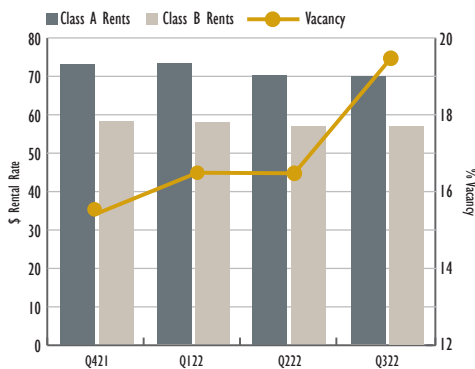


## San Francisco Sees Highest Occupancy Rates Since the Start of the Pandemic

After Labor Day, San Francisco's office market hit its highest occupancy rates since the pandemic began. The number of workers back in the office increased to over 40%. Many companies are starting to look hard at their space requirements as COVID-19 diminishes and long-term planning becomes clearer.

### Sublease Space Floods The Market

#### SAN FRANCISCO FINANCIAL CORE



Third quarter vacancy rates increased dramatically, from 17.4% in the 2nd quarter to 19.5% in the 3rd quarter, an increase of over two percent! Gross leasing decreased from an adjusted 1,620,171 square feet in the

2nd quarter to 567,355 square feet in the 3rd quarter. Net absorption in the previous quarter was -434,693 square feet, this increased to -1,289,644 in the 3rd quarter.

Average asking rental rates for Class A space was \$69.76 per square foot in the 3rd quarter compared to \$70.07 per square foot in the 2nd quarter. The average rental rate for Class B financial core space was \$56.72 in the 3rd quarter compared to \$56.73 in the 2nd quarter. Class B absorption was -264,186 in the 3rd quarter, higher than the -32,549 square feet in the 2nd quarter. South of Market (SOMA) vacancy rates remained flat, at 29.8% for both the 2nd quarter and 3rd quarter.

### “Return To Office” Rates Hit Pandemic High

After Labor day, nationwide office use hit its highest level since the pandemic, with an average occupancy of 47.5%. The highest return rates have been in Texas, with Houston leading the pack with a 10% increase at 63%. Almost all employers have adopted hybrid workplace strategies, which allow employees

to split time between working at home and in the office. Most companies are in two days a week in the office and moving towards three days. With COVID-19 in significant decline and the economy moving downward, employers increasingly insist that workers return to the office. San Francisco, unfortunately, has been on the other end of the spectrum with a post-Labor Day return rate of just over 40%.

### Tech Expands Outside SF & Silicon Valley

Motivated by lower rents and available space, two technology firms, Snowflake and Vagaro, each leased over 100,000 square feet of space in Eastbay markets.

Snowflake, a cloud computing firm, increased its space from 40,000 square feet to over 153,000 square feet in Dublin. They are located at the Dublin Corporate Center at 4140 Dublin Blvd. This lease will allow Snowflake to add 500 additional jobs and is one of the largest leases in the East Bay for 2022.

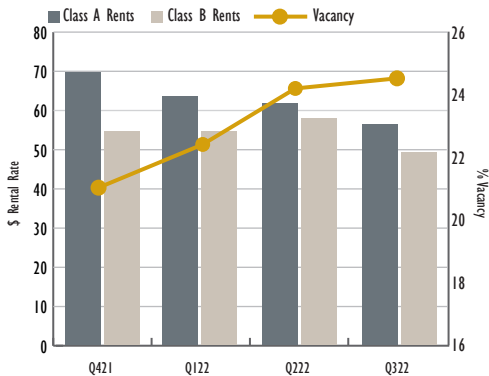
Vagaro provides management software for groups in the spa and fitness sector. They are located in the Dublin Corporate Center but decided to take advantage of a sublease in the Pleasanton market and committed to 106,000 square feet. It is unclear if Vagaro will retain the space located in the Dublin Corporate Center.

Both these transactions are becoming commonplace as employers take advantage of the East Bay market, which has an abundance of space available at cheaper rates than San Francisco and Silicon Valley. The East Bay housing market is also a bargain compared to San Francisco and the Peninsula. Employers are finding a labor pool in the East Bay market who are very excited about not having to commute to Silicon Valley or San Francisco. Facebook/Meta has also followed this trend, now having leased over one million square feet for their Fremont facility to take advantage of the East Bay labor pool.



Dublin Corporate Center

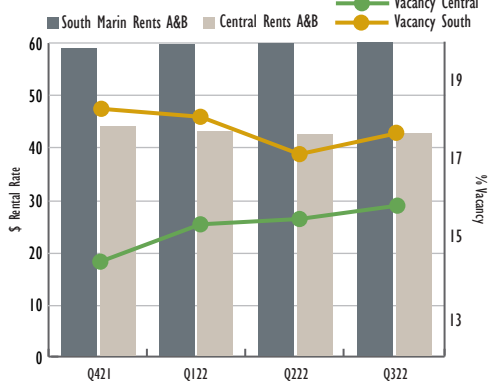
**SAN FRANCISCO SOMA**



**Where's the Space?**

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	1,008,332	7.70%	248,130	1.90%	1,256,462	9.60%
Fin. Dist. A	7,058,652	14.5%	1,989,467	4.10%	9,048,119	18.60%
Fin Dist. B	2,325,633	18.30%	573,801	4.5%	2,899,434	22.90%
SOMA A	1,484,281	24.60%	316,162	5.20%	1,800,443	29.80%
SOMA B	1,494,518	12.90%	1,043,624	9.00%	2,539,142	21.90%

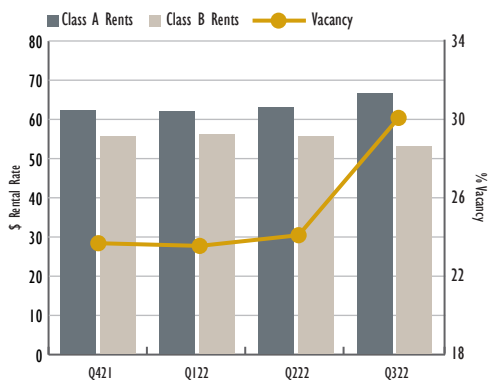
**MARIN**



**Major Leases Completed in the Third Quarter**

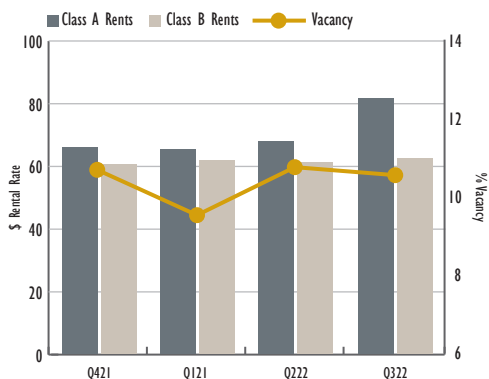
Tenant	Sq. Ft.	Address
US Bank *	74,000	One California Street
Plant Labs*	72,000	645 Harrison Street
Asana***	70,790	680 Folsom Street
Capital Group*	70,547	One Market Plaza
Vista Equity Partners* ***	44,476	Four Embarcadero Center
Grammarly*	44,341	475 Sansome Street
Pave**	38,725	One Montgomery Street
Farella Braun & Martel****	34,088	1 Bush Street
Zurich American Insurance*	28,041	525 Market Street

**OAKLAND CBD**



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

**PENINSULA**



**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.



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