

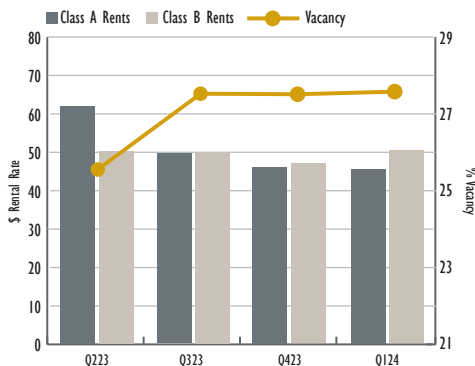
## The real estate market in San Francisco experienced a pause during the first quarter, with vacancy numbers holding steady compared to the fourth quarter.

Unfortunately, the vacancy rate is still at a historical high, hovering above thirty-six percent. Meanwhile, Union Square took a massive hit in the retail sector with the announcement of Macy's iconic flagship store closing.

### Vacancy Stabilizes For The Moment

The 1st quarter vacancy rate for class A downtown market core space was stable, moving from an adjusted 27.8% in the 4th quarter to 27.6% in the 1st quarter of 2024, effective no change. Gross leasing decreased from an adjusted 1,151,399 square feet in the 4th quarter to 667,547 square feet in the 1st quarter. Net absorption in the 4th quarter was -936,433 square feet. The amount of positive absorption increased to 215,776 in the 1st quarter.

#### SAN FRANCISCO FINANCIAL CORE



The average asking rental rate for Class A space was \$45.34 per square foot in the 1st quarter compared to \$45.81 per square foot in the 4th quarter. The average rental rate for Class B financial core space

was \$50.21 in the 1st quarter compared to \$49.31 in the 4th quarter. Class B absorption was -109,062 in the 1st quarter, lower than the adjusted -187,244 square feet in the 4th quarter. South of Market (SOMA) vacancy rates moved upward to just over 36 percent the 4th quarter.

### Rippling Capitalizes On WeWork Buildout

Software management company Rippling leased 123,000 square feet at 430 California Street. Rippling is currently located at 55 Second Street, with just over 30,000 square feet. Their new site represents a quadrupling of their footprint. The new location has two buildings, 400 and 430 California Street. Rippling will occupy space in the tower building (400 California). Kennedy

Wilson purchased both properties from Union Bank of California in 2016 for \$135 million then did extensive renovations after the entire tower was master leased to WeWork, a company famous for developing co-working spaces and subleasing to multiple tenants. In this instance, they leased the whole building to one tenant, Coinbase.

Coinbase's plans for the space never materialized, most of the space was only partially occupied. Coinbase vacated the property in 2021. Rippling was very attracted to the building due to the high quality of the existing buildout and furnishings. Duplicating the same tenant improvements and furnishings today would be twice the cost. The contrast between the historical banking hall at 400 California Street and the modern tower at 430 California Street, highlights the unique character of the property. 400 California Street was built in 1908 and is registered as the third historical building in San Francisco's Landmark List. 430 California Street is twenty-one stories and 246,919 square feet. The tower building was constructed in 1965, both 400 & 430 California were owned by the Bank of California until 1996, when the Bank of California merged with Union Bank to create Union Bank of California.



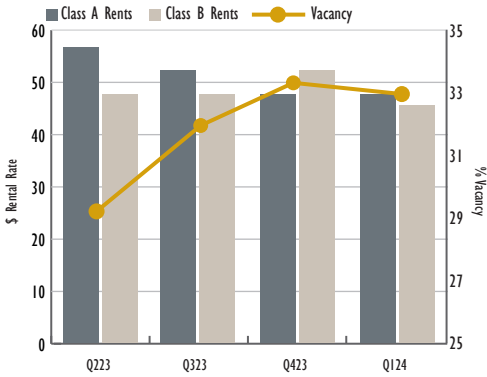
400 California Street

### Macy's Closure Devastates Union Square

The closure of Macy's flagship store in Union Square is indeed significant news, likely to garner attention not only locally but also nationally given the store's prominence. While it may appear as another setback for downtown San Francisco's recovery efforts, experts assert that the decision reflects broader shifts in global retail rather than solely the desirability of San Francisco real estate.

