



FOURTH
QUARTER 2020

The background of the right side of the cover is a large, dark green triangle containing a semi-transparent image of the San Francisco skyline and the Golden Gate Bridge. The skyline includes the Transamerica Pyramid and other skyscrapers. The bridge is visible in the lower half, with cars on the roadway. The text 'SAN FRANCISCO OFFICE REPORT' is overlaid on this image in white, all-caps, sans-serif font.

SAN FRANCISCO
OFFICE REPORT

Investment Activity Kicks Up As Leasing Activity Plummets

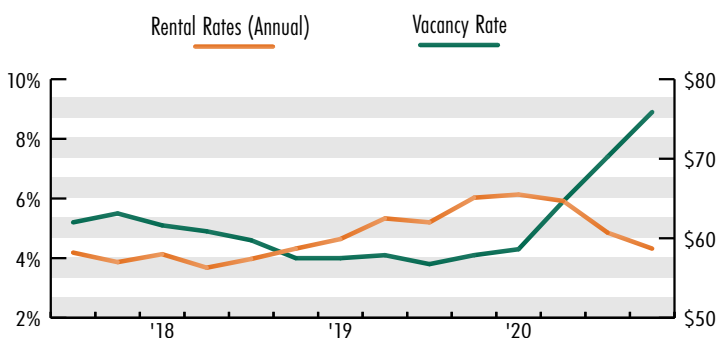
The San Francisco office market witnessed further digression with available sublease space topping more than 9 million square feet, making up over 39% of the total available space in the market. The market is seeing some stabilization in the suburban markets, however, San Francisco CBD continues to struggle as the State of California extends stay-at-home restrictions. As San Francisco continues to adhere to social distancing measures, the tech-heavy market is not seeing the once bustling streets and commuting workers it once had.

Guidelines for non-essential workforce is forcing companies to sublease space, compromising occupancy, debt requirements and significantly reducing rents. Symptomatic of the market, investment trades saw an uptick from 78 million dollars last quarter to 1.6 billion in Q4 2020. Two of the largest portfolio sales made up the majority of the transaction volume as iconic Transamerica Pyramid sold, San Francisco's second-tallest building, for more than \$650 million, to New York investor Michael Shvo and Deutsche Finance America. The seller Aegon, owner of namesake insurance company Transamerica Corp, had never previously sold the property. The sale also included two nearby buildings, at 505 Sansome St. and 545 Sansome St., which is a potential development site.

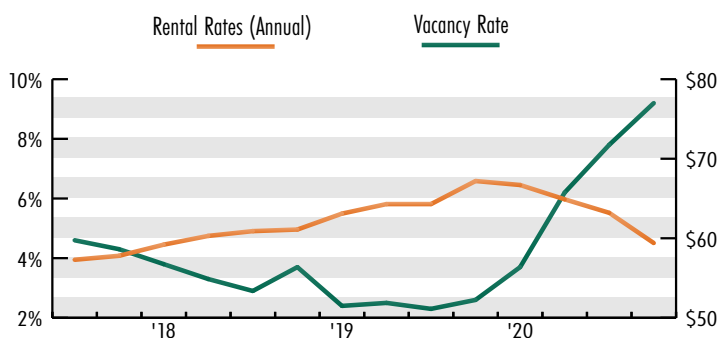
MARKET ACTIVITY | SALE TRANSACTIONS

ADDRESS	Date	Size	Price	PSF Price
221 MAIN STREET	October	387,943 SF	\$180,000,000	\$1,031
TRANSAMERICA PYRAMID	November	703,537 SF	\$648,000,000	\$921
510 TOWNSEND/505 BRANNAN	November	445,333 SF	\$560,200,000	\$1,258

NORTH OF MARKET | Vacancy & Rental Rates



SOUTH OF MARKET | Vacancy & Rental Rates



In Summary

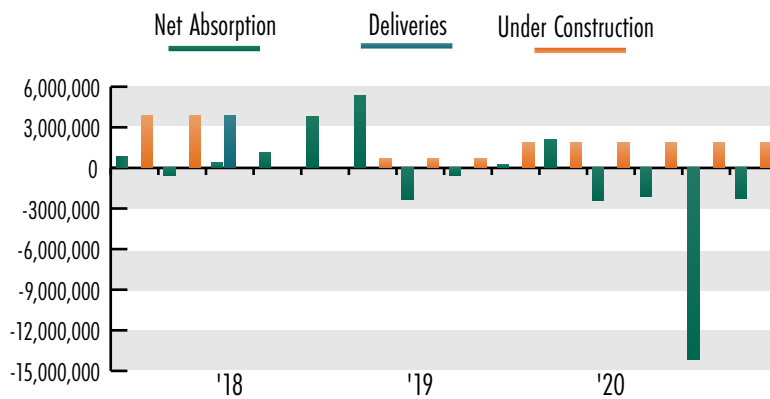
- > Office leasing activity officially halted as year-to-date net absorption sits at more than 3.1 million square feet
- > Rents have plateaued with North of Market average direct asking rates for Class A ranging mid-\$80s to the mid-\$90; Class B sits in the mid-\$50s to high-\$70s
- > Direct vacant available space 6.9% and sublease 3.5%

