



The Axiant Group
COMMERCIAL REAL ESTATE SERVICES



Market Overview

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

3rd Quarter 2024

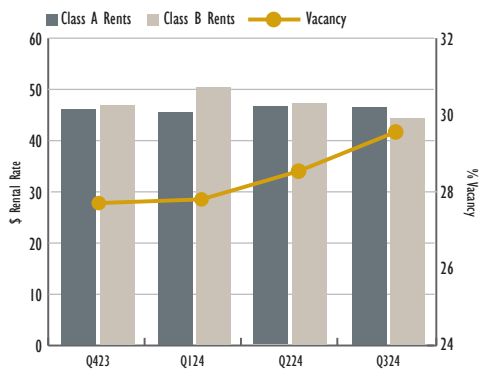
Vacancy Rates Continued to Rise in the Third Quarter, but Increase Slower than Previous Quarters

At the same time, more buildings are being sold at a fraction of their pre-pandemic values, and their rental rates are being reset to reflect the current market conditions. This trend reflects the ongoing adjustments in the commercial real estate market as it adapts to new economic realities.

Vacancy Rates Moves Upward Slightly

In the 3rd quarter of 2024, the vacancy rate for Class A office space in the downtown market core inched up to 29.8%, compared to 29.3% in the previous quarter. Gross leasing activity also saw a significant decline, dropping from 1,077,516 square feet in the 2nd quarter to 706,972 square feet in the 3rd quarter. However, net absorption improved somewhat, with a negative absorption of 251,245 square feet in the 3rd quarter, down from the 2nd quarter's more substantial -737,972 square feet.

SAN FRANCISCO FINANCIAL CORE



Average asking rental rates for Class A space slightly decreased, from \$47.28 per square foot in the 2nd quarter to \$46.39 per square foot in the 3rd quarter. Class B space

in the financial core saw a smaller reduction, with average rental rates decreasing from \$44.76 to \$44.45 per square foot. Class B absorption also turned negative in the 3rd quarter, at -181,999 square feet, a notable change from the positive 48,031 square feet in the 2nd quarter. Meanwhile, the vacancy rate in the South of Market (SOMA) area surpassed 38.3%.

OpenAI Expands Next to Uber Compound

OpenAI has expanded its presence in San Francisco's Mission Bay, leasing the entirety of 550 Terry A. Francois Blvd., which adds 315,000 square feet to its footprint. The six-story building, previously owned by Old Navy before being sold to DivcoWest for \$356 million in 2022, is just a block away from OpenAI's existing offices at 1455 and 1515 Third St., where they sublease nearly half a million square feet from Uber. This new lease was finalized after negotiations that began in the spring and further solidifies OpenAI's growing base in the Mission Bay area.

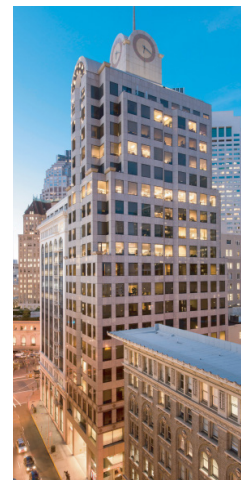


550 Terry Francoise Boulevard

33 New Montgomery Trading Hands

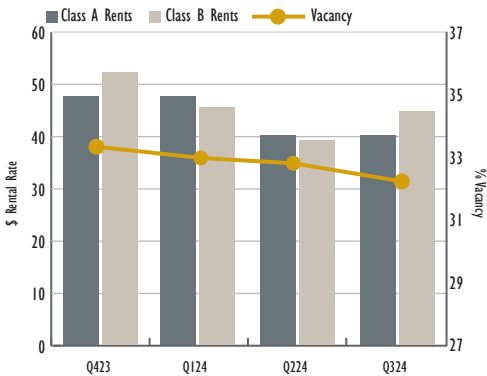
San Francisco-based Ridge Capital Investors is discussing acquiring the 245,000-square-foot office building at 33 New Montgomery for approximately \$300 per square foot, which would value the property in the mid-\$70 million range. This deal would mark 33 New Montgomery as another building being sold under lender pressure if finalized. It also highlights Ridge's role as a repeat buyer in downtown San Francisco's post-pandemic real estate market.

