

FIGURES | SAN FRANCISCO | Q1 2022

San Francisco Office Figures

▲ 23.8%
Vacancy Rate

▼ -1.1M
SF Net Absorption

▶ 1 MSF
Under Construction

▼ \$76.27
Full Service Gross / Lease Rate
Existing Properties

▲ 314.9K
Office Using Employment
San Francisco County

Note: Arrows indicate change from previous quarter.

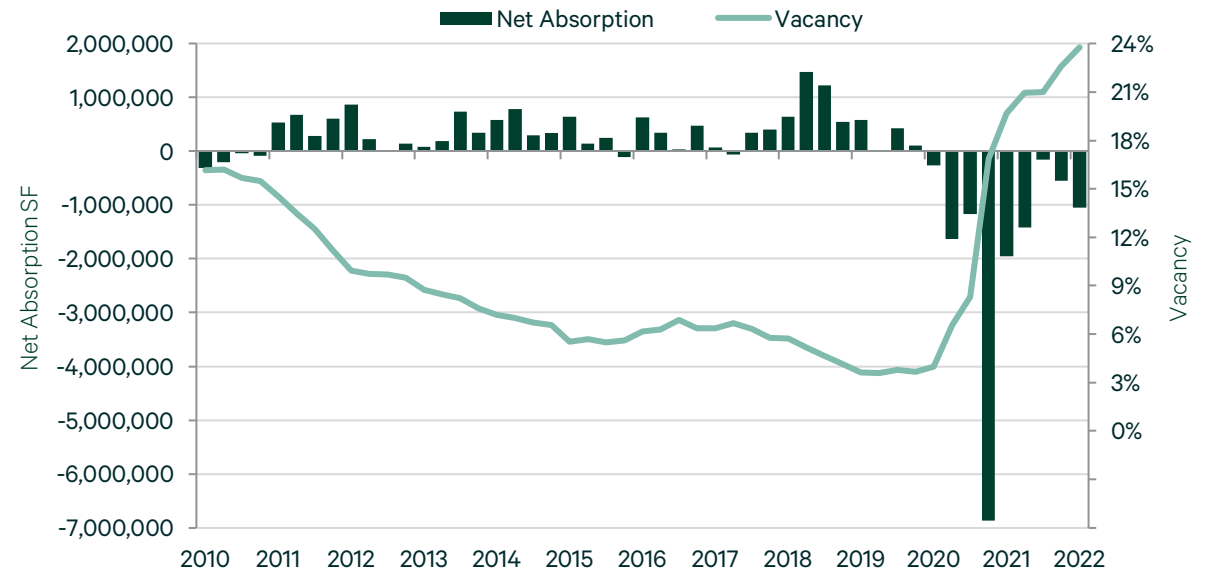
SAN FRANCISCO EMPLOYMENT

San Francisco County is home to 862,230 residents with a total resident labor force of 571,530. Entering the final month of Q1 2022, the total resident employment was 553,240 up 17,390 jobs from the end of Q4 2021. San Francisco’s total in-market employment adds another 186,840 to the employment base commuting from outside of the city. The forecasted unemployment rate for San Francisco residents in Q1 2022 is 3.2%, a 72-basis-point (bps) reduction from the previous quarter figure. Total office sector jobs located in San Francisco is forecasted to add 4,980 jobs in Q1 2022, bringing total office using jobs to 314,870.

OFFICE OVERVIEW

Q1 2022 began with hesitant leasing activity as companies monitored the Omicron Variant, but with the lifting of the statewide mask mandate for those vaccinated on February 16th, 2022, and those unvaccinated on March 1st, 2022, return to office (RTO) momentum was reignited. During Q1 2022, many notable Bay Area companies were cited in local publications to return to the office. While some companies reported a full-scale return, most have employed a hybrid work week. Moving into Q2 2022, company adoption of the hybrid work model is likely to persist throughout the year as many companies begin to navigate the transition from the long-standing work from home (WFH) model back into an in-person environment.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

OFFICE OVERVIEW (continued)

Tenants in the market for office space in San Francisco totaled 3.8 million sq. ft. at the end of Q1 2022, imputing a 31% increase over total tenant demand in Q4 2021. The rise in demand was largely due to the lifting of the statewide mask mandate midway through the quarter, however, industry leaders announcing clear return-to-office dates in Q1 also seemed to accelerate other companies RTO plans and demand for office space. While demand remains 42% below the pre-pandemic high in Q1 2020 of 6.6 million sq. ft. and 3% below year-over-year, RTO momentum is expected to hasten demand moving into Q2 2022 and the second half of 2022.

