

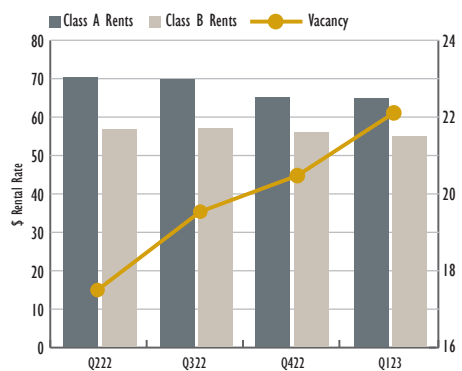
Vacancy rates continue to climb to historic highs

Meta (formerly Facebook) added over 430,000 square feet of sublet space to the market. Some groups are estimating the vacancy rate to be almost 30%. Most tenants are downsizing their office needs due to new hybrid/remote work models, and as a result, vacancy rates will continue to rise.

No End in Site for Sublease Space

First quarter vacancy rate continued to increase, from 20.5% in the 4th quarter 2022 to 22.5% in the 1st quarter 2023 – an increase of two percent. Gross leasing decreased from an adjusted 714,311 square feet in the 4th quarter to 559,690 square feet in the 1st quarter. Net absorption in the previous quarter was -494,895 square feet. The amount of negative absorption increased to -669,328 in the 1st quarter.

SAN FRANCISCO FINANCIAL CORE



Average asking rental rates for Class A space was \$64.77 per square foot in the 1st quarter compared to \$65.02 per square foot in the 4th quarter. The average rental rate for Class B financial core

space was \$54.67 in the 1st quarter compared to \$55.41 in the 4th quarter. Class B absorption was -285,179 in the 1st quarter; lower than the adjusted 24,396 square feet in the 4th quarter. South of Market (SOMA) vacancy rates increased rapidly from 30.6% in the 4th quarter to 33.6% in the 1st quarter.

Meta Releases Huge Block of Space

Meta has listed for sublease 435,000 square feet at 181 Fremont Street. The primary tenant at the address is Instagram, which is owned by Meta. 181 Fremont Street was developed and owned by Jay Paul. It is a unique structure: the lower portion of the building consists of office space while the upper

half of the building consists of residential condominiums. Meta also leases all 755,000 square feet of the 43-story Park Tower building located at 250 Howard Street. It was one of the most aggressive tech companies leasing space in 2021 and 2022. Now the tech giant is reversing that strategy, giving vast blocks of space back to most markets, such as 450,000 square feet in Mountain View, and two locations in New York City that comprise over 500,000 square feet. In addition, Meta has paused plans to build out space at Hudson Yard, where they have leased over 1.5 million square feet of space.



181 Fremont

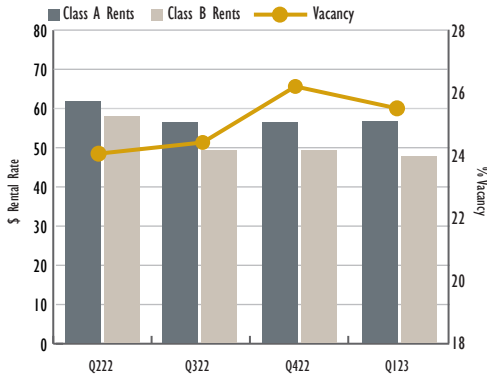
Salesforce Adds More Space to Market

Salesforce was in the news last quarter for cutting 10% of its staff. Before the announcement, they had sublet a significant amount of space, and will now be adding even more sublet space to the market. This time, it is at their headquarters, Salesforce Tower. They currently have 875,000 square feet of the 1.4 million square feet and will give up 150,000 square feet on six (6) floors. Salesforce has been very active in the sublet market, subleasing their entire building – over 500,000 square feet – at 350 Mission Street, and have another 700,000+ square feet of space available at 50 Fremont, which they own.

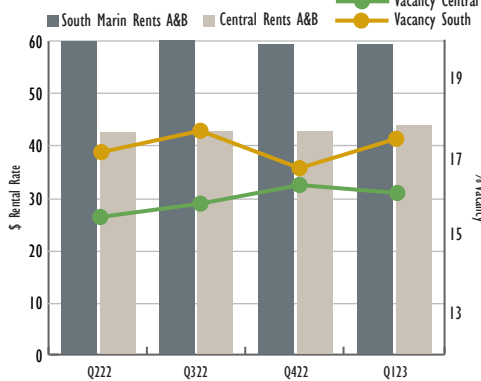
Roadmap to Downtown San Francisco's Future?

S.F. Mayor London Breed announced in February, a plan to enact tax reform and introduce financial incentives to attract companies to downtown. The "Roadmap to Downtown San Francisco's Future" would pause scheduled increases in gross receipts tax. The plan would also try to lure companies to the City by discounting up to 1 million dollars for up to three years on their gross receipts taxes. The mayor also launched a feasibility study in partnership with SPUR and the architectural firm Gensler which looks at converting office space into housing. While it is a popular idea, these types of conversions are entirely unrealistic based on astronomic construction costs and complex code issues.

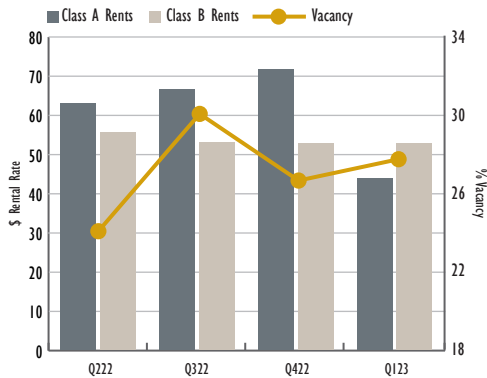
SAN FRANCISCO SOMA



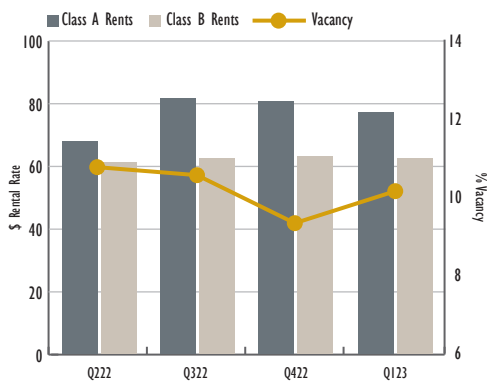
MARIN



OAKLAND CBD



PENINSULA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	1,170,320	9.00%	315,291	2.40%	1,485,611	11.40%
Fin. Dist. A	8174,830	16.6%	1,904,362	3.90%	10,079,192	20.50%
Fin. Dist. B	2,659,262	21.90%	469,351	3.90%	3,128,613	25.80%
SOMA A	1,579,570	25.40%	504,553	8.10%	2,084,123	33.60%
SOMA B	2,077,245	17.60%	999,566	8.50%	3,076,811	26.00%

Major Leases Completed in the First Quarter

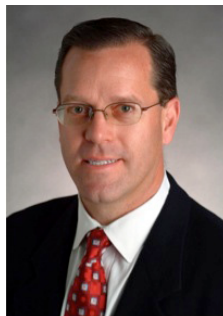
Tenant	Sq. Ft.	Address
Cisco Meraki *	234,537	500 Terry Francois Boulevard
Waymo * **	76,669	555 Market Street
Gibson Dunn	50,000	One Embarcadero Center
Bank of the West *	49,399	180 Montgomery Street
Reddit	47,872	303 Second Street
Zillow *	26,646	535 Mission Street
Shartsis	26,158	425 Market Street
Gunderson Dettmer * **	24,265	1 Bush 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., 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.



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