

The San Francisco office market showed clear signs of recovery in 2025. Vacancy declined for the second consecutive quarter, while availability fell to 34.2% from a peak of 37.4% in Q3 2024. Asking rents stabilized and began to rise, increasing \$0.29 quarter over quarter to \$67.50 after bottoming out at \$67.02 in Q2 2025. With 579K SF of absorption in the quarter, the market posted 544K SF of positive net absorption for the year, the first year of positive absorption since 2019.

Two words defined 2025: Artificial Intelligence. AI firms led leasing activity, pushing volume above 2024 levels and returning tenant demand to 2019 levels. Supported by record venture capital investment, AI tenants are leasing aggressively, with an emphasis on flexibility and speed to occupancy. Demand remains concentrated in Mission Bay/China Basin, SOMA, and the South Financial District, where tenants can secure move-in-ready, highly amenitized space with large open floor plates that support collaboration and talent attraction.

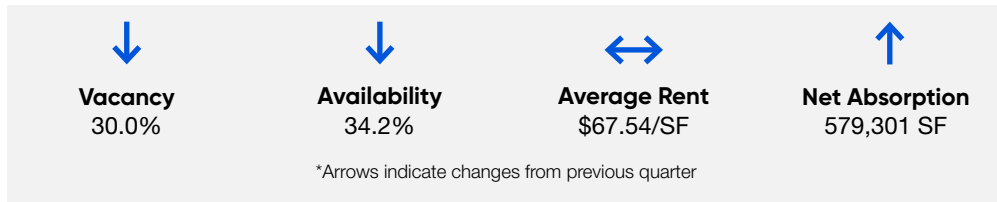
### Occupier's Perspective

**Landlord leverage has returned in select segments.** Trophy assets operate on a separate playing field, with rents rising for eight consecutive quarters, while Class A rents only stabilized in Q3 2025.

**Concessions remain a critical negotiating tool for landlords, although no longer expanding.** Packages are increasingly structured around TI allowances, free rent conversions, phased occupancy, and turnkey deliveries.

**Competition for high-quality, move-in-ready space is intense,** particularly among recently funded AI firms planning for rapid growth.

### Quarterly Snapshot



### Submarket Movement

Direct Asking Rent (\$/SF)	Sublease Asking Rent (\$/SF)		Total Vacancy Rate
\$76.03	\$42.83	No. Financial   Class A	24.8%
\$53.63	\$37.51	No. Financial   Class B	34.3%
\$77.08	\$58.16	So. Financial   Class A	27.1%
\$57.83	\$35.00	So. Financial   Class B	36.1%
\$79.22	\$51.39	SOMA   Class A	19.6%
\$50.07	\$47.29	SOMA   Class B	38.2%

### Recent Transactions

Tenant	Size (SF)	Submarket	Lease Type	Sector
Sierra	257,000	Mission Bay / China Basin	New Lease	Technology
Docusign	142,169	South Financial District	Renewal Expansion	Technology
Wharton Business School	77,399	North Financial District	New Lease	Education
Ironclad	46,500	North Financial District	New Lease	Technology
Nvidia	45,126	Mission Bay / China Basin	New Lease	Technology
Canopy	43,000	Presidio	New Lease	Real Estate
DLA Piper	34,911	South Financial District	New Lease	Legal Services

### Market Trends

**Leasing volume increased 39.1% year over year** and 61.3% compared to 2023, while lease counts rose 19.0%. Fifteen transactions exceeded 100,000 square feet, up 66.7% from last year.

**San Francisco-based AI companies captured 28.3% of U.S. venture capital** in 2025, totaling more than \$95 billion, and 18.3% of global VC, positioning the sector to continue driving office demand.

**Mission Bay/China Basin remains one of the city's strongest submarkets.** Vacancy declined 15.7% in 2025 as Nvidia, Sierra, OpenAI, and Coinbase joined Visa, in this mixed-use environment that blends office, life science, residential, retail, and entertainment anchored by Chase Center.

## Office Submarket Statistics | Q4 2025

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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.

