



The Axiant Group  
COMMERCIAL REAL ESTATE SERVICES

# Market Overview

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

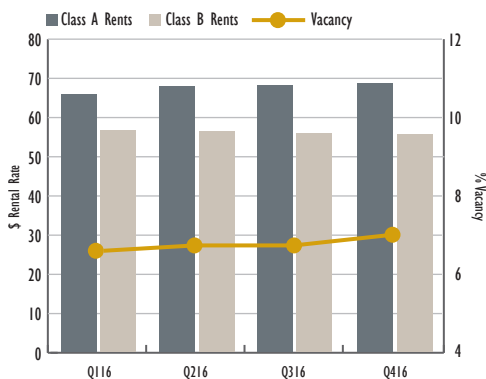
4th Quarter 2016

**Leasing activity in the 4th quarter declined slightly. Vacancy rates moved up slightly for the year but, remained very low compared to historical levels. Space absorption was just negative in the 4th quarter.**

## Absorption and Vacancy Stable in 4th Quarter

Fourth quarter leasing activity in San Francisco's financial core was stable, slowing slightly compared to the 3rd quarter. Vacancy rates increased modestly from an adjusted 6.7% in the 3rd quarter to 7.0% in the 4th quarter. Gross leasing activity dropped, moving from 791,974 square feet in the 3rd quarter to 623,479 square feet in the 4th quarter. Net absorption was negative in the 4th quarter at -165,025, compared to the the 3rd quarter at -9,343.

### SAN FRANCISCO FINANCIAL CORE



Average asking rental rates for Class A space increased slightly from \$68.01 in the 3rd quarter to \$68.58 in the 4th quarter. Average rental rates for Class B financial core space decreased from \$55.63 in the 3rd quarter to \$55.43 in

the 4th quarter. Class B absorption was negative at -16,699 square feet. This was a decrease from 3rd quarter, which had positive absorption of 12,110 square feet.

## Schwab Renews San Francisco Headquarters

Charles Schwab renewed their lease at 211 Main Street, which houses their corporate headquarters. It was the largest lease completed in San Francisco for 2016. The brokerage company leased the entire building which consists of 417,266 square feet of space. There was fear that Schwab might relocate their headquarters out of San Francisco; the building owner responded by actively marketing the space to the brokerage community. Concerns regarding Schwab vacating the building were justified as they have been actively moving employees out of San Francisco to Texas and Colorado, where office space costs and the cost of living is significantly lower.

## Adobe Expands At New Development

Adobe leased 207,000 square feet at 100 Hooper for an expansion of their headquarters in San Francisco. Adobe's commitment to over two-thirds of the available office space at the project allowed the developer, Kilroy, to move forward and break ground. The



Adobe will expand to new construction at 100 Hooper

project is south of Market in the Showplace Square area. The mixed use development features over 300,000 square feet of office space and 90,000 square feet of production, distribution and repair (PDR) space. 100 Hooper is brand new construction and will have very high ceilings and extremely large floor plates, measuring just under 50,000 square feet. It will be comprised of two four story buildings. The ground floors will be PDR space the top three floors in each building will be office space. Adobe will occupy the building in early 2018. 100 Hooper is just a couple of blocks away from Adobe's current headquarters in San Francisco at 601 Townsend Street.

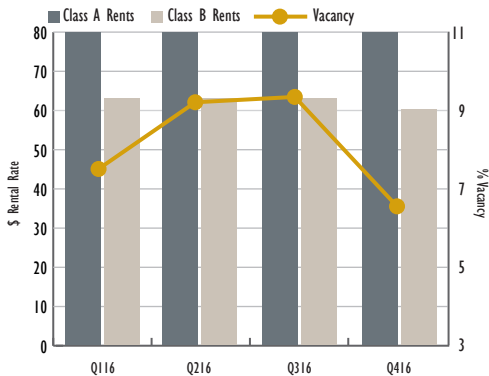
## Twitter's Plug and Play Sublease Moves Quickly

In our 3rd quarter newsletter we talked about Twitter putting sublease space on the market at One Tenth Street and 1355 Market Street. New plug and play tech space is a hot commodity and moves very quickly in this market. The ability to move into space with minimal upfront capital requirements (tenant improvements, wiring or furniture) is extremely desirable to tech tenants and their investors. Two technology companies, Nerd-Wallet and Thumbtack, have sublet 104,850 and 78,792 square feet respectively from Twitter.



