



Market Overview

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

1st Quarter 2021

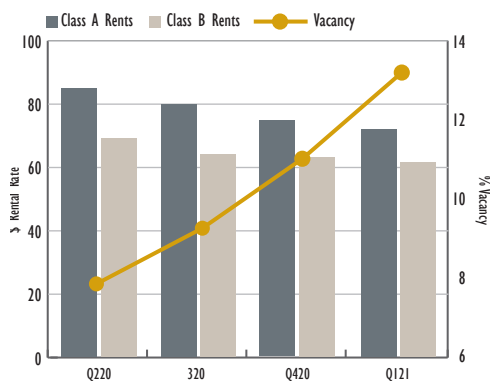
San Francisco Mayor, London Breed, announced on March 23rd that San Francisco is moving to the orange tier and pushing rapidly to the yellow tier.

The orange tier is a significant step forward for office markets as it allows nonessential businesses to reoccupy their space, up to 25% of capacity.

More Sublease Space Hits the Market

First Quarter vacancy rates continued to climb, moving from 11.3% in the 4th quarter to 14.0% in the 1st quarter. Gross leasing was up slightly from the previous quarter going from 318,606 square feet in the 4th quarter to 516,227 square feet in the 1st quarter. Net absorption was negative in the 1st quarter at 1,596,601 square feet, increasing dramatically compared to the 4th quarter, at a negative absorption of 1,007,570 square feet.

SAN FRANCISCO FINANCIAL CORE



Average asking rental rates for Class A space were \$71.83 square foot in the 1st quarter compared to \$74.46 in the 4th quarter. The average rental rates for Class B financial core

space were \$61.43 in the 1st quarter compared to \$62.91 in the 4th quarter, representing a slight drop. Class B absorption was negative at -305,413 in the 1st quarter, similar to the 4th quarter, -327,922 square feet. South of Market (SOMA) vacancy rates continued to increase, moving from 12.0% in the 4th quarter to 15.0% in the 1st quarter.

Subleasing Space Continues To Flood Market

The 3rd and 4th quarters of 2020 brought subleases in record-breaking numbers to the San Francisco market. The 1st quarter of 2021 continues that trend breaking the records

set in the previous two quarters. Over 3,000,000 square feet of sublet space was added to the downtown core in the 1st quarter. The good news: Over the past month, we have seen an increase in leasing activity. Most of the movement has been tenants looking for subleasing deals in the under 10,000 square foot range.

Offices Allowed to Open in San Francisco

The big news is that non-essential offices may now open to 25% capacity. To date, over 50% of San Francisco residents over the age of 16 have received at least one dose of the vaccine. It is anticipated that infection rates will flatten as the number of vaccinations administered to San Francisco residents increases.

Under the new orange tier, the Giants were thrilled to have over 8,900 fans in attendance on opening day. Although nowhere near capacity, it still delivered some degree of normalcy. All fans attending had to show proof of complete vaccination for Covid-19. A testament to things beginning to normalize, Uber announced it will occupy its new offices in Mission Bay as of March 29th. Facebook has also committed to reoccupying its offices on a staggered schedule, with San Francisco reopening on June 7th.



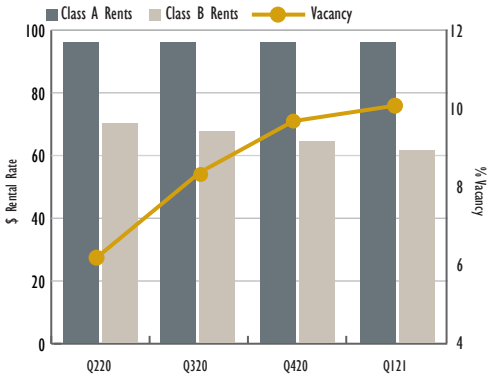
FACEBOOK, PARK TOWER

Orange Tier Impacts on Business in the City

- Indoor dining will increase capacity to 50% with no greater than 200 people, not including employees.
- Tables are limited to six people, no more than three different pods.
- Live entertainment and televisions are now allowed in public dining establishments.
- Operating hours have been extended from 10 PM to 11 PM. Patrons can stay as long as they like, no longer limited to two hours.
- Indoor retail will be allowed to open at 50% capacity.