Market-wide availability increased 70 bps to a record high 28.6% in Q1 2022. Direct availability increased 90 bps from 17.9% in Q4 2021 to 18.8% in Q1 2022 following the addition of 1.5 million sq. ft. of newly available space that came to market during the quarter. While a record amount of sublease space remains on the market, supply has continued to decrease, dropping 0.2% this quarter from 10.0% in Q4 2021 to 9.8% in Q1 2022, ending the quarter with 8.5 million sq. ft. on market.

Direct average asking lease rates remained essentially unchanged in Q1 2022, dropping from \$76.28 to \$76.27 FSG, while still 13.5% below the all-time high of \$88.19 FSG in Q4 2019. Despite the increase in demand for office space, net absorption in Q1 2022 reported a negative 1.1 million sq. ft., making Q1 2022 the ninth consecutive quarter of occupancy losses.

Following 2.9 million sq. ft. of completions in 2021 - many of which were projects set to deliver in 2020 and delayed due to COVID-19 - San Francisco saw no new construction completions in Q1 2022. Nearly 1.0 million sq. ft. remains under construction, of which only 30% is preleased. Mission Rock remains the only development scheduled to be delivered this year, with a delivery date set for Q4 2022. Pier 70 is expected to deliver in late-2023.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Direct Asking Rate (\$)	Q4 Net Absorption	YTD Net Absorption
Financial District	27,124,808	22.0	28.3	78.62	(495,926)	(495,926)
Class A	20,201,447	18.6	25.3	81.51	(400,335)	(400,335)
South Financial District	25,342,442	18.4	22.2	83.95	(251,374)	(251,374)
Class A	21,984,441	16.3	19.8	85.85	(101,768)	(101,768)
N. Waterfront & Jackson Sq.	5,384,713	27.3	32.2	75.19	(43,243)	(43,243)
Class A	1,928,125	24.0	30.5	73.14	7,445	7,445
South of Market	8,057,510	31.8	37.8	73.71	(150,102)	(150,102)
Class A	3,567,367	36.6	40.2	75.24	(85,752)	(85,752)
Yerba Buena	4,228,638	41.2	44.8	73.38	(8,149)	(8,149)
Class A	2,210,027	51.0	53.8	74.08	(69,860)	(69,860)
South of Market West	3,599,157	28.9	31.4	63.55	(832)	(832)
Class A	1,633,952	39.4	39.4	79.00	0	0
Mission Bay / China Basin	4,360,556	21.4	28.3	90.00	(5,724)	(5,724)
Class A	4,360,556	21.4	28.3	90.00	(5,724)	(5,724)
Potrero Hill	2,380,838	24.9	28.2	61.76	(21,107)	(21,107)
Class A	573,109	27.1	27.1	-	0	0
Civic Center & Van Ness	1,809,487	23.2	26.2	48.41	(59,130)	(59,130)
Class A	619,541	40.0	42.8	36.93	(62,580)	(62,580)
Union Square	3,756,984	29.0	30.4	69.57	(16,678)	(16,678)
Class A	343,869	49.4	49.4	78.74	4,973	4,973
San Francisco Office Market	86,045,133	23.8%	28.6%	76.67	(1,052,265)	(1,052,265)
Class A	57,422,434	21.6%	26.4%	80.81	(713,601)	(713,601)

Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q1 2022

Tenant	Address	SF Leased	Type
Sephora	350 Mission St	286,626	New Lease*
Goodby Silverstein and Partners	720 California St	81,065	Renewal
CBS Viacom	680 Folsom St	70,770	New Lease*
Sixth Street Partners	1 Letterman Dr	65,000	New Lease
Microsoft, Inc.	555 California St	49,077	Renewal
UCSF	1800 Owens St	45,287	New Lease*
Opendoor	303 2nd St	44,961	New Lease*
Finix	631 Howard St	42,349	New Lease
BNY Mellon	101 2nd St	31,286	New Lease
Sofar Ocean Technologies	Pier 26	28,341	New Lease*
SAP America	135 Townsend St	28,099	New Lease
Watershed Co.	325-333 9 th St	23,200	New Lease

