



The Axiant Group
COMMERCIAL REAL ESTATE SERVICES

Market Overview

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

3rd Quarter 2021

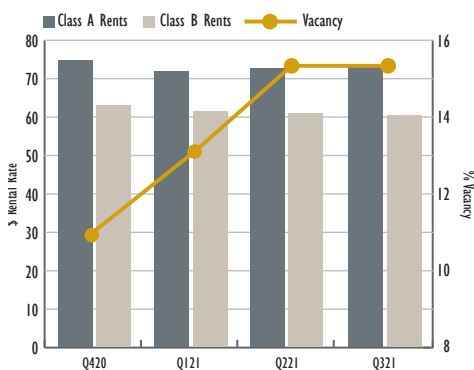
The San Francisco reopening was set for June 15th. Many at the time saw light at the end of the tunnel but, no one knew Delta was coming.

Promises of being able to return to the office after Labor Day did not materialize. On a positive note, Mayor London Breed just announced the lifting mask rules for offices, gyms, and other indoor settings if all present are vaccinated.

Is Sublease Space Finally Stabilizing?

Third quarter vacancy rates were stable moving, from 15.4% in the 2nd quarter to 15.3 in the 3rd quarter. Gross leasing was up significantly from the previous quarter going from 771,372 square feet in the 2nd quarter to 1,428,141 square feet in the 3rd quarter. Net absorption was just slightly positive in the 3rd quarter at 30,082 square feet, but it represents a dramatic swing compared to the 2nd quarter, which had negative absorption of 951,373 square feet.

SAN FRANCISCO FINANCIAL CORE



Average asking rental rates for Class A space were \$72.67 per square foot in the 3rd quarter compared to \$72.58 per square foot in the 2nd quarter. The average rental rates for Class B financial core space were \$60.18 in the

3rd quarter compared to \$60.83 in the 2nd quarter. Class B absorption was negative at -812 in the 3rd quarter, lower than the 2nd quarter, which was negative at -197,145 square feet. South of Market (SOMA) vacancy rates was stable, moving from 17.8% in the 2nd quarter to 17.2% in the 3rd quarter.

Chime Lease Largest of 2021

Mobile banking start-up Chime has committed to the largest lease of 2021 to date. Chime presently has a valuation of \$25 billion, having raised \$750 Million in August. They will occupy the podium building at 101 California Street, leasing 191,833 square feet. The lease is for twelve years with a rental rate in an eighty-five dollar fully serviced range. Chime is currently

headquartered at 77 Maiden Lane. 101 California is one of the most prestigious highrises in San Francisco. The 48-story building was constructed in 1982 by the world-renowned developer Gerald Hines. The podium building of the project is attached to the highrise but has a separate identity, with a dedicated lobby and elevator banks. The podium has seven floors and a roof deck.

Googles Commitment to Office Is Long Term

Google committed to leasing St. John's Terminal in New York some time ago, but now they are buying it as well. The \$2.1 billion dollar project, a former freight forwarding terminal for the High Line, is currently under construction in the Hudson



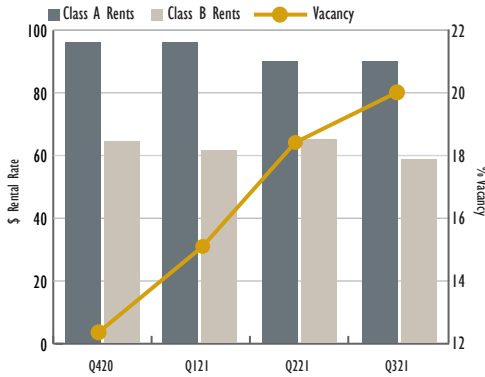
Rendering of St. John's Terminal

Square area of Manhattan's west side. The deal for the 1.3 million square foot waterfront location is the biggest sale during the pandemic and one of the most expensive ever in the United States. As Google has been among the companies most accepting of remote work, it begs the question why they would pay a record amount for real estate when employees are working remotely. This commitment from Google demonstrates how important they feel in-person collaboration is for their employees. Other technology firms throughout the U.S. share this mindset as they commit to major leases despite the pandemic. With their aggressive real estate demand, tech companies have taken over the position of financial services groups, who in contrast, have been dumping large blocks of space into the market.

