

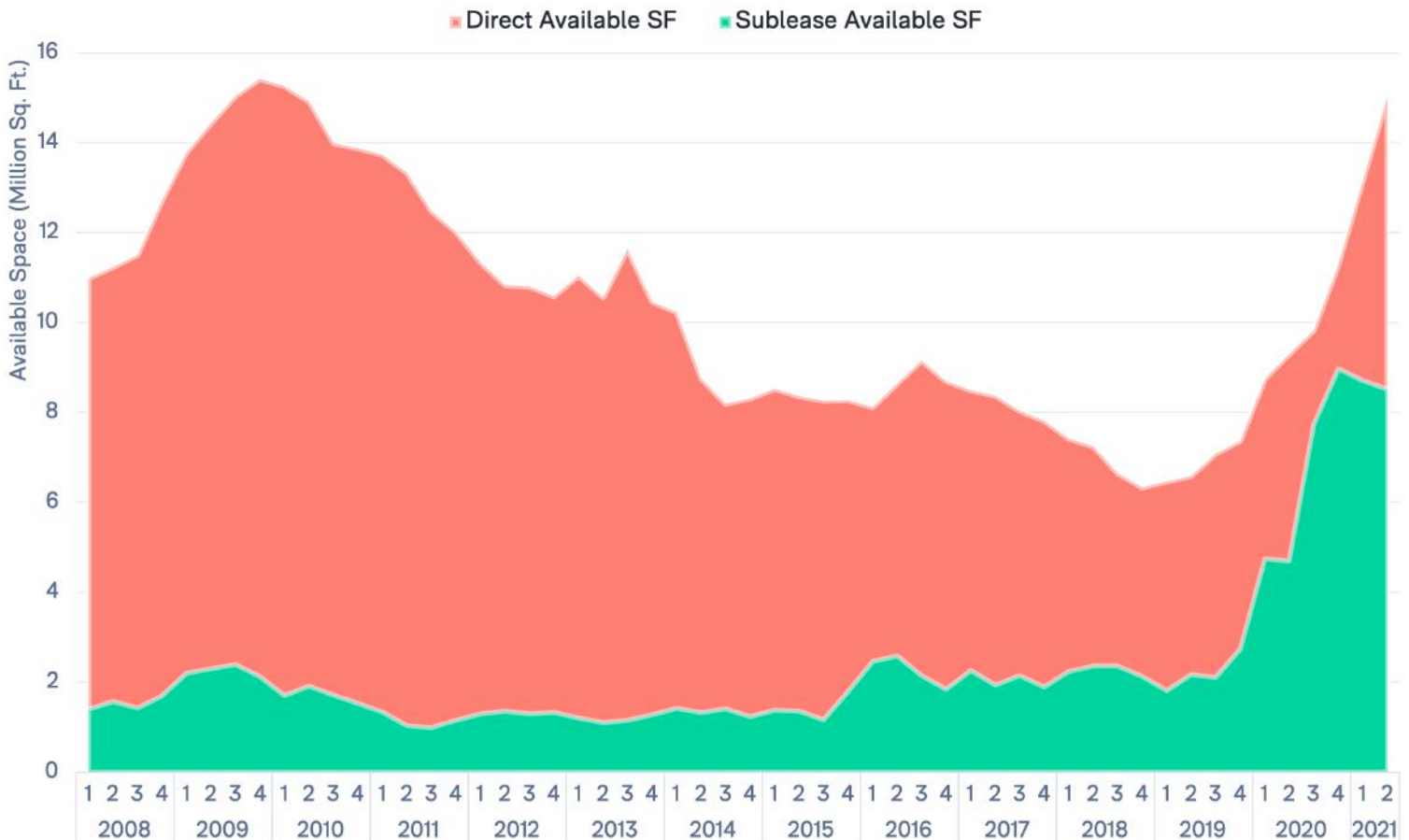


# H1 2021 Market Report San Francisco

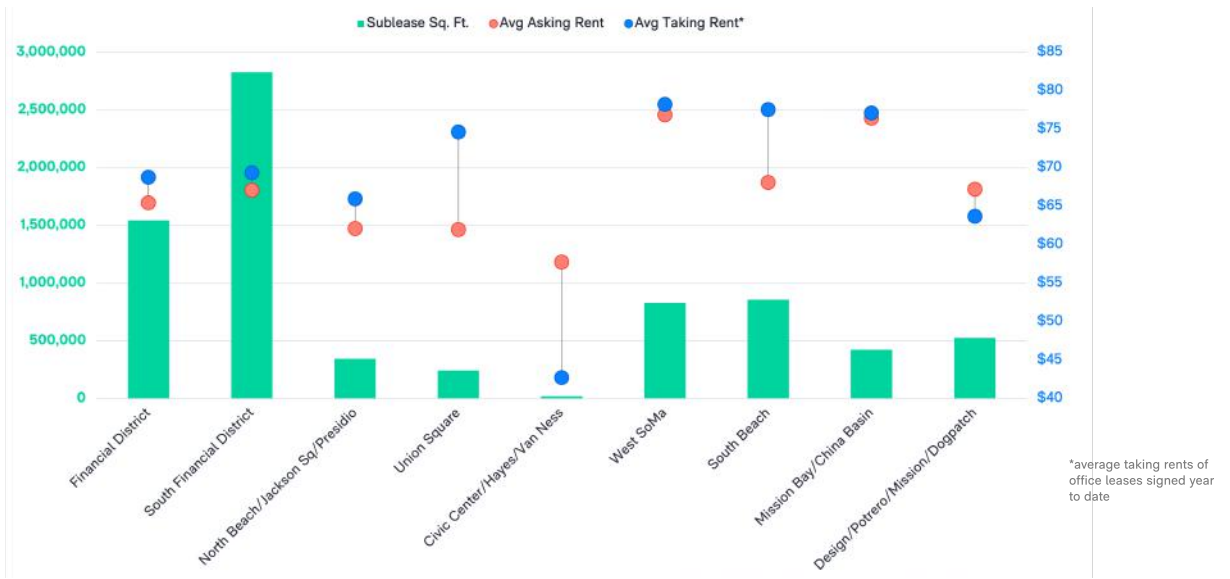
## Availability & Subleasing

For the first time on record, the ratio of available direct space to sublease space reached its closest range in fourth quarter 2020. Though direct space trended much as would be expected during a downturn, sublease availability far exceeded historic highs, increasing 211% from December 2019 to June 2021 to 8.5 million square feet (msf).

