

March was labeled as “Back to the City Month” by the Mayor as San Francisco finally started to reopen.

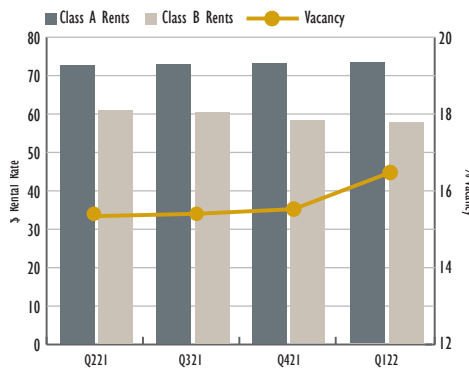
Unfortunately, getting people back into the City is not as easy as flipping a switch. However, activity downtown has increased four to five times since February, which is excellent news.

Sublease Space Continues to Increase

First Quarter vacancy rates continued to move upward, from 15.5% in the 4th quarter to 16.6% in the 1st quarter. Gross leasing was down from the previous quarter, going from an adjusted 1,196,804 square feet in the 4th quarter to 880,986 square feet in the 1st quarter. Net absorption was negative in the 1st quarter at -636,288 square feet, an increase from the previous quarter, which had negative absorption of -337,186 square feet.

Average asking rental rates for Class A space were \$73.13 per square foot in the 1st quarter compared to \$72.92 per square foot in the 4th quarter. The average rental rates for Class B core space was \$57.70 in the 1st quarter compared

SAN FRANCISCO FINANCIAL CORE



to \$58.04 in the 4th quarter. Class B absorption was negative at -182,642 in the 1st quarter, lower than the 4th quarter, which was negative at -50,607 square feet. South of Market (SOMA) vacancy rates

moved upward, from an adjusted 28.1% in the 4th quarter to 29.2% in the 1st quarter.

Alphabet / Google Commits to Real Estate

The global tech giant ramps up expansions to solidify its commitment to physical space. Alphabet has spent over \$37 billion over the past five years on its real estate and plans to commit another \$9.5 billion to its real estate holdings, adding 12,000 new jobs to its workforce. \$3.5 billion of that is earmarked for the Bay Area market. “It might seem counterintuitive to step up our investment in physical offices

even as we embrace more flexibility in how we work,” CEO Sundar Pichai wrote. “Yet we believe it’s more important than ever to invest in our campuses and that doing so will make for better products, a greater quality of life for our employees and stronger communities.”

Most major cities, including San Francisco, were shut down due to the pandemic as remote work increased and leasing volume dropped to zero. Big tech companies proved to be the only active players in the market. Facebook/Meta, Alphabet/Google, and Apple signed massive leases and pushed billions of dollars into expansion. This occurred when most of their employees are still working remotely.

Sephora Signs Huge Lease

Sephora committed to 286,000 square feet of sublet space at 350 Mission Street. This will be a merger of two locations for Sephora as they are currently in 425 and 525 Market Street. 350 Mission is a very identifiable building located on the corner of Mission and Fremont streets. The lobby features a five-story projection wall with constantly changing visuals. Salesforce originally leased the entire building but no longer needed the space and put a portion of it on the market for sublet.

