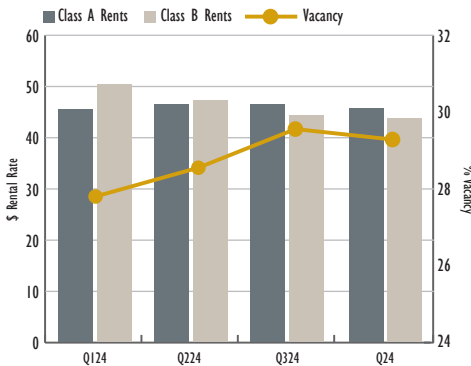


## Fourth Quarter Sees Significant Market Milestone

This is the first time the market has come close to avoiding additional vacant space being added. While it's uncertain if this trend will persist, it offers a glimmer of hope for recovery. The shift back to the office five days a week is gaining momentum in many markets nationwide, though San Francisco continues to lag behind in this trend.

### Vacancy High But Stable

#### SAN FRANCISCO FINANCIAL CORE



In Q4 2024, the Class A office space vacancy rate in the downtown core remained stable at 29.6%, a slight increase from 29.4% in Q3. Gross leasing activity saw a marginal uptick,

rising from 938,941 square feet in Q3 to 986,545 square feet in Q4. Net absorption decreased, but was still negative, at -93,769 square feet in Q4 compared to -173,373 square feet in Q3.

Average asking rental rates for Class A space declined from \$46.86 per square foot in Q3 to \$45.53 in Q4. Class B space also experienced a slight decrease in rental rates, from \$44.29 to \$43.68 per square foot. Notably, Class B absorption turned positive at +25,891 square feet in Q4, a recovery from Q3's -196,620 square feet.

In the South of Market (SOMA) area, Class A vacancy rates edged higher to 39.2%, reflecting continued challenges in this submarket.

### Another AI Firm Occupies Market Street

Notion, an AI-focused productivity software company, has signed a lease for 104,123 square feet at 685 Market Street in San Francisco. This space was previously occupied by

Uber, which placed it on the sublease market in 2019. It remained vacant until Notion's recent commitment.

Notion is currently headquartered at 2300 Harrison Street, where they occupy the entire 65,000-square-foot building. Notion's move will significantly expand their operational footprint. The relocation underscores the company's growth trajectory and increasing space requirements.

Brookfield Properties, the owner of 685 Market Street, acquired the property in 2013 and completed a major renovation shortly after the purchase. Uber originally became the anchor tenant following the renovation. Notion's lease represents a positive development for the downtown San Francisco office market, which has faced challenges with high vacancy rates in recent years.

### School Takes Advantage of Office Market

Proof School, a math-focused liberal arts institution for students in grades six through twelve, has signed a lease for nearly 35,000 square feet spanning the first and second floors of 221 Main Street.

Currently located at 973 Mission Street in the South of Market area, Proof occupies 16,500 square feet in a space that straddles 5th and 6th Streets. The new location represents a significant upgrade, both in size and location, as the school plans to expand its footprint and grow its student body.

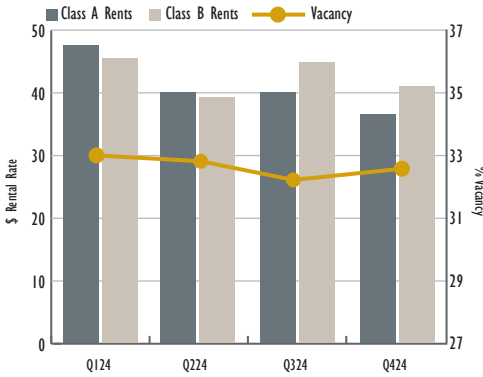
San Francisco's downtown office market has struggled in recent years with high vacancy rates, falling rents, and declining property valuations. However, these conditions have created opportunities for new types of tenants to move into areas of the city that were previously inaccessible before the pandemic.



221 Main Street

Among these new entrants are nonprofits, arts and cultural organizations, and educational institutions like Proof School, marking a shift in the tenant landscape in downtown San Francisco.

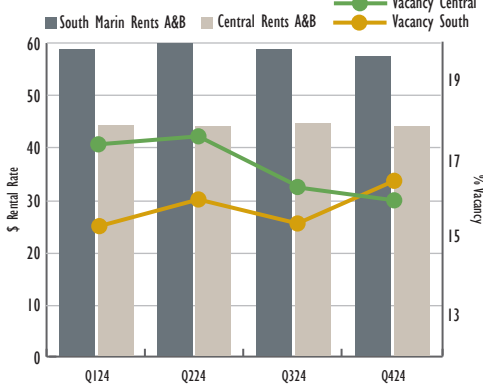
**SAN FRANCISCO SOMA**



**Where's the Space?**

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	1,670,264	13.10%	813,962	6.40%	2,570,379	19.50%
Fin. Dist. A	12,550,021	24.80%	2,397,613	4.70%	14,947,634	29.60%
Fin. Dist. B	3,059,0642	6.80%	198,160	1.70%	3,257,224	28.60%
SOMA A	2,561,261	34.80%	324,894	4.40%	2,886,155	39.20%
SOMA B	2,283,340	20.20%	945,897	8.40%	3,352,888	28.50%

**MARIN**

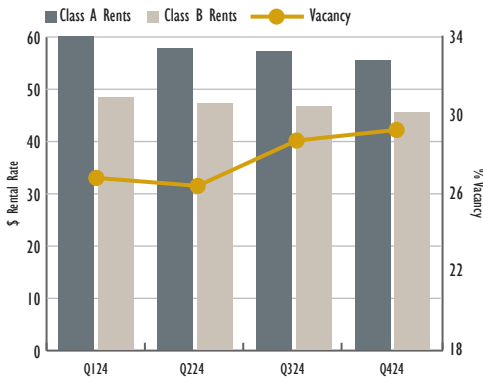


**Major Leases Completed in the Fourth Quarter**

Tenant	Sq. Ft.	Address
Airbnb	250,902	888 Brannan Street *
Lyft	170,027	185 Berry Street *
Notion	104,123	685 Market Street ****
Golden State Warriors	70,791	1051 Third Street ****
Grammarly	66,523	475 Sansome Street * ***
Kendo	55,894	425 Market Sreet ****
KKR	55,878	555 California Street ****
Pager Duty	42,118	600 Townsend ****

\*Renewal \*\*Sublease \*\*\*Expansion \*\*\*\*New lease

**OAKLAND CBD**

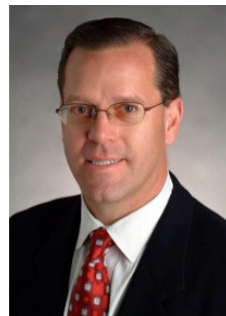
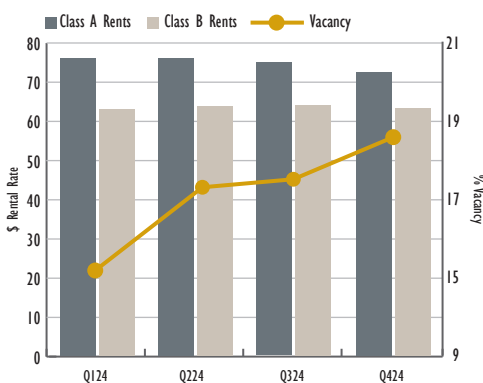


**The Axiant Group Can Help You**

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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