Twitter's plug and play sublease space snapped up quickly

**SAN FRANCISCO SOMA**



**Where's the Space?**

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	545,136	5.80%	124,360	1.30%	669,506	7.10%
Fin. Dist. A	2,595,040	6.10%	383,432	.90%	2,978,472	7.00%
Fin. Dist. B	877,607	6.80%	16,723	.10%	894,330	6.90%
SOMA A	168,090	5.70%	63,320	2.10%	230,410	7.90%
SOMA B	537,842	5.40%	76,619	.80%	614,461	6.20%

**Large Tenants in the Market**

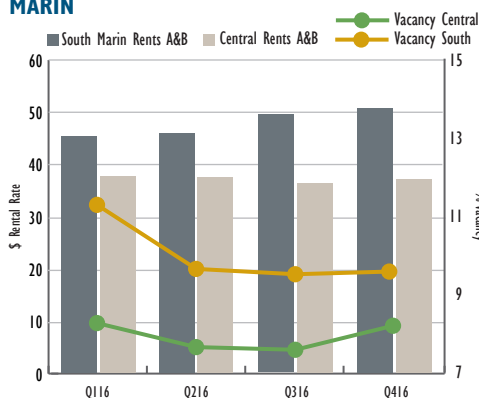
Tenant	Sq. Ft.
Slack	300,000
Instacart	125,000
Pivotal Labs	125,000
OKTA	120,000
Asana	100,000
Zymergen	100,000

**Significant Leases Completed in the Fourth Quarter**

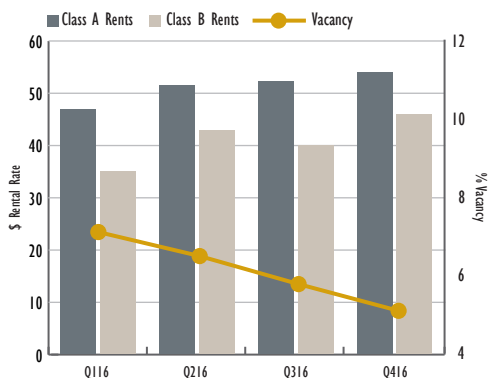
Tenant	Sq. Ft.	Address
Charles Schwab*	417,266	211 Main Street
Adobe	207,000	100 Hooper Street
NerdWallet**	104,850	One Tenth Street
Merrill Lynch*	121,986	101 California Street
Morgan Stanley*	91,008	101 California Street
Gymboree**	79,678	71 Stevenson Street
Thumbtack	78,792	1355 Market Street
Adroll**	65,493	2300 Harrison Street
Blend	47,352	500 Pine Street

\*Renewal \*\*Sublease

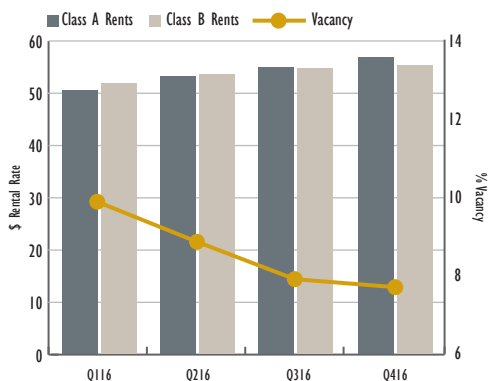
**MARIN**



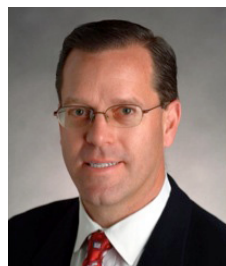
**OAKLAND CBD**



**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.