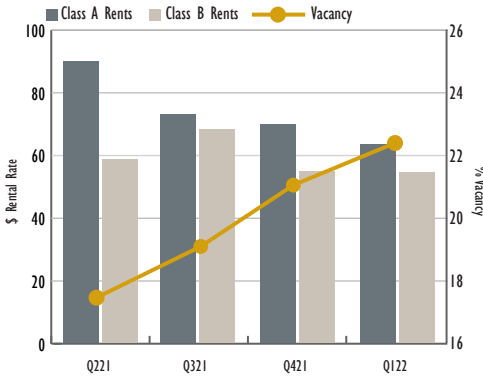


350 Mission Street

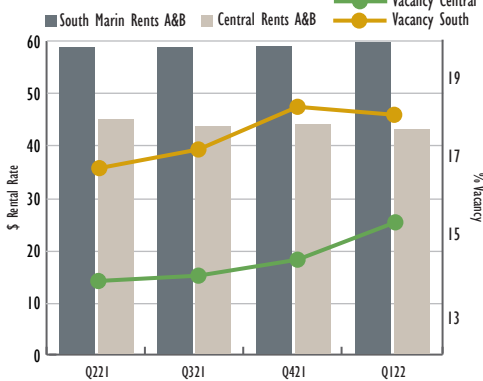
What is the Trajectory for Reopening?

Overall, the Omnicron variant (highly contagious but dramatically less lethal than previous strains) has been significantly less damaging to the population. The future is impossible to predict, but it appears as if new variants are trending in the same direction. When will we be back in the office? Most company leaders and employees look forward to returning downtown, citing office environments as being unmatched for collaboration, training and camaraderie. However, many employees have embraced the remote workplace – flexibility and saving time from commuting are significant reasons. Regrettably, we cannot just turn the page and have everyone reappear in the office. We are moving in the right direction, but it will take some time.

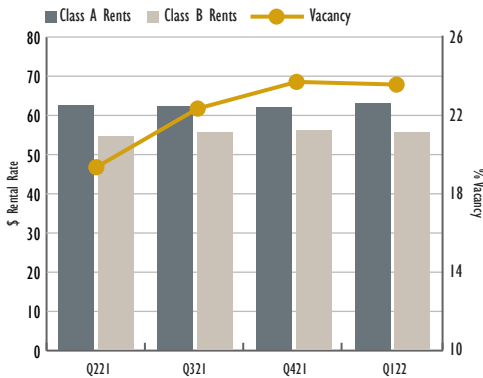
SAN FRANCISCO SOMA



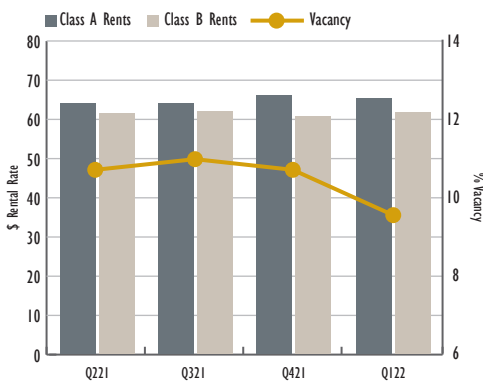
MARIN



OAKLAND CBD



PENINSULA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	997,319	8.0%	215,621	1.70%	1,212,940	9.80%
Fin. Dist A	5,757,224	12.20%	1,646,496	3.50%	7,403,720	15.70%
Fin Dist. B	2,294,508	17.70%	324,566	2.50%	2,619,164	20.20%
SOMA A	1,435,459	25.00%	239,551	4.20%	1,675,010	29.20%
SOMA B	1,600,939	13.60%	825,223	7.00%	2,426,162	20.60%

Major Leases Completed in the First Quarter

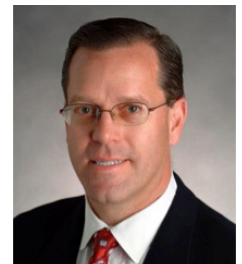
Tenant	Sq. Ft.	Address
Sephora**	286,627	350 Mission Street
Goodby, Silverstien*	81,065	720 California Street
Viacom CBS**	70,770	680 Folsom Street
Microsoft*	60,000	555 California Street
Sixth Street Partners	59,008	One Letterman Drive
Opendoor***	44,961	303 2nd Street
Finix	43,359	631 Howard Street
Mantle	40,000	1950 Ceasar Chavez
Green Tur	31,286	101 Second Street
SoFar Ocean***	28,341	Pier 26
SAP**	28,000	135 Townsend Street

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

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