



SECOND  
QUARTER 2021

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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 a highway. The skyline includes the Transamerica Pyramid and other skyscrapers. Below the skyline is a view of a multi-lane highway with cars, and further down, a body of water and trees. A large, light green arrow shape points upwards from the bottom right corner of the page.

SAN FRANCISCO  
OFFICE REPORT

## Office market beginning to break out of year-long holding pattern

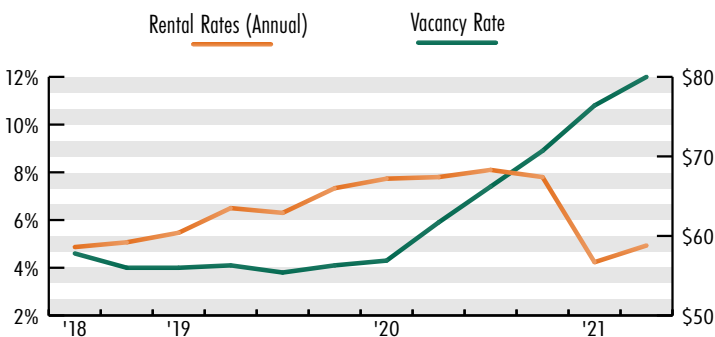
As Spring hatched, and vaccinations rolled out to the current tick of over 70%, the office market has decidedly moved out of the phase of shock and awe and into solid, long-term plans for tenancy. With much conversation surrounding the June 15th reopening date, looking back on the past 15 months of activity, subleases have proved to be the most telling bellwether.

While vacancy for office product will take a long time to normalize, the percentage of sublease space in relation to total available space is back to pre-pandemic. The caveat to this statistic is relative, as it is reported that only 18% of workers have returned to office workplaces. While this could be interpreted many ways, it is a signal that companies have ceased trying to evacuate their leases and are back to making long-term decisions - even if those decisions are to significantly downsize their office footprint.

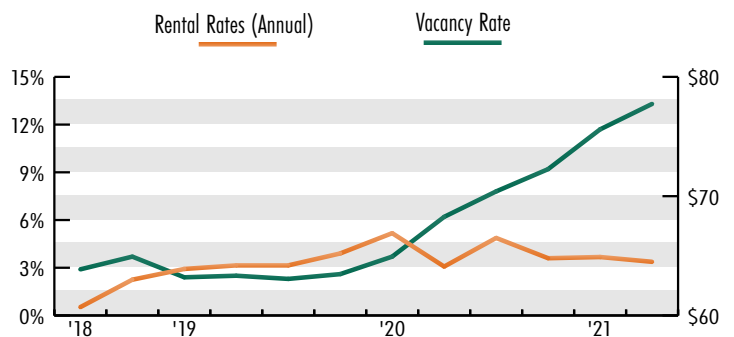
### MARKET ACTIVITY | SALE TRANSACTIONS

ADDRESS	Date	Size	PSF Price
135 MISSISSIPPI ST	May	28,454	\$931
2001 VAN NESS AVE	April	27,281	\$445

### NORTH OF MARKET | Vacancy & Gross Rental Rates



### SOUTH OF MARKET | Vacancy & Gross Rental Rates



## In Summary

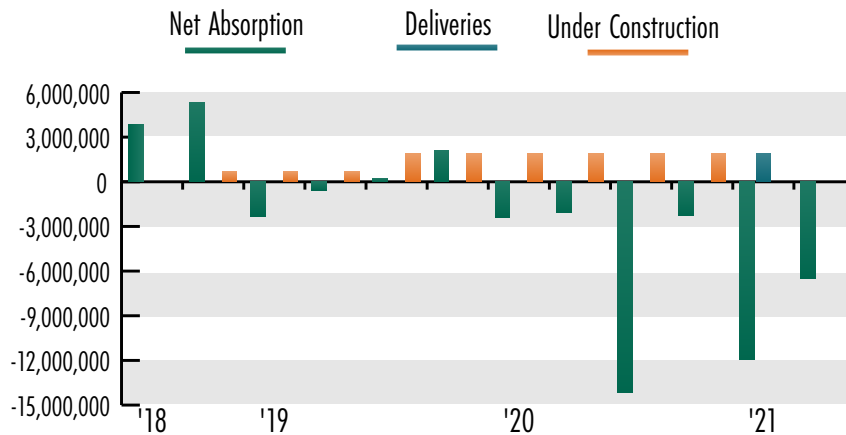
- Share of sublease space has returned to pre-pandemic 32%, marking the end of “the great unplanned move-out”
- Rents continuing to lay low, with some variance, but not enough to signal sure recovery.
- Major activity in Mission Bay/China Basin brings SoMa absorption rate into the black