### SAN FRANCISCO HISTORICAL AVAILABILITY



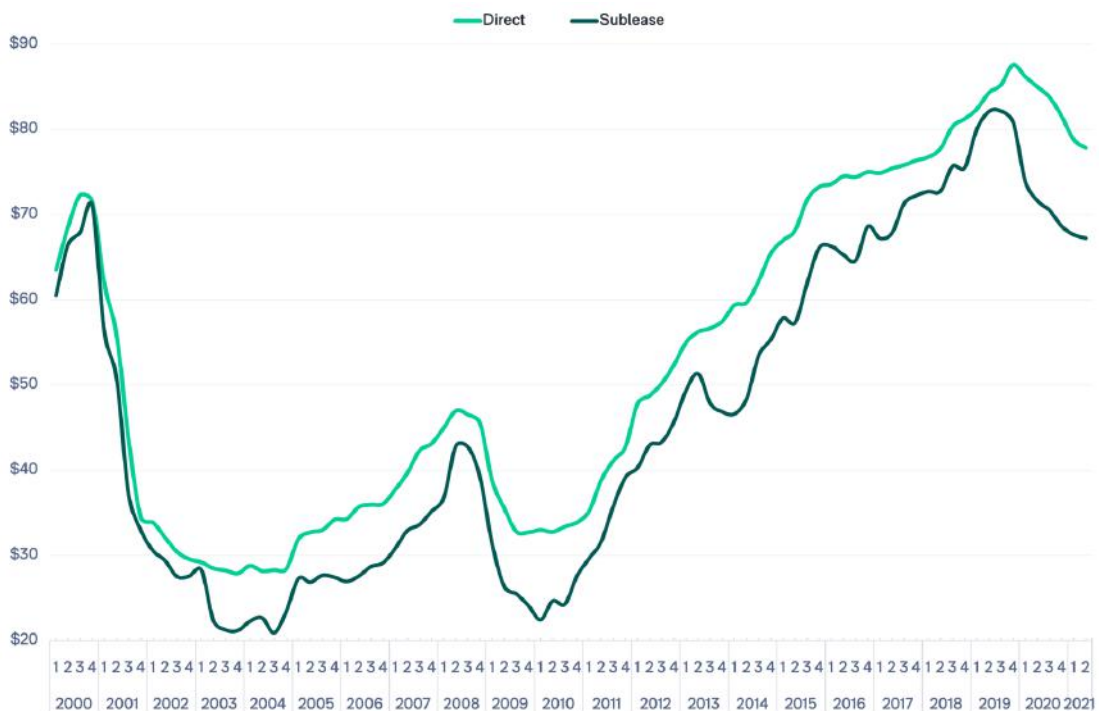
## SAN FRANCISCO 2021 SUBLEASE AVAILABILITY VS SUBLEASE LEASE RATES



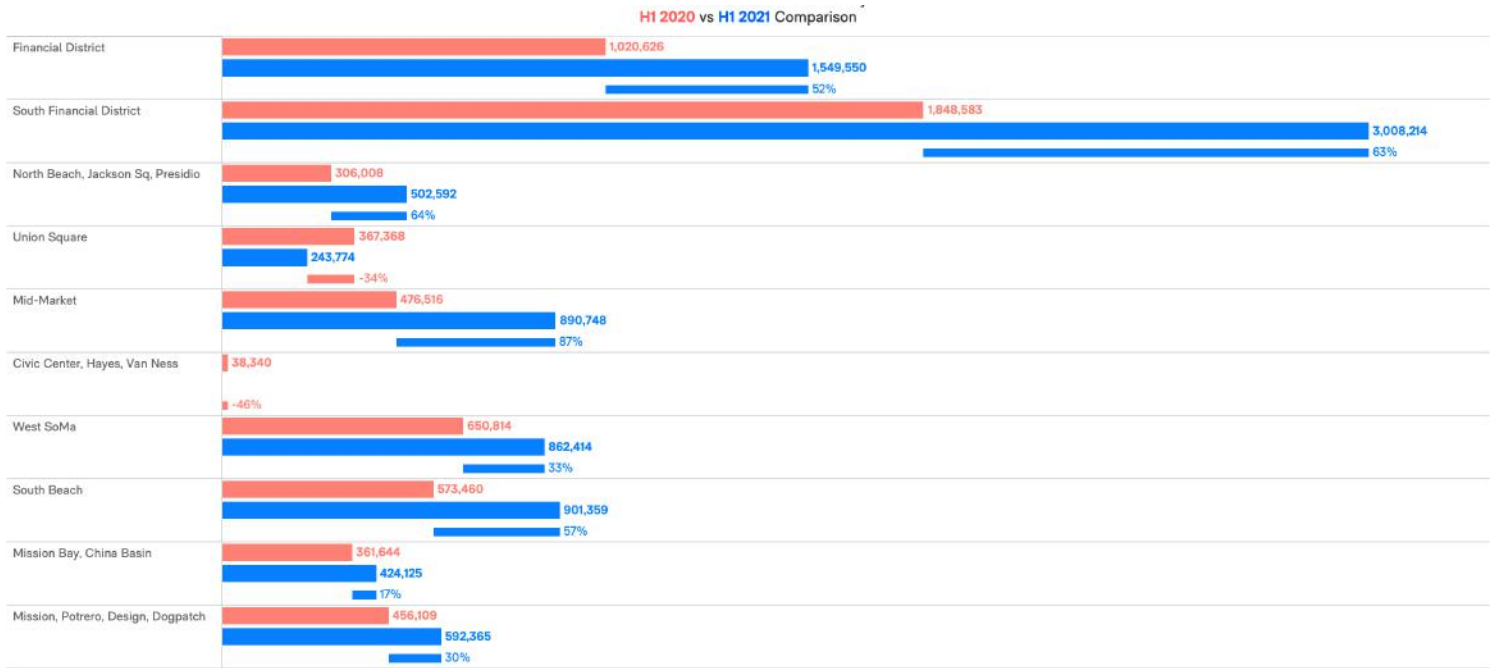
Typically, there is an inverse relationship between how much sublease space is on the market and both asking and taking rents. This trend proved true in the South Financial and West SoMa Districts. Additionally, the delta between asking and taking rents is usually wider when more available space is on the market, but this did not hold true across all submarkets due to the higher quality of space available in some submarkets. Seven of the nine submarkets have sublease start rates higher than the asking rent. The delta between asking and taking rents averaged 6%.

Asking rents usually decline when the delta between direct and sublease supply narrows. Though landlords aren't significantly discounting asking rents, new direct space coming on the market is priced lower than existing space and more in sync with current market conditions, which creates a tenants' market.

