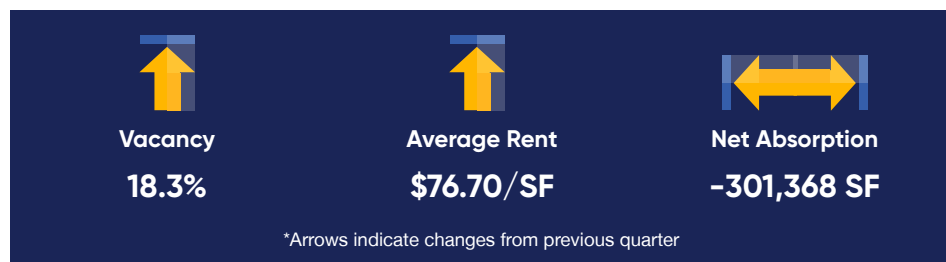


Occupier's Guide

General market trends remain depressed, with little change from the previous quarter. Vacancy rates remain at 18.3%, a negligible 0.3% increase over the prior quarter. Overall asking rates remained nearly flat, averaging \$76.70 per square foot. Net absorption remained negative with 301.3K SF of negative absorption over the quarter despite large sublease move-ins from Benchling and Amplitude.

Companies are beginning to switch to hybrid work models with a focus on workplace redesign. As a result, short-term bridge leases have seen an uptick in activity. While many companies are considering trimming down on office space to cut costs and embrace a hybrid work model, "casual collisions" are still essential for creativity. Tenants still need attractive spaces to encourage employees to come into the office where these collisions can occur, but simply working from desks in the office is no longer the highest priority.



Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Sublease Asking Rent (\$/SF)	Total Vacancy Rate	Q/Q Change
\$81.22	\$62.45	No. Financial Class A 16.4%	▲ 0.4%
\$74.93	\$61.09	No. Financial Class B 24.7%	▲ 0.8%
\$81.13	\$59.53	So. Financial Class A 12.6%	▼ 1.8%
\$75.95	\$51.69	So. Financial Class B 14.3%	▼ -0.2%
\$78.42	\$68.70	SOMA Class A 20.7%	▲ 8.1%
\$68.44	\$61.93	SOMA Class B 27.2%	▼ -1.2%

Recent Transactions

Tenant	Size	Submarket	Type	Sector
1 BlackRock	206,171	South Financial District	Renewal	Financial Services
2 Chime	203,548	North Financial District	New	Financial Services
3 Pinterest	135,054	South of Market	Renewal	Technology
4 Citibank	76,000	South Financial District	Renewal	Financial Services
5 Retool	73,225	Potrero Hill / Showplace Square	Expansion	Technology

Occupier's Perspective

Many companies are taking time to calculate their San Francisco headcounts and return to office strategy, adding additional negative pressure to real estate fundamentals.

Landlords who are still collecting rents from leases signed pre-pandemic are hesitant to lower their asking rates. However, as direct vacancies continue to increase, leverage will continue to shift to the tenants' favor and give tenants an advantage in negotiating direct leases in the medium term.

Subleases continued to dominate overall leasing activity as flexible plug and play spaces offer short-term solutions to uncertainty in the market. Direct leasing activity remains well below pre-pandemic levels in comparison.

