



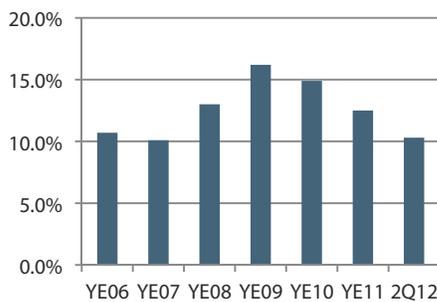
# San Francisco Office Market Monitor

partnership.  
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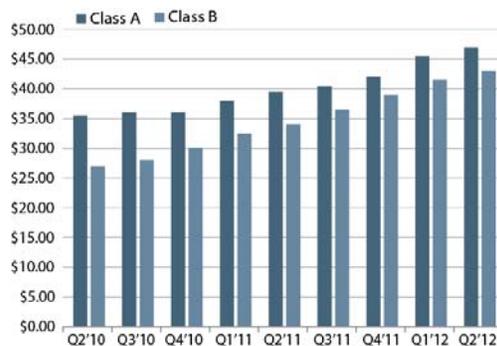
Q2 2012

## Market Facts

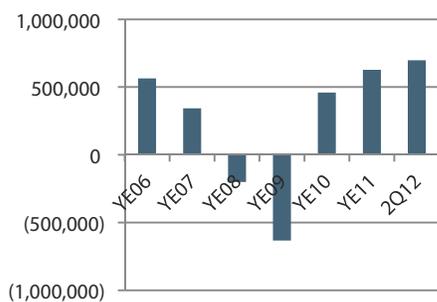
### Vacancy Rates



### Asking Rents



### Absorption



## Market Takeaway

- Fueled by a booming technology sector, San Francisco's office market continues to surpass the nation in a range of major indicators.

San Francisco's unemployment rate declined to 7.4 percent in May after hovering near the 8 percent national average at the start of the year. Job growth, primarily driven by the technology sector, is helping to fuel the current period of strong leasing activity. Across the city vacancy rates are down an average of 3.6 percent from a year ago, and nearly 1 percent lower than last quarter. Vacancy rates have steadily declined in the last two and a half years with the past few quarters taking on steeper decreases. In highly competitive neighborhoods like SOMA, Class A buildings have a mere 2.6 percent vacancy rate, and a notable average asking rent of \$57.50 per square foot (psf) full service.

This quarter marks the two year point for consecutive quarters of positive absorption. Young, rapidly growing, and highly successful tech companies (fittingly named "gazelles") have led the way in both newly signed leases and large moves this past quarter. Social media companies like Twitter (215,000 sf) helped establish some of the largest sweeps in absorption. Airbnb and Yelp, two other gazelles, inked two of the top five leases for a combined 264,800 sf. Even with planned renovations and some new construction, relatively little supply is expected to be added to San Francisco's office market. Coupled with sustained tenant demand, rates will push into new territory.

## Trends to Watch

- Increasing Rents.** Steady declines in vacancy, little new supply entering the market, and the allure of San Francisco for tech-related tenants will continue to increase rents.
- Tech Dominated Leasing.** Major leasing activity will continue to be dominated by the younger, well-funded, and large revenue generating tech "gazelles."
- Uptick in Sale Activity.** San Francisco's position as one of the most impressive markets in nation will heat up building sales and their asking price.

## Market Indicators

Submarket	Total RBA (SF)	Direct Available Space (SF)	Sublet Available Space (SF)	Vacancy Rate		Availability Rate		Total SF Leased	Net Absorption (SF)	Average Asking Rent	
				Class A	Class B	Class A	Class B			Class A	Class B
North Financial	27,881,572	3,320,719	533,894	8.2%	11.7%	13.2%	16.7%	476,517	375,268	\$45.50	\$41.00
South Financial	23,455,024	2,757,207	418,785	6.1%	15.4%	12.5%	18.4%	722,829	-24,063	\$47.50	\$45.00
<b>CBD Average</b>	<b>51,336,596</b>	<b>6,077,926</b>	<b>952,679</b>	<b>7.2%</b>	<b>13.4%</b>	<b>12.9%</b>	<b>17.5%</b>	<b>1,199,346</b>	<b>351,205</b>	<b>\$46.50</b>	<b>\$43.00</b>
SOMA*	12,776,932	1,729,757	178,498	2.6%	13.8%	6.4%	19.0%	569,336	41,385	\$57.50	\$48.00
Union Square	4,139,722	486,559	44,783	8.5%	6.8%	8.5%	13.4%	131,504	42,577	\$44.00	\$42.00
Jackson Square/ North Waterfront	5,079,468	616,291	127,229	9.4%	8.3%	12.5%	16.4%	142,967	15,214	\$44.50	\$40.00
Civic Center/Van Ness Corridor	5,771,400	2,101,122	18,319	17.7%	33.4%	27.7%	48.2%	258,892	99,037	\$37.50	\$34.00
Mission Bay	1,745,410	551,894	0	35.1%	N/A	35.1%	N/A	69,200	-11,186	\$58.00	N/A
<b>Non-CBD Average</b>	<b>29,512,932</b>	<b>5,485,623</b>	<b>368,829</b>	<b>13.7%</b>	<b>14.3%</b>	<b>18.5%</b>	<b>21.7%</b>	<b>1,012,044</b>	<b>346,882</b>	<b>\$49.50</b>	<b>\$43.00</b>
<b>San Francisco Market Average</b>	<b>80,849,528</b>	<b>11,563,549</b>	<b>1,321,508</b>	<b>8.5%</b>	<b>13.9%</b>	<b>13.9%</b>	<b>20.1%</b>	<b>2,211,390</b>	<b>698,087</b>	<b>\$47.00</b>	<b>\$43.00</b>

\*Includes China Basin, South of Market, Rincon/South Beach, Yerba Buena, Showplace Square, and Potrero Neighborhoods

## Major 2012 Transactions

Tenant	Type	Address	Submarket	SF
Airbnb	New	888 Brannan	SOMA	170,000
Autodesk	Expansion	1 Market (Steuart Tower)	South Financial District	108,000
Yelp	New	140 New Montgomery	South Financial District	98,400
Amazon.com	New	188 Spear	South Financial District	83,154
Salesforce.com	Expansion	600 Townsend	SOMA	82,852

### Contact Information

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### Market Snapshot



**300 California Street,**  
 Represented by Avison Young.  
 Fully leased as of June 2012.