



The Axiant Group
COMMERCIAL REAL ESTATE SERVICES

Market Overview

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

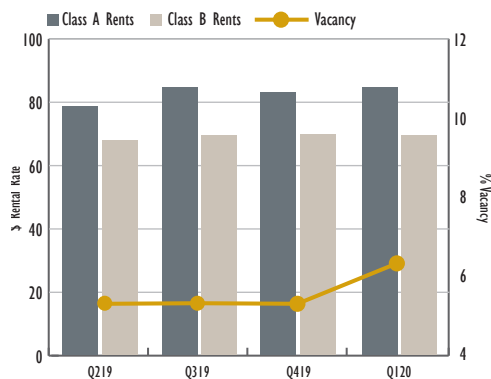
1st Quarter 2020

COVID-19 will undoubtedly change the future of real estate. The 1st quarter numbers do not reflect the shelter-in-place order as it went into effect just prior to the end of the quarter. Overall rents remain stable, vacancy rates increased.

Vacancy Rate Increases, Rent Stable

First quarter vacancy rates increased from an adjusted 5.5% in the 4th quarter to 6.5% in the 1st quarter. Gross leasing activity decreased from 1,886,983 square feet in the 4th quarter to 1,037,496 square feet in the 1st quarter. Net absorption was significantly lower and negative at -603,723 square feet, compared to 4th quarter. With positive absorption of 743,407 square feet. This represents a swing of over 1,300,000 square feet.

SAN FRANCISCO FINANCIAL CORE



Average asking rental rates for Class A space were stable at \$84.59 per square foot in the 1st quarter compared to \$84.94 in the 4th quarter. Average rental rates for Class B financial core space were

stable, moving from \$70.28 in the 4th quarter to \$69.40 in the 1st quarter. Class B absorption was negative at -144,034 in the 1st quarter. This was a decrease in absorption from the 4th quarter, which was at 176,867 square feet. South of Market (SOMA) vacancy rates increased, moving from 4.1% in the 4th quarter to 6.4% in the 1st quarter.

COVID-19 Affects Oakland Deals

Kaiser is backing out of their mega deal at 2100 Telegraph, named the Thrive Center. Kaiser committed to the 1.6 million square foot project to consolidate over 7,000 employees from

multiple buildings in Oakland, three of which they owned. Kaiser cited construction costs and delays as the major factors in the decision, not COVID-19. Many felt the project lost significant momentum when its Kaiser's Chairman and CEO, Bernard Tyson, the chief activist and mentor for the project, died in November at age 60.

The sale of the Uptown Station (former Capwell's/Sears) project fell apart when the buyer, Blackstone Group, walked away from a \$20 million deposit upon fears that the real estate



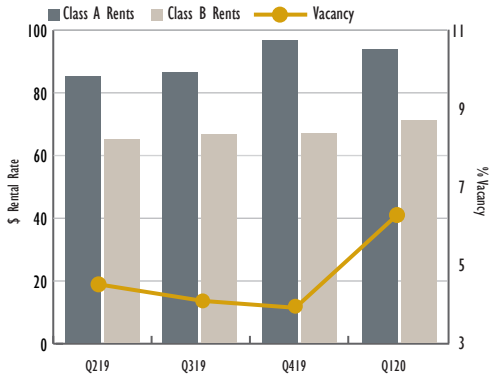
UPTOWN STATION, OAKLAND

and finance markets would become shaky in the wake of the COVID-19 pandemic. The sale would have come in at over \$1,000 per foot, \$300 per foot higher than any other comparable real estate transactions in the Oakland market. The high price could be justified, with the anchor tenant Square, paying the highest rental rates in Oakland at over \$85 per square foot.

Will COVID-19 Affect My Office Lease?

