



The Axiant Group
COMMERCIAL REAL ESTATE SERVICES

Market Overview

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

3rd Quarter 2025

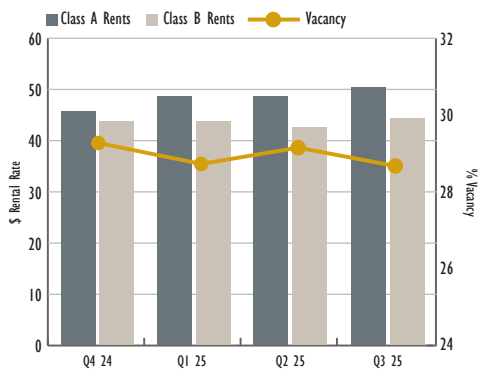
Vacancy rates dropped for the first time in years, and by the largest margin since 2019, even as overall leasing volume slowed slightly.

Class A vacancy fell by half a percentage point, signaling cautious optimism and continued stabilization. AI companies again dominated the headlines, accounting for four of the eight largest leases of the quarter.

Vacancy and Absorption

In Q3 2025, the Class A office vacancy rate in San Francisco's downtown core dropped to 28.7%, down from 29.2% in Q2 2025, the most significant quarterly decline in over five years. Despite this improvement, gross leasing activity fell to 862,284 square feet in Q3, compared with 1,504,892 square feet in Q2. However, net absorption turned positive, recording +374,455 square feet, a substantial rebound from the -105,383 square feet posted the prior quarter.

SAN FRANCISCO FINANCIAL CORE



Rental rates strengthened modestly: Class A asking rents increased from \$48.55 to \$50.18 per square foot. Class B rents rose from \$42.41 to \$44.19 per square foot. Class B absorption, however, moved into negative territory

at -26,060 square feet, compared to a slightly positive +333 square feet in Q2.

The South of Market (SoMa) submarket continues to experience elevated vacancies, reaching a new high of 41.0%.

Major Transactions for Q3 2025

Peninsula Land & Capital, led by Roger Fields, added another flagship property to its growing downtown portfolio with the acquisition of 505 Montgomery Street, a 350,000-square-foot, 24-story tower in the Financial District. The \$105 million deal (approximately \$300 per square foot) marks the

third San Francisco office sale exceeding \$100 million in 2025 – a threshold not reached at any point since before the pandemic. Fields previously purchased 550 California Street from Wells Fargo in 2023 for \$40.5 million, which was widely credited with resetting local office pricing. That property is now 90% leased following an aggressive rent-reduction strategy, one the firm plans to replicate at 505 Montgomery and is currently 62% occupied. A major boost for the property came when Latham & Watkins LLP renewed its 117,000-square-foot lease beyond its 2028 expiration, stabilizing occupancy and preserving long-term value.



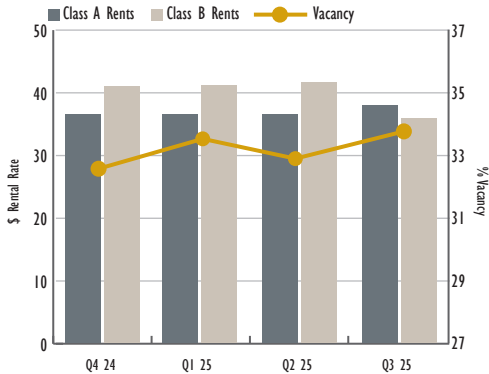
505 Montgomery Street

Major Funding Sparks Anthropic Expansion

Artificial intelligence company Anthropic finalized a major headquarters expansion this quarter. The company added 104,000 square feet at 505 Howard Street, bringing its total footprint to approximately 335,000 square feet within the Foundry Square complex. Anthropic now anchors both 505 Howard and 500 Howard Street, the latter under a 230,000-square-foot sublease from Slack signed in late 2023. This expansion establishes Anthropic as the largest tenant across both buildings, owned by American Realty Advisors. The move comes just weeks after Anthropic's \$13 billion fundraising round, further cementing its role as one of the most influential AI firms globally. Industry analysts view Anthropic's growth as a bellwether for San Francisco's recovery, reflecting a shift in leasing demand from traditional tech to AI-driven innovation, which continues to energize the city's office market.

The third quarter of 2025 marked several noteworthy points for San Francisco's office sector. While vacancy remains historically high, absorption trends, rent stabilization, and significant commitments from AI and professional services tenants point to early signs of recovery. Investor activity, highlighted by Peninsula Land & Capital's acquisition and multiple mid-market deals, further supports a growing belief that the city's commercial real estate market is entering a period of recalibration rather than decline.

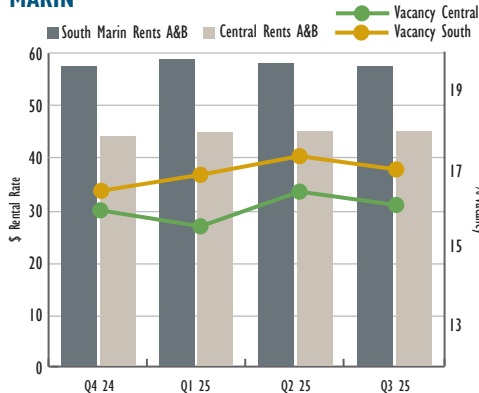
SAN FRANCISCO SOMA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	1,868,027	14.60%	769,995	6.00%	2,38,022	20.70%
Fin. Dist. A	11,923,031	23.90%	2,091,417	4.20%	14,014,448	28.00%
Fin Dist. B	3,491,658	29.60%	209,201	1.80%	3,700,859	31.40%
SOMA A	2,516,274	34.00%	523,270	7.10%	3,039,544	41.00%
SOMA B	2,721,794	23.40%	699,632	6.00%	3,421,426	29.40%

MARIN

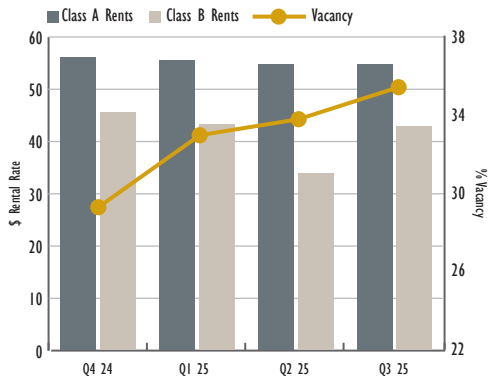


Major Leases Completed in the Third Quarter

Tenant	Sq. Ft.	Address
Latham & Watkins LLP	225,883	505 Montgomery Street *
Anthropic	104,336	505 Howard Second Street ****
Brex	98,238	270 Branna Street ****
Harvey	92,814	201 Third Street ****
Kikoff	55,668	633 Folsom Street **
Vercel	42,147	201 Mission Street **
ARUP	40,473	560 Mission Street *
Motive AI	40,305	1355 Market Street **

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

OAKLAND CBD

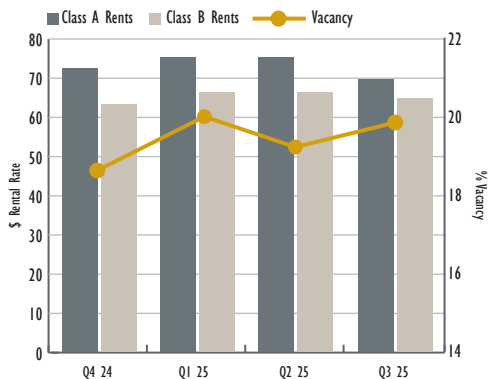


The Axiant Group Can Help You

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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