The Information in this document was obtained from sources we deem reliable; however, no warranty or representation, expressed or implied, is made as to the accuracy of the information contained herein. The market statistics represent properties that are 10,000 square feet or larger. This quarterly market report is a research document of TRI Commercial and may be found on our website at www.tricommercial.com. CoStar was the main source of information used in this report.



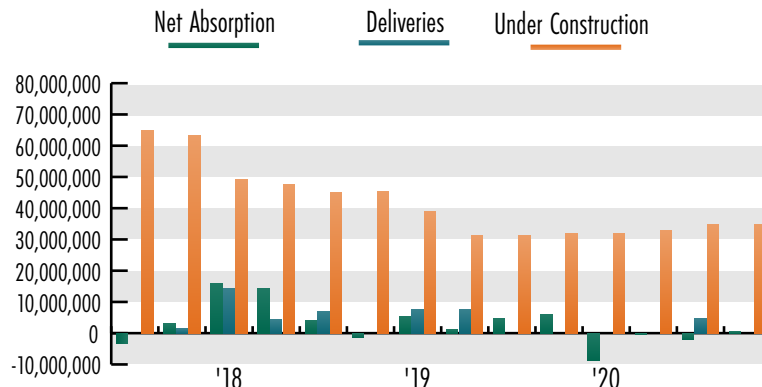
North of Market - North of Market ended the quarter with -224,911 square feet of negative absorption, which was primarily attributed to the shedding of space in the Financial District submarket. The health crisis has directly hit the suburban market as businesses operate at limited capacity and landlords struggle to keep up occupancies. Limited leasing activity in the market forced fundamentals further into the red with 2 million square feet of negative absorption for the North of Market alone.

NORTH OF MARKET | Absorption & Activity



South of Market - Despite continued shaky fundamentals 64,188 square feet of positive net absorption was reported in the South of Market as blocks of space were leased by tenants such as Vir Biotechnology and Lattice were inked in the Mission Bay/China Basin and Rincon/South Beach market, respectively.

