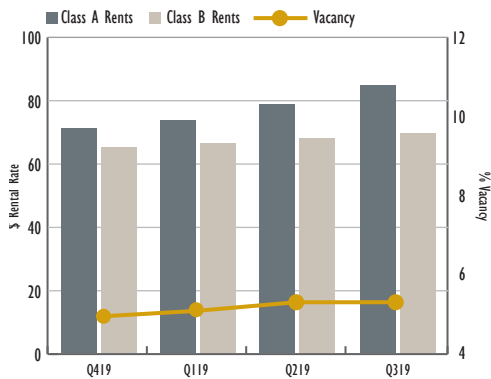


Rental rates increased substantially in the 3rd quarter, an adjustment of over seven percent. Average rental rates for Class A space in the financial core are creeping toward \$85 a square foot. Vacancy rates remained historically low, but stable.

Rents Rapidly Moving Upward

Third quarter leasing activity and vacancy rates dropped slightly, from an adjusted 5.3% in the 2nd quarter to 5.1% in the 3rd quarter. Gross leasing increased from 1,969,857 square feet in the 2nd quarter to 2,230,322 square feet in the 3rd quarter. Net absorption was 424,218 square feet, slightly higher than 2nd quarter absorption of 385,581 square feet.

SAN FRANCISCO FINANCIAL CORE



Average asking rental rates for Class A space increased dramatically to \$84.58 per square foot in the 3rd quarter from \$78.60 in the 2nd quarter, an increase of 7.6%. Average rental rates for Class B financial

core space, increased as well but more moderately, moving from \$66.73 in the 2nd quarter to \$69.32 in the 3rd quarter. Class B absorption was positive at 585,008 in the 3rd quarter. This was an increase in absorption from the 2nd quarter, which had absorption of 482,264 square feet. South of Market (SOMA) vacancy rates dropped from 4.7% in the 2nd quarter to 4.2% in the 3rd quarter.

Oaklands Uptown Station for Sale Again

The iconic Uptown Station in Oakland, is on the market again for the fourth time in the past five years. Historically known as the Capwell's building, it was first purchased by Lane Partners in 2014 for \$24 million. They converted the 85-year old department store into an office building comprised of

380,000 square feet. The conversion to office space cost in excess of \$50 million. The project was then sold to Uber for \$123 million and although it was intended for their own use, they never occupied the building. Uptown Station was then sold to the Los Angeles based CIM group for a purchase price of \$180 million. CIM has owned the building for two years. Merchant services company Square, leases the entire building for \$80 per square foot, the highest rental rate currently being paid in Oakland. With rental



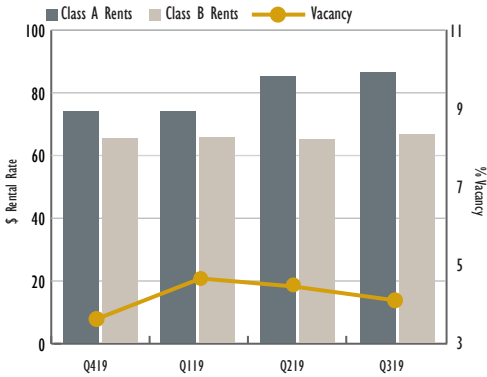
UPTOWN STATION

rates at this level, it is anticipated the building could trade for upwards of \$380 million – about \$1000 per square foot. The return on investment is astounding when considering the building sold in 2014 for \$24 million – about \$63 per square foot.