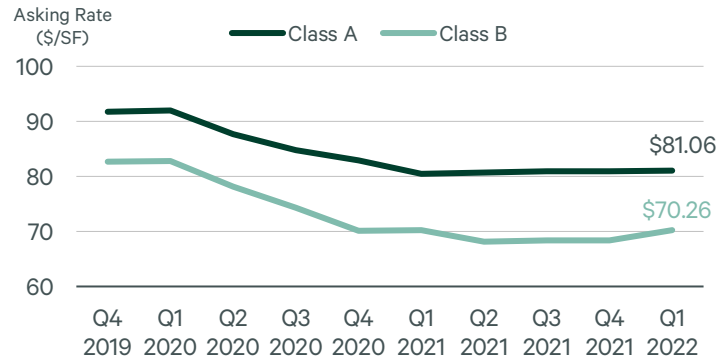
*Sublease

FIGURE 4: Notable Sale Transactions Q1 2022

Buyer	Address	SF Sold	Sale Price
Korea Asset Investment Mgmt/ Lincoln Property Co.	350 Rhode Island St North	127,072	\$118,000,000

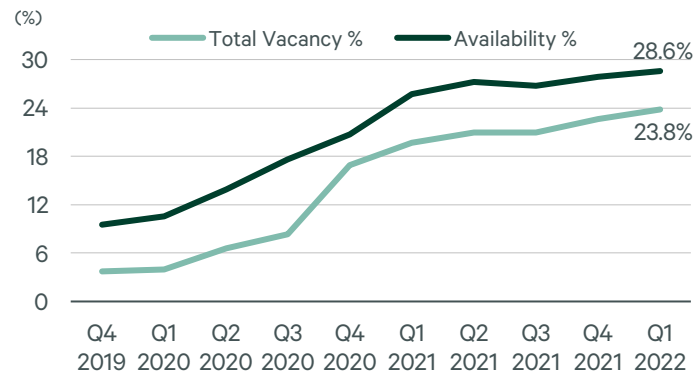
Source: CBRE Research

FIGURE 5: Lease Rates



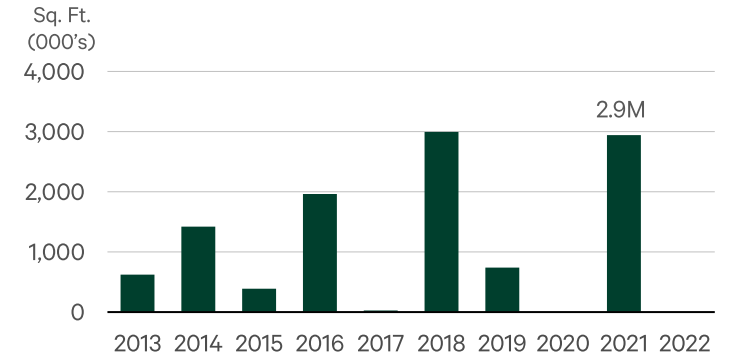
Source: CBRE Research

FIGURE 6: Vacancy & Availability



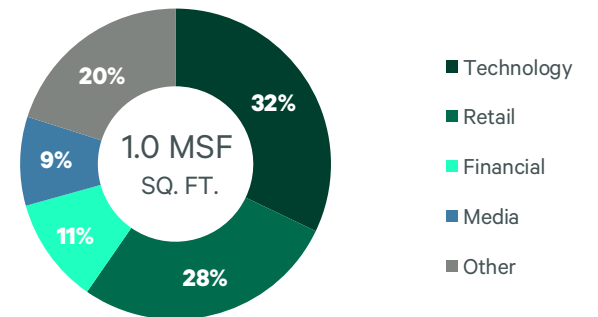
Source: CBRE Research

FIGURE 7: Construction Completions



Source: CBRE Research

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research

Submarket Map



Source: CBRE Research, Location Intelligence

Definitions

Average Asking Rate Direct Annual Lease Rates, Full Service Gross. Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy. CBD Central Business District; consists of Financial District and South Financial District submarkets.

CBRE's market report analyzes existing single- and multi-tenant office buildings that total 10,000+ sq. ft. in downtown San Francisco, excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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