## SAN FRANCISCO HISTORICAL ASKING LEASE RATES

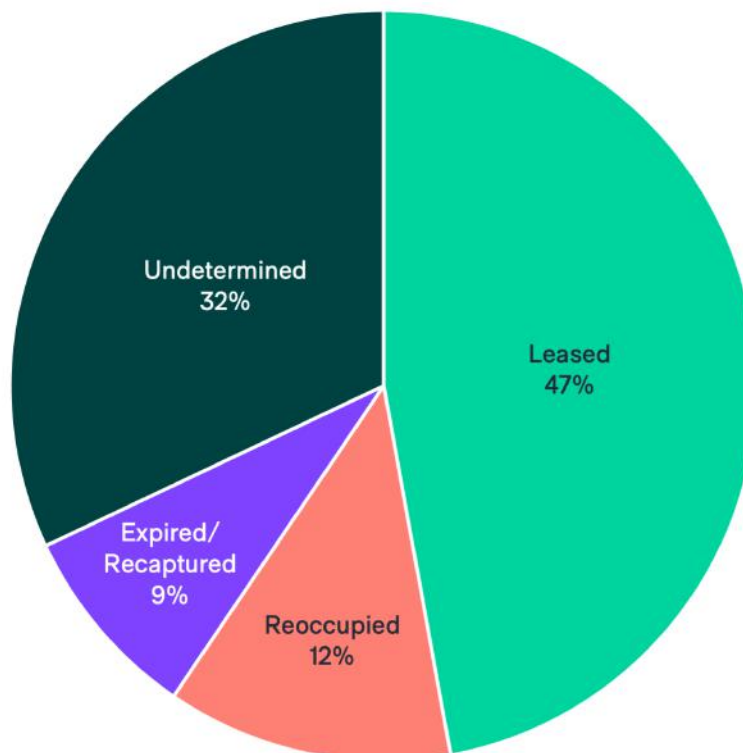


## SAN FRANCISCO SUBLEASE AVAILABILITY



Sublease availability dramatically increased by 80% to 8.5 msf in the first half of 2021 from 4.7 msf in the first half of 2020, but the rate of new sublease space is slowing and may be near the peak. The Financial and South Financial Districts bore the brunt of the sublease availability volume, which accounted for half of the total- available space on the market.

## SAN FRANCISCO 2021 REMOVED SUBLEASES



As of June 30, 2021

At the start of the pandemic, many companies put their space on the market for sublease and over the course of 18 months, different scenarios emerged. Nearly 3.0 msf of sublease availabilities have come off the market since the beginning of the year and 1.8 msf (60%) have either been leased or reoccupied. The Central Business District (Financial and South Financial Districts) had the largest gains in sublease availability since the pandemic as well as the largest concentration of reoccupied spaces (217,000 sf).

Office landlords are feeling the squeeze from the secondhand market; subleases now total 36% of San Francisco's total office availability and consistently exceeded 30% since the beginning of the pandemic, during which time direct rents declined 10% and sublease rents declined 9%. By comparison, the average sublease availability from 2015 through 2019 was 21%, during which time direct asking rents increased 31% and sublease asking rents increased 40%.

## Leasing Activity

In 2021, leasing activity totals 2.7 msf so far this year with subleases accounting for 40% of space leased. In comparison, approximately 2.2 msf leased in the first half of 2020 and 3.5 msf leased in all of 2020 (33% subleases). Increased touring activity indicates that leasing activity should further improve for the remainder of the year.

### SAN FRANCISCO SIGNIFICANT DIRECT DEALS FIRST HALF 2021

SUBMARKET	TENANT	ADDRESS	LEASED SF	SPACE TYPE
North Beach/Jackson Sq/Presidio	Levi Strauss	1155 Battery St	354,000	Direct/Renewal
Financial District	Goldman Sachs	555 California St	88,000	Direct/Renewal
South Financial District	Sigma Computing	116 New Montgomery St	54,000	Direct/New
Design/Potrero/Mission/Dogpatch	Embark	2525 16th St	51,855	Direct/New
Financial District	Allen Matkins	3 Embarcadero Center	40,000	Direct/Renewal
Design/Potrero/Mission/Dogpatch	Invitae Corporation	444 De Haro St	40,000	Direct/New
Financial District	Roger Joseph O'Donnell	311 California St	26,868	Direct/Renewal
Financial District	Gem	1 Post St	22,888	Direct/New
Financial District	Horsley Bridge Partners	505 Montgomery St	21,137	Direct/Renewal
South Financial District	Pacific Maritime Assoc.	555 Market St	20,767	Direct/Renewal

\*Highlighted deals are Raise Commercial Real Estate

## SAN FRANCISCO SIGNIFICANT SUBLEASE DEALS FIRST HALF 2021

SUBMARKET	TENANT	ADDRESS	LEASED SF	SPACE TYPE
Design/Potrero/Mission/Dogpatch	Astranis	113 20th St	131,070	Sublease
South Financial District	Benchling	680 Folsom St	107,000	Sublease
Union Square	Figma	760 Market St	98,000	Sublease
Financial District	Segment	100 California St	75,650	Sublease
West SoMa	Aurora Innovation	85 Bluxome St	60,000	Sublease
South Financial District	Amplitude	201 3rd St	57,500	Sublease
Union Square	Afterpay	760 Market St	50,297	Sublease
Design/Potrero/Mission/Dogpatch	Notion	2300 Harrison St	41,843	Sublease
Financial District	Varo Money	100 Montgomery St	26,865	Sublease
North Beach/Jackson Sq/Presidio	Generate Capital	560 Davis St	26,387	Sublease

\*Highlighted deals are Raise Commercial Real Estate

## The Evolving Workplace

Much the way retail evolved to be experiential in order to attract consumers, so has the new workplace. The office must be a destination for collaboration, culture, mentorship, and inclusivity. Whether employers choose an office-centric, hybrid, or remote model, they must be intentional about the purpose of the office and how teams use space. Creating an experience for employees will boost engagement, wellness, and productivity.