Ridge Capital previously made headlines last fall when they acquired 180 Howard St. from the State Bar of California in a \$54 million sale-leaseback deal, stepping in after negotiations with another buyer collapsed. That transaction, recognized as one of the Business Times' top deals of 2023, valued the 211,000-square-foot building near the Embarcadero at around \$255 per square foot. Ridge's acquisition of both properties underscores their growing presence in San Francisco's evolving commercial real estate landscape.



33 New Montgomery

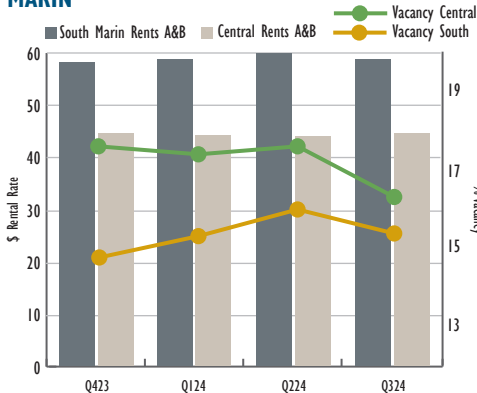
SAN FRANCISCO SOMA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	1,653,681	13.00%	916,698	7.20%	2,570,379	20.10%
Fin. Dist. A	12,737,142	24.80%	2,525,334	4.90%	15,262,476	29.80%
Fin. Dist. B	2,508,917	23.30%	272,729	2.00%	2,781,646	25.80%
SOMA A	2,380,409	33.50%	338,833	4.80%	2,719,242	38.30%
SOMA B	2,327,844	19.90%	1,025,044	8.80%	3,352,888	28.70%

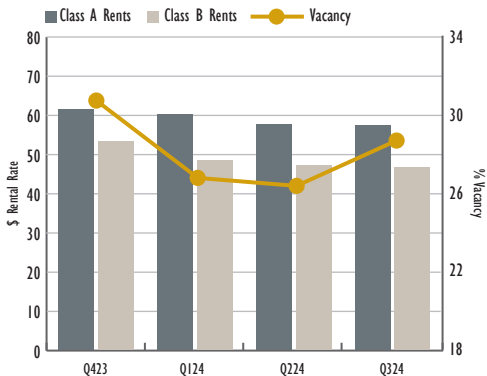
MARIN



Major Leases Completed in the Third Quarter

Tenant	Sq. Ft.	Address
OpenAI	315,000	500 Terry Francois Blvd. ***
UCSF	300,000	Potero Power Station****
KPMG	95,296	505 Howard Street ****
Cisco Meraki	54,502	500 Terry Francois Blvd.****
Strava	49,062	181 Fremont Street **
Dragoneer	48,000	One Letterman Drive- Building D *
Perkins Cole	45,451	505 Howard Street *
Delta Dental	45,132	560 Mission Street *
Sierra AI	41,104	235 Second Street ****

OAKLAND CBD



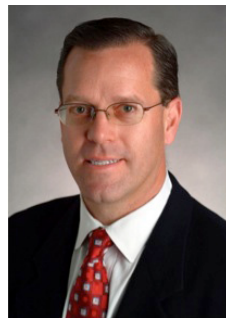
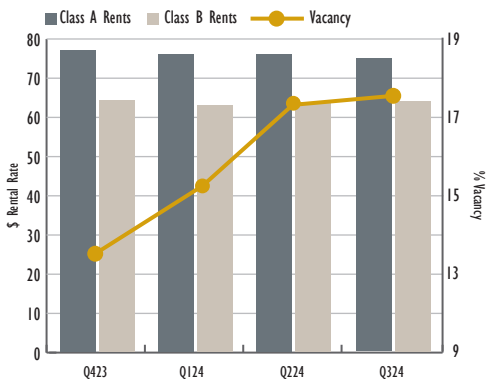
*Renewal **Sublease ***Expansion ****Oakland lease

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.

PENINSULA



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