

# San Francisco

Office | Q2 2024 Market Report

## Quarterly Snapshot

↔ Average Rent  
\$69.07/SF

↔ Vacancy  
23.1%

↓ Net Absorption  
-285,525 SF

## Occupier's Perspective

Tenants are in the market for ~7M square feet of office space with nearly 3.5 million for the technology sector. Startups are growing, particularly AI companies, and this cohort prefers pre-built suites and short-term leases. Most tenants looking to relocate are looking for high-quality sub-lease and second-generation plug-and-play spaces.

Submarkets outside the CBD are discounted and will take years to recover. With most leasing activity in the CBD, landlords of Class B and C buildings in peripheral submarkets are offering substantial rent discounts, especially for low capex leases, to secure and maintain tenants.

Leasing activity in San Francisco is increasing. Year-to-date average leasing activity is 270,000 square feet more per quarter than the 2023 average. As the market looks to be leveling out, landlords are eager to raise rental rates and reduce lease concessions.

During the second quarter, San Francisco's office market showed signs of stabilization, as the velocity of new vacant space slowed, and tenants made significant space commitments. Rippling's new office is 4 times larger than the one they are vacating, Scale AI leased 3.65 times more space, and law firm Wilmer Hale is doubling in size. Vacancy remained flat at 31.8 percent, though it increased by 5.5 percent year-over-year. The large volume of available space continues to exert downward pressure on rents. In a contrarian outcome, the availability of Google's 300,000 square feet of expensive office space at 1 Market St. caused the weighted average CBD asking rates to rise by \$0.49 quarter-over-quarter yet are still down \$1.97 year-over-year. Year-to-date net absorption stands at negative 285,000 square feet despite significant move-ins this quarter by Anthropic (230,000), The City of SF (157,000), Adyen (148,000), and Rippling (123,000) in the second quarter.

Under the umbrella of Senate Bill 76, the Mayor's Office created California's first Entertainment Zone (EZ) in San Francisco's Financial District. Now, during special events such as live entertainment, restaurants and bars are allowed to sell open alcoholic drinks. Many neighborhoods expressed interest in expanding the program. Other efforts to stimulate San Francisco's business recovery include the "Vacant to Vibrant" program, which provided financial support to retail shops, helping them transition from temporary pop-ups to permanent leases.

## Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Scale AI	178,234 SF	Showplace Square / Potrero Hill	Sublease	Office
City of SF	157,154 SF	Mid Market	New Lease	Office
Orrick	153,000 SF	South Financial District	Renewal	Office
Rippling	123,320 SF	North Financial District	New Lease	Office

## Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
11.4%	▼	\$30.29	South of Market West
17.2%	▲	\$38.92	Van Ness / Civic Center
21.1%	▲	\$53.56	Union Square
28.1%	▼	\$56.95	Mid Market
16.3%	◆	\$59.16	Jackson Square
16.9%	▼	\$60.44	Showplace Square / Potrero Hill
22.4%	◆	\$61.15	South of Market
42.0%	▼	\$66.72	Yerba Buena
8.9%	▼	\$67.18	Mission Bay / China Basin
28.9%	▲	\$68.31	North Waterfront
25.4%	◆	\$72.30	North Financial District
21.1%	▲	\$75.23	South Financial District