More Efficiency Space vs. Lower Rent

Any tenant looking to lease office space in San Francisco today will face significant sticker shock. Today's rental rates have doubled and even tripled from leases signed ten years ago. With rental rates increasing significantly, all companies need to value engineer their space requirements to control costs. This is especially true with attorneys and professional service firms. Due to their office intensive layouts, the ratio of space per person is very high. Logically, all tenants should strive to create the most efficient space possible, as less space means lower rent. However, that efficiency comes at a cost, as construction costs have skyrocketed. Many times, tenants find out they are financially better off taking more space as-is, with little or no tenant improvements. Landlords will deliver the best rental rate when tenant improvement costs are minimal. Tenants need to compare more square footage with no improvements, and at a lower cost per square foot versus building out a smaller more efficient space, with higher construction costs and commensurate rental rate. Tenant improvement costs have more than doubled in the last ten years, primarily due to Title 24 requirements, escalating subcontractor labor rates and material costs.

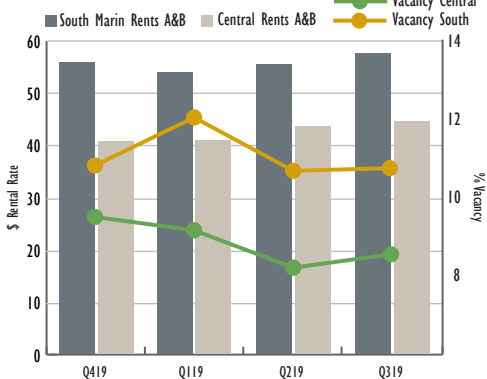
SAN FRANCISCO SOMA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	217,260	1.80%	63,370	.50%	280,630	2.30%
Fin. Dist. A	1,883,265	4.1%	469,189	1.00%	2,352,454	5.10%
Fin. Dist. B	731,811	5.80%	219,236	1.70%	951,047	7.60%
SOMA A	190,635	5.20%	21,630	.60%	212,265	6.40%
SOMA B	360,962	3.60%	64,524	.60%	425,486	4.20%

MARIN



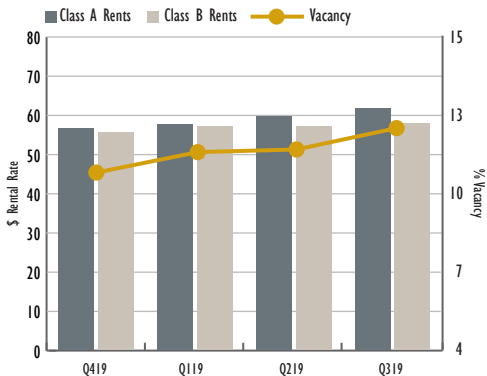
Large Tenants in the Market

Tenant	Sq. Ft.
SalesForce	700,000+
Credit Karma	110,000
Databicks Inc.	100,000
KeepTrucking	51,000
Skillz	45,000

Major Leases Completed in the Third Quarter

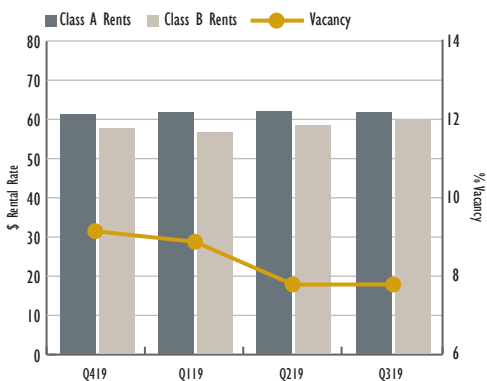
Tenant	Sq. Ft.	Address
Zynga	185,000	650 Townsend Street
TPG Capital* ***	153,288	345 California Street
WPP/AKQA* ***	115,000	360 3rd Street
IDEO	88,000	2525 16TH Street
Uber	80,000	71 Stevenson Street
Reddit	78,031	1455 Market Street
Pax Labs	69,600	99 Rhode Island
Knotel	61,000	405 Howard Street
Github*	55,000	275 Brannan

OAKLAND CBD



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

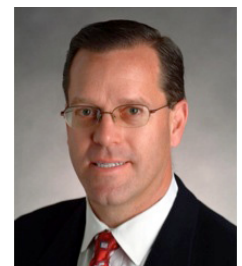
PENINSULA



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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