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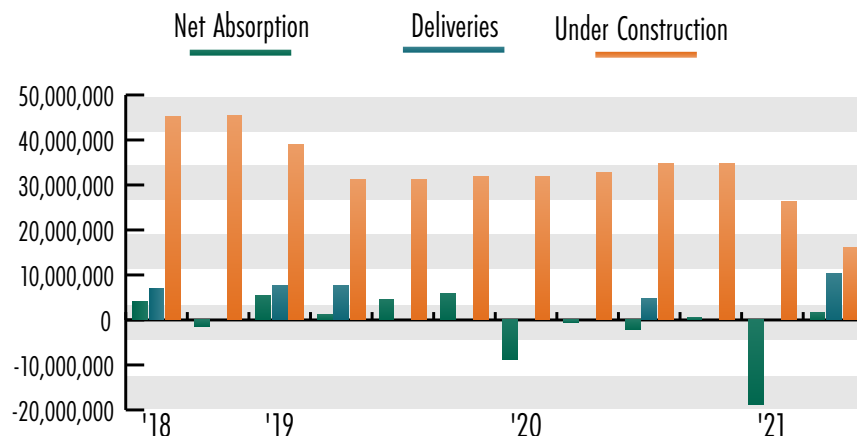
**North of Market** - Above-the-line office space continues to struggle compared to the rest of the city and Bay Area. Absorption has hit a massive negative value for the second quarter in a row, further compounding the negative accumulation of the past year and a half. San Francisco currently has at least 8 subleases over 100,000 SF, most of them within a five-minute walk of Market Street in NoMa. Lease rates have continued to sink, currently at \$58/SF, it will remain to be seen at what level some tenants will be enticed back to the market, if at all.

**NORTH OF MARKET** | Absorption & Activity



**South of Market** - Activity South of Market continues to surprise, and while it wouldn't be considered healthy by conventional standards, the second quarter of 2021 eked out positive absorption specifically due to the activity in Mission Bay/China Basin. By other metrics, however, the subregion matched shapes in terms of increasing vacancy and decreasing rents. Investment continues to be active, boding well for the recovery of the submarket, as well as the city as a whole.

**SOUTH OF MARKET** | Absorption & Activity

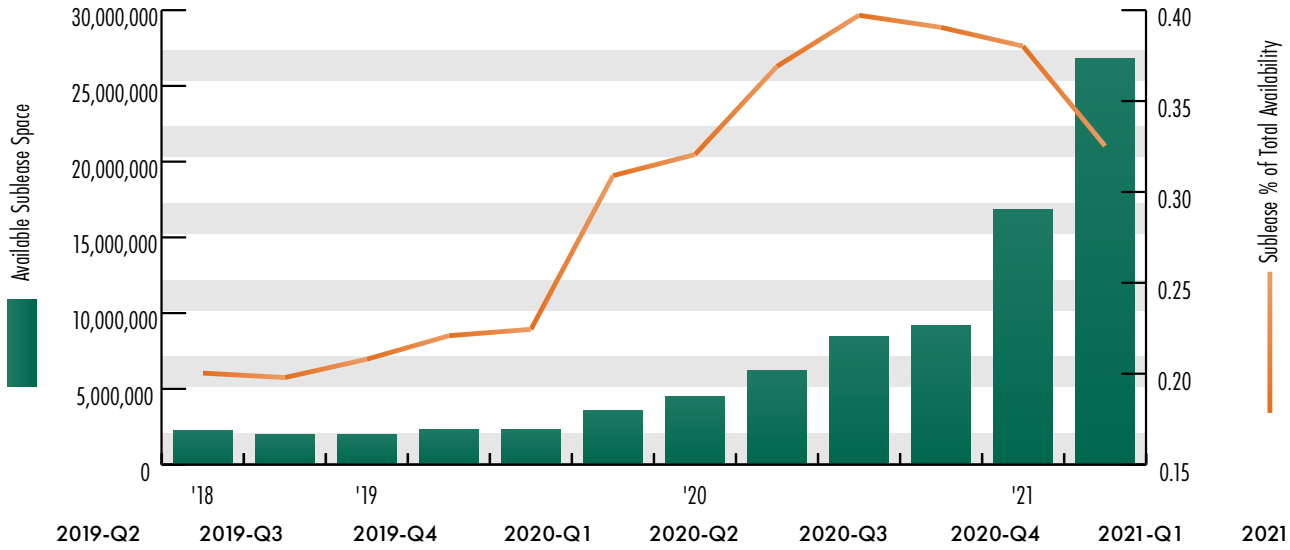


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## STATISTICS | By Submarket