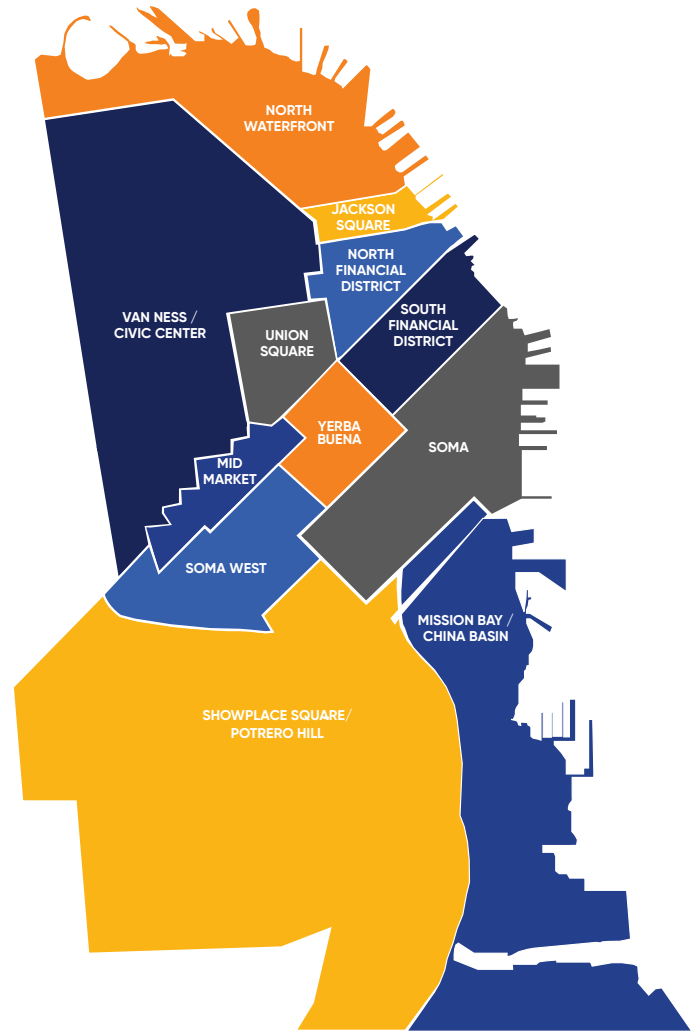
**Demand:** Amount of space (square footage) that tenants are actively seeking.

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Submarket	Inventory	Overall Rent	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Availability	Total Net Absorption
<b>CBD</b>	<b>55,845,533</b>	<b>\$72.76</b>	<b>25.3%</b>	<b>3.5%</b>	<b>28.7%</b>	<b>33.1%</b>	<b>298,842</b>
North Financial District	29,205,254	\$70.93	26.2%	2.2%	28.4%	32.8%	283,171
South Financial District	26,640,279	\$74.93	24.2%	4.9%	29.1%	33.5%	15,671
North Waterfront	3,392,292	\$66.13	26.0%	2.3%	28.3%	32.1%	43,544
Jackson Square	2,090,526	\$66.14	15.6%	0.2%	15.8%	23.1%	43,121
Mid Market	4,908,290	\$36.87	32.1%	16.8%	48.9%	48.1%	(26,842)
Yerba Buena	3,761,708	\$62.30	50.2%	8.0%	58.2%	62.5%	(42,889)
Union Square	3,491,361	\$50.14	27.2%	0.6%	27.8%	30.4%	62,441
SOMA	7,638,365	\$64.80	20.4%	10.2%	30.6%	37.1%	122,179
SOMA West	1,101,867	\$38.74	14.8%	6.3%	21.2%	19.7%	8,835
Mission Bay / China Basin	3,278,990	\$70.00	7.9%	10.4%	18.2%	22.6%	27,194
Showplace Square / Potrero Hill	5,259,850	\$59.53	16.0%	12.0%	28.0%	33.6%	44,358
Van Ness / Civic Center	2,019,940	\$40.72	15.2%	0.0%	15.3%	16.1%	(1,482)
<b>Total</b>	<b>92,788,722</b>	<b>\$67.54</b>	<b>24.6%</b>	<b>5.4%</b>	<b>30.0%</b>	<b>34.2%</b>	<b>579,301</b>