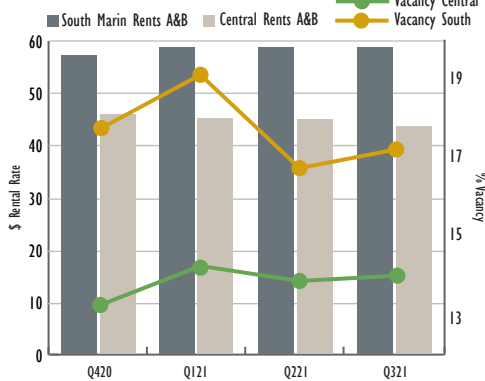
Will San Francisco's New Masking Rules for the Office Spur a Return?

We have had several false starts in our quest to return to the office, the latest due to the Delta variant. While San Francisco has one of the highest vaccination rates (80%) of a metro area in the country, it has one of the lowest return to office rates (below 25%) of any major city in the U.S. This paradox occurs as a large part of San Francisco tenants are technology-based. The greater use of technology, the easier it is to integrate the remote workplace concept. Recently San Francisco Mayor London Breed announced new indoor rules for office space and gyms, which would allow people with proof of vaccination to assemble without masks, signifying a step in the right direction.

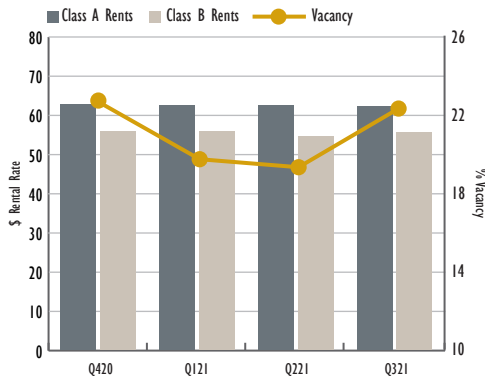
SAN FRANCISCO SOMA



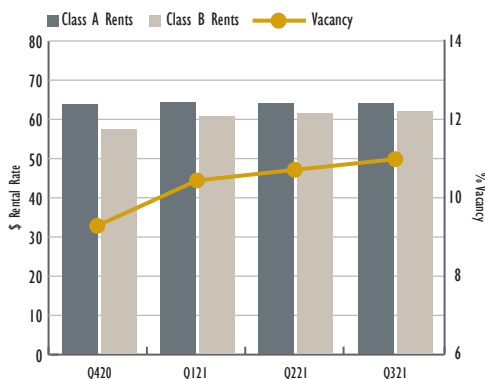
MARIN



OAKLAND CBD



PENINSULA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	860,737	7.10%	235,036	1.90%	1,095,773	9.00%
Fin. Dist A	4,886,789	10.40%	1,951,743	4.20%	6,838,532	14.60%
Fin Dist. B	1,917,080	14.80%	373,172	2.90%	2,290,252	17.70%
SOMA A	595,806	12.80%	314,299	6.70%	910,105	19.50%
SOMA B	1,421,340	12.20%	934,230	8.00%	2,335,570	20.20%

Large Tenants in the Market

Blackrock	325,000
Databricks	125,000
Morgan Stanley	125,000
Airtable	100,000
Opendoor	100,000
Live Ramp	100,000

Major Leases Completed in the Third Quarter

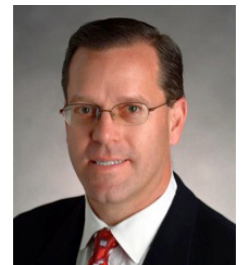
Tenant	Sq. Ft.	Address
Chime	191,833	101 California Street
Pinterest*	121,000	651 Brannan Street
Sephora*	110,558	525 Market Street
Retool	72,225	1550 Byrant Street
Citibank	71,810	One Market Plaza
Notion**	63,226	2300 Harrison Street
Yelp**	53,996	350 Mission Street
Hinge Health	53,285	455 Market Street
Scale	48,812	155 5th Street
Waymo**	48,205	555 Market 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., 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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