Macy's, like many traditional retailers, has been grappling with evolving consumer behaviors, including the rise of e-commerce and changing shopping habits exacerbated by the pandemic. The decision to close the flagship store is likely part of Macy's broader strategic realignment to adapt to these trends and optimize its brick-and-mortar footprint. However, high levels of crime plaguing San Francisco and the store were undoubtedly a contributing factor, creating significant harm to retail businesses, affecting foot traffic, consumer confidence, and sales.

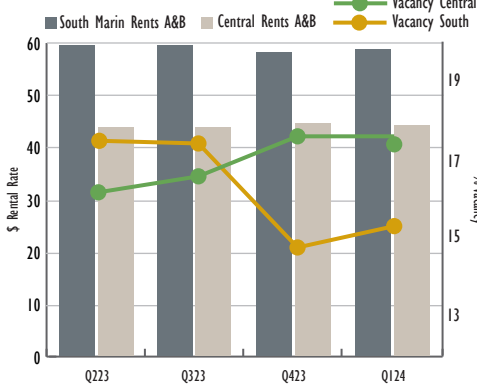
**SAN FRANCISCO SOMA**



**Where's the Space?**

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	1,545,479	11.70%	859,930	6.50%	2,335,339	18.20%
Fin. Dist. A	10,944,866	22.30%	2,340,948	4.80%	13,285,814	27.10%
Fin. Dist. B	3,345,382	27.50%	296,620	2.40%	3,642,002	29.90%
SOMA A	2,037,217	31.70%	569,247	8.90%	2,606,464	40.60%
SOMA B	2,425,872	20.30%	1,031,073	8.60%	3,572,817	29.00%

**MARIN**

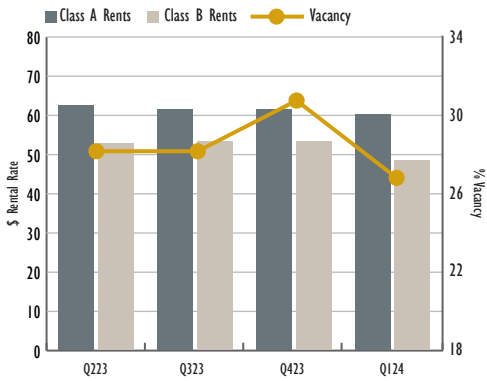


**Major Leases Completed in the First Quarter**

Tenant	Sq. Ft.	Address
City of San Francisco	157,000	1450 Market Street ****
Ayden	148,146	505 Brannan Street **
KPMG	142,785	55 Second Street *
Rippling	123,000	400 California Street ****
Figma	97,647	760 Market Street *
Pillsbury Winthrop Shaw	76,132	4 Embarcadero Center *
Goodwin Procter	58,992	525 Market Street ****
Bank of America	42,000	315 Montgomery *
Felton Institute	37,102	1170 Market Street ****

\*Renewal \*\*Sublease \*\*\*Expansion \*\*\*\*New lease

**OAKLAND CBD**

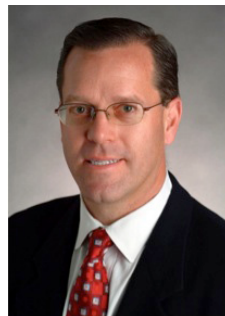
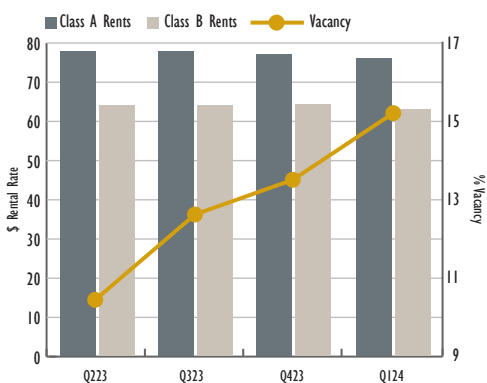


**The Axiant Group Can Help You**

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., Coblentz, Patch, Duffy & Bass, Oracle Corporation, PG&E, Sutro & Company, Zurich Scudder Investments, Charles Schwab, Texas Pacific Group, Club One, Moss Adams, and many others.

**PENINSULA**



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