SAN FRANCISCO

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Office Occupier's Guide | Q2 2026

The San Francisco office market continued to strengthen in the second quarter, evidenced by positive net absorption totaling 1.5M SF, the strongest quarterly performance since 2018. Vacancy declined for the fifth consecutive quarter to 26.5%, down 2.2% quarter-over-quarter (QoQ) and 5.8% year-over-year (YoY). Availability decreased to 29.5%, or 7.6% from the Q4 2023 peak of 37.4%. Asking rents increased for the sixth consecutive quarter with average asking rents climbing to $71.91 psf, representing a YoY increase of 7.3%, or $4.88 psf. Unlike other cities, the reductions in vacancy & availability rates are due to leasing activity and almost no office-to-residential conversions removing inventory from the market.

AI companies continued to drive leasing activity, accounting for five of the eight largest deals this quarter, including two Anthropic leases totaling 344K SF in the So. Financial District and Together.ai's 148K SF lease in Showplace Square. The City of San Francisco completed a massive 505K SF lease expansion providing a major boost to Mid-Market. With leasing activity rising and return to office policies more widespread, San Francisco office visits increased 8.2% year over year, according to Placer.ai, highlighting the market's continued improvement.

Quarterly Snapshot

Vacancy ↓	Availability ↓	Average Rent ↑	Net Absorption ↑
26.6%	29.6%	$71.91/SF	1,519,047 SF

*Arrows indicate changes from previous quarter

Submarket Movement

Direct Asking Rent ($/SF)	Sublease Asking Rent ($/SF)	Submarket	Total Vacancy Rate
$78.31	$52.14	No. Financial | Class A	23.9%
$60.18	$37.38	No. Financial | Class B	31.4%
$81.65	$60.15	So. Financial | Class A	20.5%
$57.00	$37.46	So. Financial | Class B	32.8%
$89.15	$58.54	SOMA | Class A	16.6%
$48.96	$54.02	SOMA | Class B	36.5%

Recent Transactions

Tenant	Size (SF)	Submarket	Lease Type	Sector
City of San Francisco	505,275	Mid Market	New Lease	Government
Anthropic	241,628	South Financial District	Renewal	Artificial Intelligence
PwC	196,356	South Financial District	Renewal	Professional Services
Together.ai	148,826	Showplace Square / Potrero Hill	New Lease	Artificial Intelligence
Ripple	124,547	Jackson Square	Renewal	Financial Services
Anthropic	72,091	South Financial District	New Lease	Artificial Intelligence
LangChain	68,942	SOMA	Sublease	Artificial Intelligence
Assort Health	62,400	South Financial District	New Lease	Artificial Intelligence

Occupier's Perspective

Occupiers should negotiate for future flexibility, not just rent and concessions. Securing rights such as ROFRs, ROFOs, expansion options, and termination rights can preserve valuable optionality and help avoid the significant costs and operational disruption associated with relocating.

Flight to move-in-ready space. Occupiers are increasingly prioritizing pre-built and furnished office spaces that shorten occupancy timelines while providing a workplace designed to attract and retain top talent.

Occupiers focused on improving the in-office experience are increasingly prioritizing buildings with robust tenant-only amenity offerings. Amenities such as fitness and wellness centers, team recreation options, lounges, and coffee bars can serve as an extension of the workplace. They help drive office attendance and support employee wellbeing.

Market Trends

Venture funding keeps San Francisco at the center of AI growth. San Francisco-headquartered companies captured $229B of $284B of U.S. AI venture funding in the first half of the year. The strong capital flows continue to support headcount growth and office expansion, reinforcing the City's position as the AI capital of the U.S.

Leasing activity surged in H1 2026, increasing by 33.0% YoY. Completed transactions increased by 38.7%, while the average deal size fell just 4.1%. Q1 and Q2 2026 now stand as the two strongest quarters for leasing activity since Q2 2019.

Class A rents continue to rise, reaching $77.03 psf. The South Financial District and SOMA recorded the strong rent growth YoY, increasing 7.1% and 27.4%, respectively, as much of the City's AI driven demand is focused in these two submarkets. By comparison, Class A rents in the North Financial District marginally increased 1.7% over the same period.

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Office Submarket Statistics | Q2 2026

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DEFINITIONS

Vacancy: Space that is physically unoccupied, including both direct and sublease space.