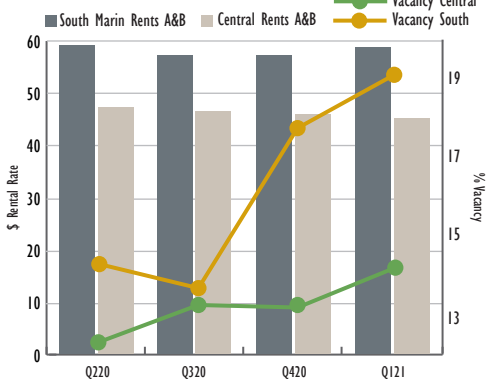
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SAN FRANCISCO SOMA



- Music and theater events can accommodate up to fifty (50) people with proper masking and social distancing.
- Food and Drink are allowed if seated in groups no greater than six (6) with appropriate distancing.
- Indoor gyms are at 25% capacity and can accommodate stretching or aerobic classes no greater than one hundred (100), all participants must wear masks and maintain distances of twelve (12) feet. Locker rooms must have at least one ventilation measure in place.

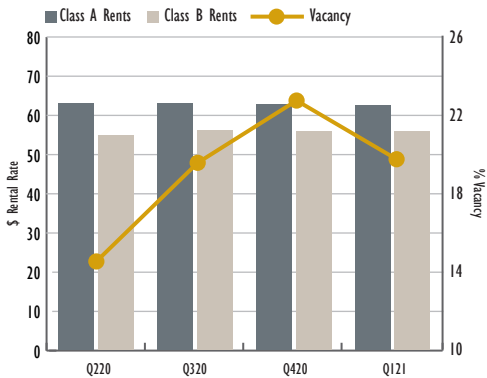
MARIN



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	726,849	5.90%	440,208	3.60%	1,167,057	9.50%
Fin. Dist	4,086,505	8.70%	2,219,807	4.70%	6,306,312	13.40%
Fin Dist. B	1,603,129	12.50%	456,237	3.60%	2,059,366	16.0%
SOMA A	289,747	6.30%	544,200	11.80%	833,947	18.10%
SOMA B	1,603,129	12.50%	456,237	3.60%	2,059,366	16.00%

OAKLAND CBD



Large Tenants in the Market

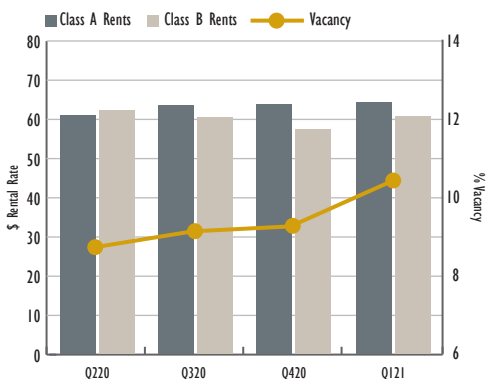
Most large tenants have postponed major decisions on leasing space at this time.

Major Leases Completed in the First Quarter

Tenant	Sq. Ft.	Address
Bank of America	250,000	555 California Street *
Goldman Sachs	883,700	555 California Street *
Invitae	38,000	444 De Haro Street ***
R.J. O'Brien & Associates	27,000	311 California Street *
App Direct	25,880	655 Montgomery Street *
Varo	25,000	100 Montgomery Street **
Pacific Maritime	20,767	555 Market Street *
Baker Tilly	19,624	50 Fremont Street
Woodline Partners	19,700	4 Embarcadero Center **

*Renewal **Sublease ***Expansion ****Oakland lease

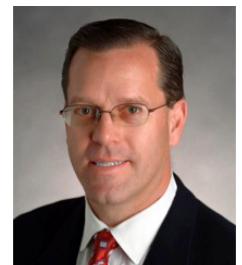
PENINSULA



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?

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.



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