SUBMARKET	Net Rentable Area	Under Construction	Vacant Avail Direct %	Vacant Avail Sublease %	Total Vacant Avail %	Net Absorption (QTR)	Average Annual Rent
<b>Van Ness/Chinatown</b>	3,267,626	0	10.56%	0.76%	11.32%	(9,453)	\$51.13
<b>Civic Center</b>	4,405,730	0	3.44%	0.47%	3.90%	1,226	\$23.80
<b>Financial District</b>	30,949,272	0	13.68%	2.92%	16.59%	(440,478)	\$63.68
<b>Jackson Square</b>	3,318,737	0	16.76%	2.68%	19.44%	(112,195)	\$47.53
<b>Union Square</b>	5,644,606	0	14.25%	2.50%	16.75%	35,377	\$48.36
<b>Waterfront/North Beach</b>	4,269,519	0	15.74%	2.23%	17.97%	(72,895)	\$42.01
<b>West of Van Ness</b>	5,508,968	0	7.69%	0.05%	7.74%	(51,676)	\$68.10
<b>NORTH OF MARKET TOTAL</b>	<b>57,364,458</b>	<b>0</b>	<b>12.53%</b>	<b>2.22%</b>	<b>14.75%</b>	<b>(650,094)</b>	<b>\$58.81</b>
<b>Bayview/Hunters Point</b>	650,352	0	7.24%	0.00%	7.24%	(4,480)	\$39.09
<b>Mid-Market</b>	7,581,733	0	6.43%	2.91%	9.33%	22,946	\$39.39
<b>Mission Bay/China Basin</b>	5,204,621	445,000	2.42%	9.31%	11.73%	1,025,684	\$35.00
<b>Mission/Potrero</b>	3,443,172	0	5.28%	1.13%	6.41%	18,094	\$49.03
<b>Southern City</b>	1,344,174	0	4.36%	0.89%	5.24%	(9,170)	\$53.60
<b>Rincon/South Beach</b>	7,209,889	268,000	10.54%	8.06%	18.59%	(365,023)	\$84.80
<b>Showplace Square</b>	3,848,843	228,319	6.29%	7.66%	13.95%	(5,459)	\$38.26
<b>South Financial District</b>	31,161,952	0	7.60%	5.75%	13.36%	(395,743)	\$69.49
<b>SOMA South</b>	4,831,494	25,000	11.31%	8.77%	20.08%	1,870	\$32.60
<b>Yerba Buena</b>	3,674,196	640,000	16.64%	8.10%	24.74%	(127,189)	\$54.18
<b>SOUTH OF MARKET TOTAL</b>	<b>68,950,426</b>	<b>1,606,319</b>	<b>7.88%</b>	<b>6.01%</b>	<b>13.89%</b>	<b>161,530</b>	<b>\$64.46</b>
<b>Class A</b>	63,218,063	1,581,319	8.69%	5.30%	13.99%	234,526	\$69.93
<b>Class B</b>	47,429,514	25,000	11.83%	3.93%	15.76%	(722,528)	\$56.96
<b>Class C</b>	15,667,307	0	9.65%	1.32%	10.97%	(562)	\$46.61
<b>CITYWIDE TOTAL</b>	<b>126,314,884</b>	<b>1,606,319</b>	<b>9.99%</b>	<b>4.29%</b>	<b>14.28%</b>	<b>(488,564)</b>	<b>\$61.05</b>

Historical Sublease Available Space & Sublease Percent of Total Availability



	2019-Q2	2019-Q3	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1	2021-Q2
<b>Sublease Available</b>	2,338,360	2,307,695	3,563,144	4,490,181	6,211,210	8,486,606	9,156,341	10,015,708	8,880,765
<b>Direct Available</b>	8,247,706	7,975,162	7,969,814	9,516,904	10,617,947	12,879,725	14,289,594	16,818,751	18,418,291
<b>Total Available</b>	10,586,066	10,282,857	11,532,958	14,007,085	16,829,157	21,366,331	23,445,935	26,834,459	27,299,056
<b>Sublease % of Total</b>	22.1%	22.4%	30.9%	32.1%	36.9%	39.7%	39.1%	37.3%	32.5%
<b>Total Space</b>	122,875,773	122,875,773	122,920,567	122,920,567	123,136,233	124,264,422	124,515,146	125,076,520	126,314,884

Largest Available Subleases

Address	Submarket	Bldg Contig	Term	Build Out	Notes
<b>1455 Market Street</b>	Mission Bay/China Basin	505,561	Through Feb 2025	Shell Space/Partial Build Out	Former Uber, Dropbox, Square Space
<b>1800 Owens Street</b>	Mission Bay/China Basin	447,016	Flexible 2-5 Years	Fully Built Out	Partial Dropbox Space
<b>650 Townsend Street</b>	Showplace Square	294,966	Through Feb 2027	Fully Built Out	Airbnb
<b>350 Mission Street</b>	South Financial District	286,538	Negotiable	Fully Built Out	Salesforce

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