Many of my clients have reached out, asking how they should address the COVID-19 crisis with their current landlord. The majority of landlords are operating their buildings even though tenants are not using their offices due to the shelter-in-place order. Whether or not tenants should receive or ask for some type of rental relief remains to be seen. The majority of hardship in the commercial sector has been felt by retail users, which has been catastrophic. Regardless, I would recommend all tenants keep meticulous records of any communication with their landlord. A review of your office lease and insurance policy would be prudent. Some key terms in the documents are *force majeure*, *business interruption insurance*, *interruption of services*, *landlord operating costs*, *holdover clause* and *abandonment*. In addition, tenants should contact their accountant to explore how or if stimulus legislation applies to them. Should you have any questions regarding the above or your lease, please do not hesitate to reach out to me via phone or email.

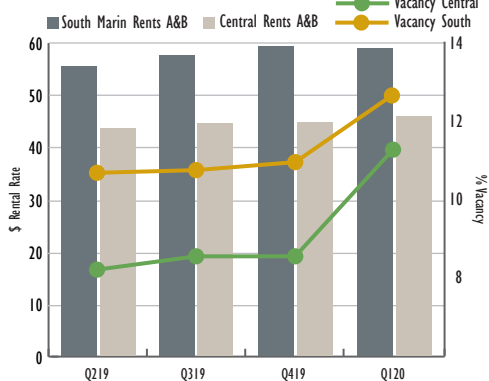
SAN FRANCISCO SOMA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	216,869	1.80%	97,219	.80%	314,088	2.60%
Fin. Dist A	2,270,861	4.90%	644,831	1.40%	2,915,692	6.30%
Fin Dist. B	654,947	5.10%	273,145	2.10%	928,092	7.20%
SOMA A	238,333	5.80%	58,899	1.40%	297,232	7.90%
SOMA B	320,543	2.80%	389,445	3.40%	709,988	6.20%

MARIN



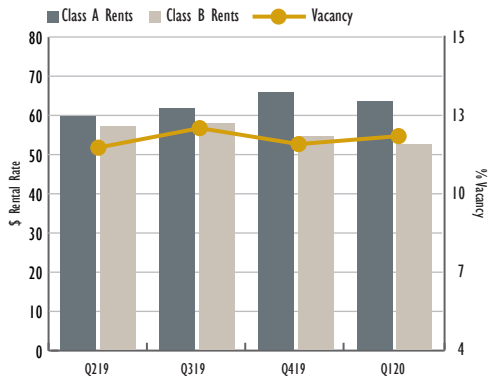
Large Tenants in the Market

Tenant	Sq. Ft.
SalesForce	700,000+
Credit Karma	110,000
KeepTrucking	51,000

Major Leases Completed in the First Quarter

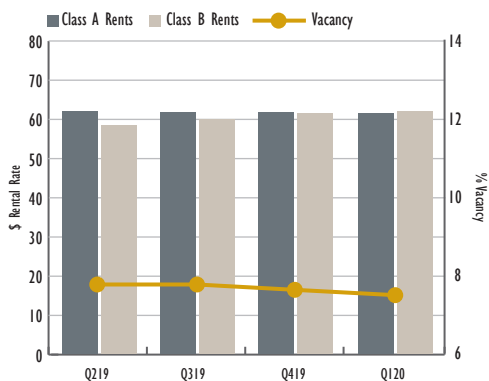
Tenant	Sq. Ft.	Address
Deloitte * ***	229,000	535 Mission Street
Latham & Watkins*	110,542	505 Montgomery Street
Autodesk*	110,000	1 Market Street (Landmark)
Knotel	82,800	301 Brannan
Skillz**	51,684	550 Howard
Triage Consulting*	46,436	221 Main Street
Ironclad**	42,558	71 Stevenson
Wix.com*	34,459	550 Terry Francois Boulevard
Trade Desk	27,542	425 Market Street

OAKLAND CBD



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

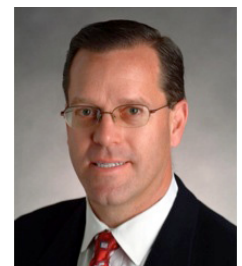
PENINSULA



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.



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