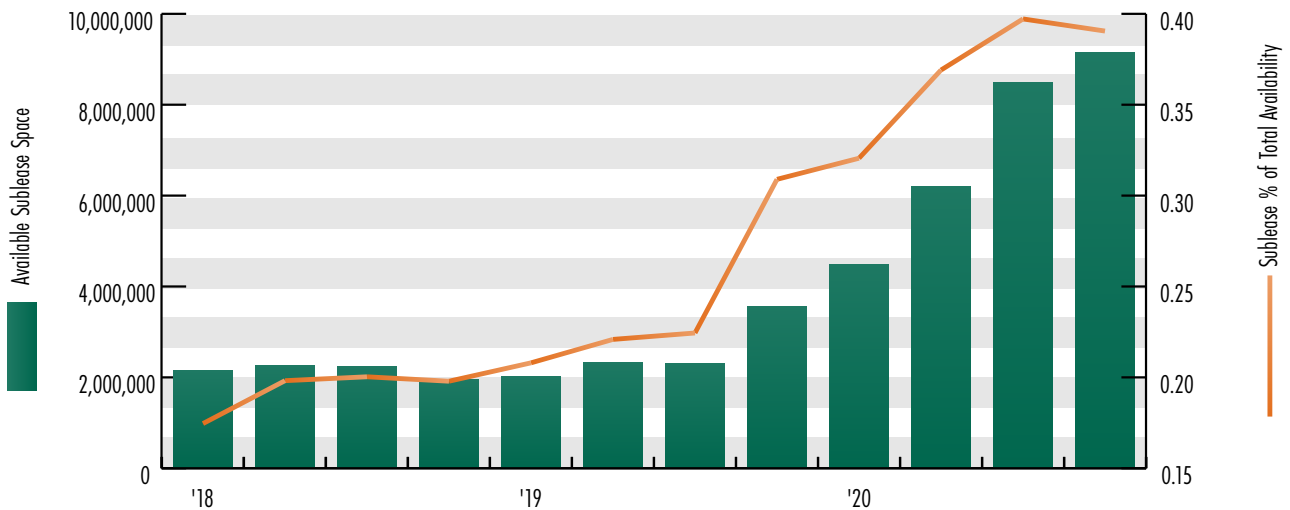
SOUTH OF MARKET | Absorption & Activity



STATISTICS | By Submarket

SUBMARKET	Net Rentable Area	Under Construction	Vacant Avail Direct %	Vacant Avail Sublease %	Total Vacant Avail %	Net Absorption (QTR)	Average Annual Rent
Van Ness/Chinatown	3,295,579	0	9.1%	1.0%	10.1%	(3,255)	\$52.20
Civic Center	4,413,520	0	3.2%	0.4%	3.6%	0	\$21.01
Financial District	30,564,132	0	9.4%	3.3%	12.7%	(131,915)	\$74.50
Jackson Square	3,320,102	0	11.9%	4.7%	16.6%	(28,002)	\$59.46
Union Square	5,483,791	0	11.4%	5.4%	16.8%	(15,053)	\$51.17
Waterfront/North Beach	4,461,563	0	10.6%	2.6%	13.2%	(21,217)	\$64.41
West of Van Ness	5,495,001	0	5.1%	0.5%	5.6%	(25,469)	\$64.66
NORTH OF MARKET TOTAL	57,033,688	0	8.9%	2.9%	11.8%	(224,911)	\$67.44
Bayview/Hunters Point	640,910	0	6.1%	0.0%	6.1%	0	\$39.17
Mid-Market	7,580,853	0	4.8%	3.8%	8.6%	(1,189)	\$36.47
Mission Bay/China Basin	4,153,451	0	0.7%	1.0%	1.6%	0	\$32.52
Mission/Potrero	3,441,580	0	4.6%	2.5%	7.1%	0	\$51.96
Southern City	1,341,516	0	4.2%	1.4%	5.5%	(3,800)	\$63.41
Rincon/South Beach	7,086,369	0	4.4%	5.9%	10.3%	(7,579)	\$88.99
Showplace Square	3,779,468	0	6.5%	0.1%	6.6%	(18,026)	\$34.13
South Financial District	31,126,483	0	4.5%	4.5%	9.0%	47,882	\$70.50
South of Market	4,694,652	0	12.0%	2.7%	14.7%	0	\$37.43
Yerba Buena	3,636,176	0	8.1%	9.9%	18.0%	46,900	\$61.71
SOUTH OF MARKET TOTAL	67,481,458	0	5.1%	4.1%	9.2%	64,188	\$64.11
Class A	61,926,318	0	5.5%	3.4%	8.9%	4,241	\$75.21
Class B	46,619,449	0	8.5%	4.2%	12.7%	(159,482)	\$60.61
Class C	15,969,379	0	7.2%	2.4%	9.5%	(5,482)	\$53.52
CITYWIDE TOTAL	124,515,146	0	6.9%	3.5%	10.4%	(160,723)	\$66.93

Historical Sublease Available Space & Sublease Percent of Total Availability



	2018-Q4	2019-Q1	2019-Q2	2019-Q3	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4
Sublease Available	1,963,969	2,017,589	2,338,360	2,307,695	3,563,144	4,490,181	6,211,210	8,486,606	9,156,341
Direct Available	7,960,984	7,682,890	8,247,706	7,975,162	7,969,814	9,516,904	10,617,947	12,879,725	14,289,594
Total Available	9,924,953	9,700,479	10,586,066	10,282,857	11,532,958	14,007,085	16,829,157	21,366,331	23,445,935
Sublease % of Total	19.8%	20.8%	22.1%	22.4%	30.9%	32.1%	36.9%	39.7%	39.1%
Total Space	121,341,163	122,105,863	122,875,773	122,875,773	122,920,567	122,920,567	123,136,233	124,264,422	124,515,146

Largest Available Subleases

Address	Submarket	Bldg Contig	Term	Build Out	Notes
1455 Market Street	Mission Bay/China Basin	±375,831	Through Sept 2023	Shell Space/Partial Build Out	Former Uber, Dropbox, Square Space
685 Market Street	Yerba Buena	±207,000	Through Jan 2022	Fully Built Out	Former Uber
680 Folsom	South Financial District	± 272,401	Through Dec 2028	Fully Built Out	Former Macys.com

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