Availability: Space being marketed for lease, including vacant space and space offered for future occupancy, across both direct and sublease.

Average rent: Weighted average asking rent for direct space. Sublease rents are calculated separately using weighted-average sublease asking rents (page 1 only).

Net absorption: The net change in occupied space, calculated as move-ins minus move-outs, including both direct and sublease space.

Demand: Amount of space (square footage) that tenants are actively seeking.

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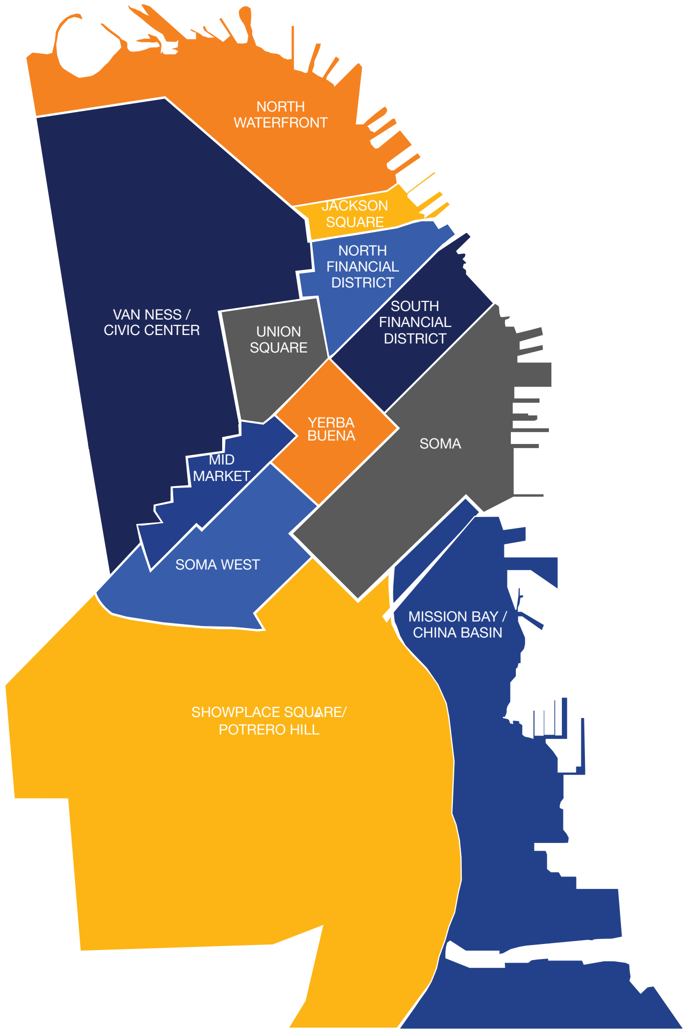

Submarket	Inventory	Overall Rent	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Availability	Total Net Absorption
CBD	56,590,117	$76.14	23.3%	2.2%	25.4%	28.4%	802,638
North Financial District	29,338,042	$74.00	25.8%	1.7%	27.5%	29.9%	337,571
South Financial District	27,252,075	$78.92	20.6%	2.7%	23.2%	26.7%	465,067
North Waterfront	3,342,512	$65.68	25.8%	1.7%	27.5%	30.7%	38,461
Jackson Square	2,118,170	$65.44	17.3%	0.2%	17.5%	24.4%	33,906
Mid Market	4,594,361	$49.55	27.9%	11.7%	39.6%	43.3%	427,674
Yerba Buena	3,798,014	$70.05	43.3%	8.7%	52.0%	53.4%	87,492
Union Square	3,389,010	$52.85	25.6%	1.8%	27.4%	29.1%	99,369
SOMA	7,713,665	$76.83	19.2%	8.3%	27.5%	35.1%	(64,957)
SOMA West	1,103,518	$43.33	15.9%	4.1%	20.0%	18.7%	(27,041)
Mission Bay / China Basin	3,833,879	$75.99	7.0%	4.0%	10.9%	11.1%	143,710
Showplace Square / Potrero Hill	5,476,077	$62.49	15.7%	12.9%	28.5%	28.3%	(16,030)
Van Ness / Civic Center	2,015,284	$36.40	13.5%	0.0%	13.5%	18.3%	(6,175)
Total	**93,974,607**	**$71.91**	**22.6%**	**4.0%**	**26.6%**	**29.6%**	**1,519,047**