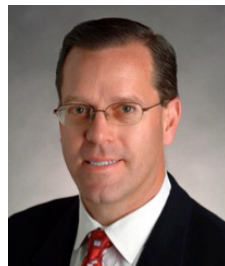
Significant Leases Completed in the Second Quarter

Tenant	Sq. Ft.	Address
Fitbit	207,868	215 Fremont Street
Stripe	102,392	185 Berry Street
UCSF	97,702	499 Illinois Street
Lyft	93,713	185 Berry Street
Chartboost	41,315	85 Second
Paul Hastings LLP	40,422	101 California
Change.org	26,421	444 De Haro
Indeed	24,723	760 Market

PENINSULA



The Axiant Group Can Help You



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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.