

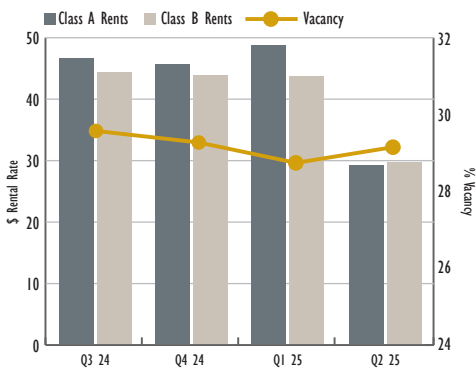
The market recorded its highest level of new leasing activity since 2019, even with vacancy rates ticking up slightly this quarter.

Demand continues to be fueled by companies in the technology and professional services sectors, with particular momentum coming from AI and other tech startups.

Vacancy Edges Up as Leasing Activity Strengthens

In Q2 2025, the Class A office vacancy rate in San Francisco's downtown core inched up to 29.1%, a modest rise from 28.9% in Q1 2025. Despite this, leasing activity strengthened, with gross leasing climbing from 1,255,229 square feet in Q1 to 1,471,986 square feet in Q2 — the highest quarterly total since 2019.

SAN FRANCISCO FINANCIAL CORE



space fell from \$48.59 per square foot in Q1 to \$47.94 in Q2. Class B rates also edged down, from \$43.57 to \$43.26 per square foot. Class B absorption remained marginally positive at +333 square feet, compared to +691 square feet in Q1.

Meanwhile, the South of Market (SOMA) area set a new record high for Class A vacancy, rising to 40.7%.

LendingClub Bets on San Francisco

San Francisco-based fintech company LendingClub Corp. is joining a growing group of investors betting on the city's recovery by acquiring a discounted office property.

LendingClub has agreed to purchase the 21-story, 234,000 square foot tower at 88 Kearny St., located on the edge of the Financial District for \$74.5 million. The seller, TIAA (Teachers

Insurance and Annuity Association of America), originally paid about \$66 million in 1999. The transaction is expected to close by the end of June. Currently headquartered at 595 Market St., where it leases nearly 127,000 square feet and is the largest tenant in the Tishman Speyer-owned tower, LendingClub plans to relocate to the Kearny Street building next year. Its current lease expires in March 2026.



88 Kearny Street

MOFO Commits To Major Lease

Morrison & Foerster ("MOFO") plans to relocate their San Francisco headquarters to 101 California Street after decades at 425 Market Street. This marks a significant shift for the prominent law firm. Morrison & Foerster has occupied approximately 220,000 square feet across eight floors at 425 Market, a space it leased under a 17-year agreement signed in 2010.

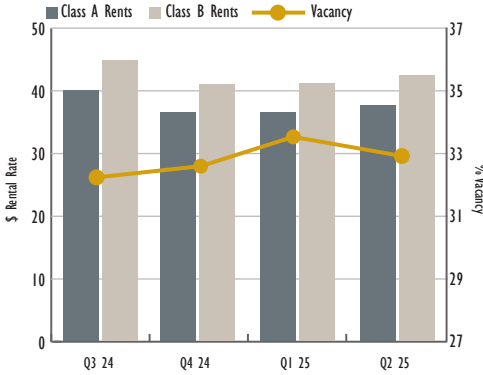
The new lease, roughly 112,000 square feet, represents a major win for the building's owner, Hines, which developed the 1.1 million-square-foot tower in 1982 and co-owns it with Singapore's GIC Real Estate. The agreement is the largest at 101 California since fintech company Chime leased about 200,000 square feet in 2021.

The 48-story tower was about 74% leased as of September 2024, according to CMBS data. Hines completed an extensive renovation of the property, including upgrades to both lobbies and the outdoor plaza, in 2021 — likely making it more attractive to incoming tenants.

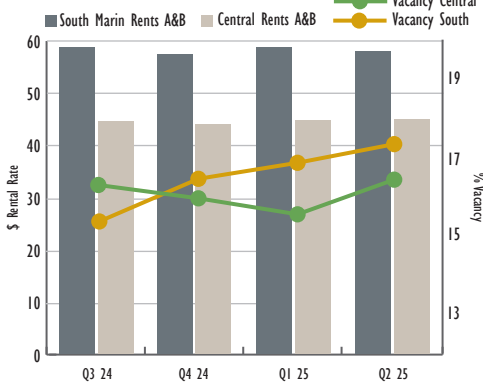
Looking Ahead

The second quarter of 2025 demonstrated that San Francisco's office market continues to show signs of resilience, with robust leasing activity despite persistent vacancy challenges. While vacancy rates remain elevated and rents continue to adjust, sustained demand from technology, AI, and professional services firms offer optimism for gradual recovery in the quarters ahead.

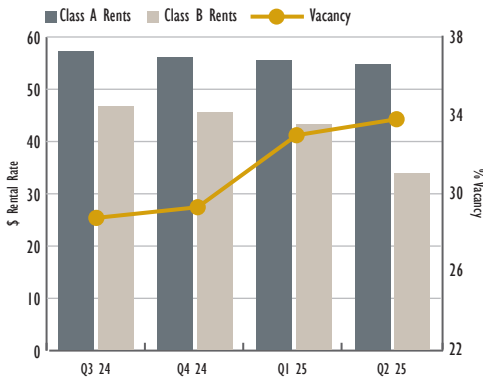
SAN FRANCISCO SOMA



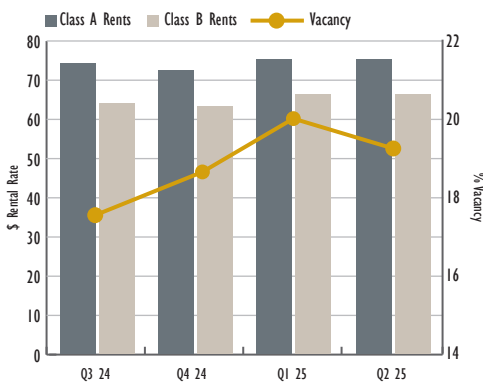
MARIN



OAKLAND CBD



PENINSULA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	1,894,643	14.80%	778,770	6.10%	2,423,048	20.90%
Fin. Dist. A	12,450,353	24.70%	2,237,632	4.40%	14,687,985	28.80%
Fin. Dist. B	3,232,359	28.20%	155,246	1.40%	3,327,067	28.80%
SOMA A	2,470,527	33.30%	549,952	7.40%	3,020,479	40.70%
SOMA B	2,229,449	19.50%	946,290	8.30%	3,175,739	27.80%

Major Leases Completed in the Second Quarter

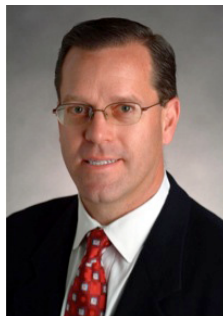
Tenant	Sq. Ft.	Address
City and County of SF	225,883	1455 Market Street *** ****
LinkedIn	154,450	222 Second Street *
Coinbase	150,450	Mission Rock – Building B ****
UCSF	147,000	499 Illinois Street * ***
Morrison & Foerster	112,760	101 California Street ****
US Bank	75,925	One California Street *
Thinking Machines	72,486	2300 Harrison Street ****
SC Johnson	66,436	631 Howard Street *
Sheppard Mullin	65,577	Four 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., 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.



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