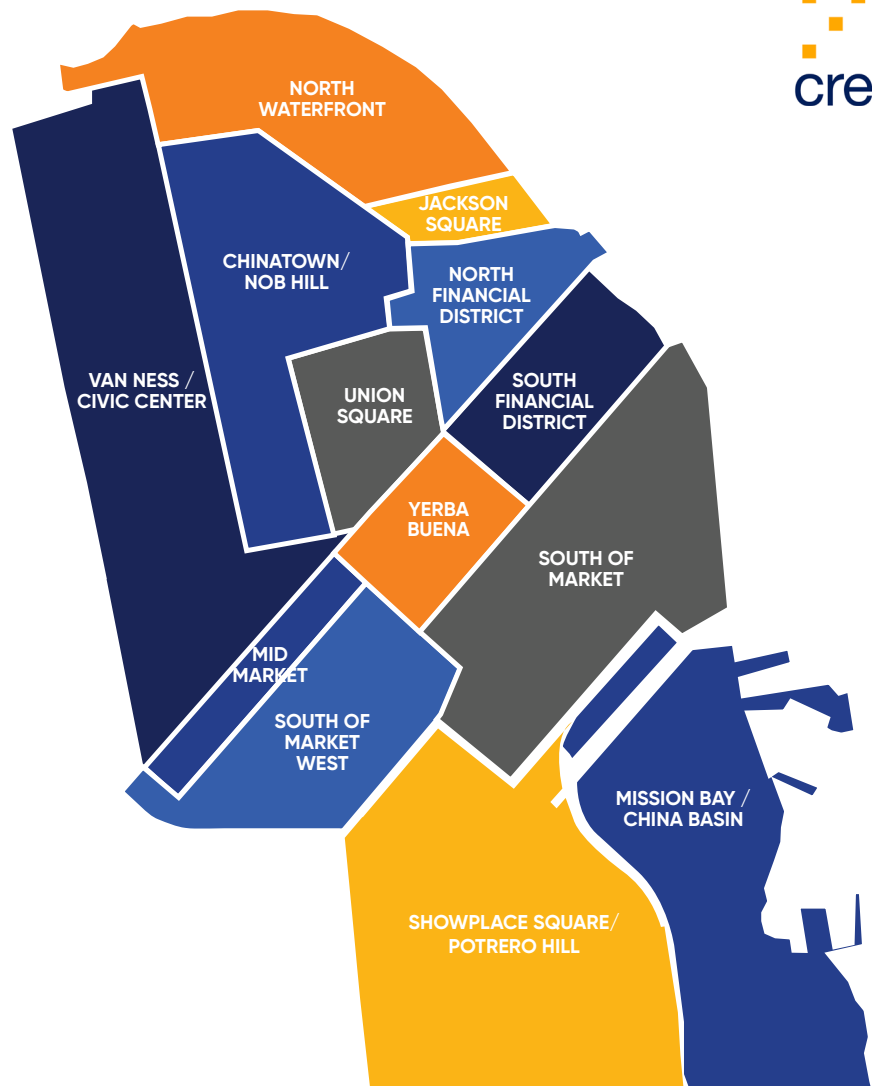
Market Trends

In terms of leasing activity, subleases represented 48.9% of total leasing volume square footage. For comparison, the 5-year pre-pandemic average was 22.8%.

Large subleases signed by Benchling and Amplitude supports the flight to quality trend and the desire to relocate to the CBD while availability remains high.

Large block subleases continue to come to market. Following AirBnB, Zynga announced it will vacate its HQ to embrace a hybrid work model. The company also announced \$82 million in impairments from its existing lease and related leasehold improvements.

Submarket Statistics - Office



Submarket	Inventory	Overall Rent	YoY Trend	Vacancy	YoY Trend	Net Absorption
North Financial District	27,311,936	\$78.94	▼	18.7%	▲	(172,725)
South Financial District	25,060,510	\$79.25	▼	13.3%	▲	220,104
N. Waterfront	3,251,578	\$76.22	▼	22.5%	▲	(3,176)
Jackson Square	1,988,271	\$77.62	▼	28.0%	▲	42,562
Mid Market	4,431,981	\$71.31	▼	15.8%	▲	(120,880)
Yerba Buena	3,015,483	\$75.29	▼	27.8%	▲	(24,714)
Union Square	3,397,224	\$71.07	▼	25.0%	▲	(10,779)
SoMa	6,922,840	\$74.79	▼	24.1%	▲	(7,182)
Western SoMa	1,187,326	\$65.01	▼	33.4%	▲	22,231
Mission Bay / China Basin	2,736,457	\$87.54	▼	21.1%	▲	(11,323)
Potrero Hill / Showplace Square	5,031,908	\$70.37	▼	14.1%	▲	(244,711)
Civic Center / Van Ness	1,996,890	\$52.35	▼	15.0%	▲	9,225
Total	86,332,404	\$76.70	▼	18.3%	▲	(301,368)