



The Axiant Group
COMMERCIAL REAL ESTATE SERVICES

Market Overview

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

2nd Quarter 2022

San Francisco's weekday population is slowly increasing

However, there is significant resistance from workers who would like to return to the office for the synergy and camaraderie, but have no interest in the commute. Many companies pitch a hybrid model with employees working remotely but being in the office two to three times a week. Companies realize employees have the leverage, unemployment hovers at historic lows, and employee retention is critical.

Sublease Space Continues to Increase

Second quarter vacancy rates continued their upward trend, from 16.7% in the first quarter to 17.4% in the second quarter. Gross leasing increased, from an adjusted 994,398 square feet in the first quarter to 1,450,614 square feet in the second quarter. Net absorption in the previous quarter was -668,029 square feet, this decreased to -424,127 in the second quarter.

SAN FRANCISCO FINANCIAL CORE



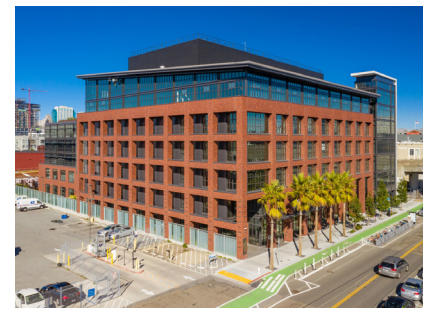
Average asking rental rates for Class A space were \$70.07 per square foot in the second quarter compared to \$73.13 per square foot in the first quarter. The average rental rates for Class B financial core space

was \$56.73 in the second quarter compared to \$57.70 in the first quarter. Class B absorption was negative at -32,549 in the second quarter, lower than the -208,487 square feet in the first quarter. South of Market (SOMA) vacancy rates moved upward, from an adjusted 28.9% in the first quarter to 29.8% in the second quarter.

Google Commits to SF Real Estate

In our first quarter newsletter, we wrote about Alphabet / Google's substantial commitment to real estate in the Bay Area and nationally; spending close to ten million dollars in

the last year. Google is in the market again, committing to a long-term sublease of an entire building at 510 Townsend. This represents over 300,000 square feet south of Market. Google's cloud computing division is taking the space. It is a state-of-the-art, beautiful class-A building and LEED Platinum-certified. The advanced heating, ventilation, and air conditioning system is a selling point in this post-Covid environment. Landlords of the property are a joint venture between Alexandria Real Estate and TMG Partners. Stripe, Inc. will vacate the space in order to move to their headquarters to a larger facility; they will occupy over 400,000 square feet at their new South San Francisco headquarters at Oyster Point next year.



510 Townsend

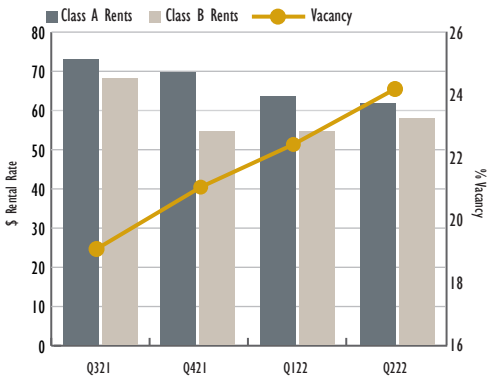
Wells Fargo Commits To Major Lease

Wells Fargo committed to the largest lease since the beginning of Covid. They will be renewing their lease for 620,000 square feet at 333 Market Street. Columbia Property Trust has owned the building since 2018. However it is not all good news. Wells Fargo will be vacating two other properties: 45 Fremont and 550 California. Wells was a long-term tenant in both buildings occupying almost 150,000 square feet and 350,000 square feet respectively.

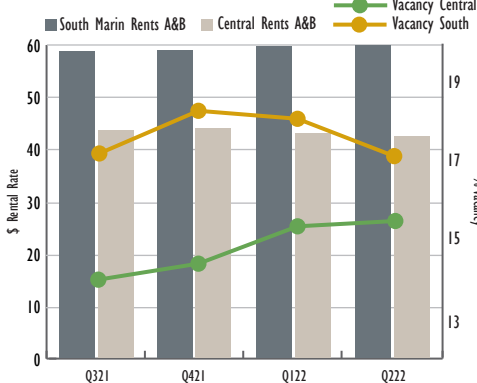
Redesign Of The Office Model?

Covid has raised many questions about the office market. Remote and hybrid work models have become prominent in tenant decisions about where, how and whether to use physical space. A flight to quality office space is evident with companies reducing square footage, but upgrading office quality to encourage employees to return to the office. Strong demand and limited lease incentives in top tier class-A space confirm this. These trends will gain momentum in the months ahead as employers continually adapt to the tight labor market and demands from employees for more flexibility.

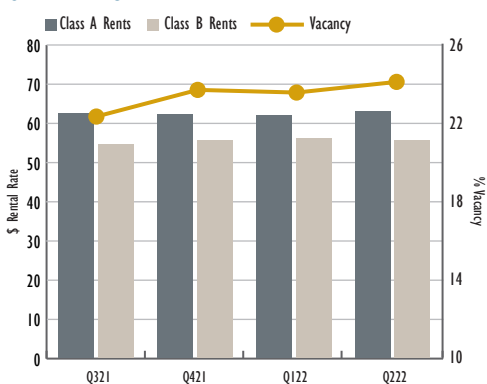
SAN FRANCISCO SOMA



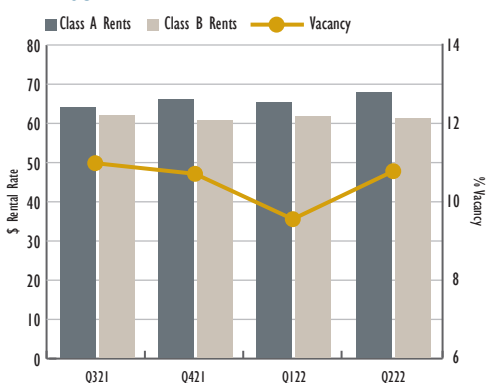
MARIN



OAKLAND CBD



PENINSULA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	950,539	7.60%	237,114	1.90%	1,187,653	9.60%
Fin. Dist. A	6,174,946	13.0%	1,691,359	3.50%	7,866,305	16.50%
Fin Dist. B	2,246,607	17.60%	376,641	3.00%	2,623,248	20.60%
SOMA A	1,504,581	25.30%	271,117	4.60%	1,775,698	29.90%
SOMA B	1,637,782	13.90%	876,048	7.40%	2,513,830	20.60%

Major Leases Completed in the Second Quarter

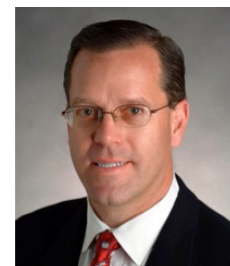
Tenant	Sq. Ft.	Address
Wells Fargo*	657,117	333 Market Street
Google**	295,333	510 Townsend Street
Ripple	124,500	600 Battery Street
Iconiq**	88,600	300 Mission Street
Lieff Cabraser*	46,000	275 Battery Street
Farrella, Braun & Martel	39,088	One Bush Street
Prosper*	35,134	221 Main Street
Hogan Lovells US LLP	22,501	4 Embarcadero Center

*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.



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