

Occupier's Guide

Tech, tech and more tech! The industry's appetite for the markets dwindling office supply posted record numbers throughout the year and left 2018 with rates at all time highs, vacancy at all time lows, and rent growth year-over-year of more than 10%. Don't look for the slowdown to happen just yet – forecasts for 2019 remain strong, but the City isn't likely to see a year quite like 2018 again in this extended cycle. Spillover to Oakland trickled out over the past 12 months, but the 4th quarter saw the Oakland CBD land their biggest fish since Uber barely touched the waters in 2015. Square signed a lease for all 380,000 rentable square feet at Uptown Station.


Vacancy
5.6%

Average Rent
\$82.83/SF

Net Absorption
3.9 mm SF

Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$80.39	Financial Class A 6.3%	▼ -1.50%
\$83.68	Financial Class B 6.6%	▼ -1.90%
\$85.18	South Financial Class A 4.9%	▼ -0.40%
\$84.42	South Financial Class B 3.8%	▼ -1.20%
\$78.21	SOMA Class A 2.7%	▼ -1.30%
\$74.85	SOMA Class B 4.2%	◀ 0.00%


Recent Transactions

	Buyer	Submarket	Type	Size	Sector
1	Salesforce*	South FiDi	New Lease	325,000 RSF	Technology
2	Google	South FiDi	New Lease	300,000 RSF	Technology
3	DoorDash	South FiDi	New Lease	195,000 RSF	Technology
4	iRhythm Tech.	SOMA	Expansion	120,000 RSF	Technology
5	WeWork	North FiDi	New Lease	100,000 RSF	Co-Working
6	Pivotal	SOMA	New Lease	85,000 RSF	Technology


Occupiers's Perspective



The SF market saw net absorption of approximately 3.9 million square feet in 2018, pushing office lease rates up by year-over-year levels of greater than 10% market wide.



Co-working companies finished the 4th quarter with deals totaling almost a half million square feet. WeWork leased close to 300,000 square feet, followed by Knotel, Regus (Spaces), Coveo.



Office rates ended the year \$82.83, with rates for Class A space totaling \$83.40, a 10% increase over the fourth quarter of 2017.

Market Trends



The Central SOMA plan was approved in the 4th quarter, an accomplishment year's in the making. The next question is will community lawsuits further delay works ready to break ground now.

Salesforce continued to make headlines in the real estate market in the 4th quarter with their leasing of the entirety of 550 Howard – a building that is still awaiting its development entitlements from the City.

Square Inc.'s, leased the Uptown Station office complex in Oakland. Landlord's could further see flight of tenants to the East Bay due to little supply in the City.