

Sublease State of the Market

Quick Facts

# of Subleases	268
Total Sqft	8,446,808
Largest Sublandlord	Uber
Class A %	56.1%
Class B %	43.9%
Average Days on Market	394
Average Remaining Term	33.0 Months
Current Sublease Rate	\$64.92

Recent / Notable Subleases

Yelp	53,596
Waymo	48,205
Qualia Labs	39,256
Ebay	29,979
Mux	29,192
Niantic	27,502
Persona Identities	26,022
Tempo	25,000

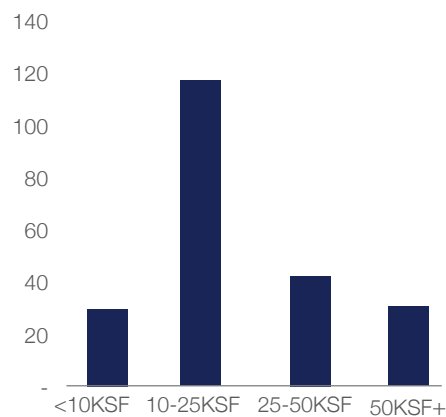
Key Takeways

Elevated availability continues to be beneficial for San Francisco office tenants.

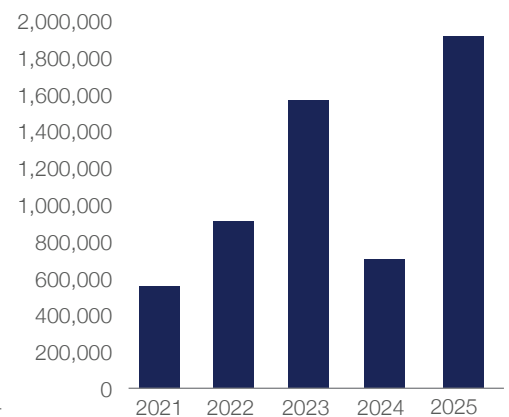
Leasing activity remains well below normal, however, there was an uptick in subleasing activity as flexibility/short-term solutions remain a focal point for tenants.

Yet to be determined work from home ratios are still causing tenants to defer decisions surrounding RTO and leasing new space.

of Spaces on the Market



Sublease RSF Expiring by Year



Submarket Stats

Submarket	Inventory	Sublease Avg. Rent	Total Available %	Sublease Available %	Net Absorption
North Financial District	27,311,936	\$62.16	24.8%	5.2%	(172,725)
South Financial District	25,060,510	\$58.79	21.9%	9.3%	220,104
N. Waterfront	3,251,578	\$67.46	30.0%	6.9%	(3,176)
Jackson Square	1,988,271	N/A	28.4%	2.3%	42,562
Mid Market	4,431,981	\$58.28	32.9%	19.5%	(120,880)
Yerba Buena	3,015,483	\$69.87	58.1%	14.5%	(24,714)
Union Square	3,397,224	\$64.17	27.0%	5.0%	(10,773)
SoMa	6,922,840	\$62.32	26.1%	13.5%	(7,182)
Western SoMa	1,187,326	N/A	31.2%	4.0%	22,321
Mission Bay / China Basin	2,736,457	\$71.57	23.5%	12.6%	(11,323)
Potrero Hill / Showplace Square	5,031,908	\$47.62	27.8%	13.8%	(244,711)
Civic Center / Van Ness	1,996,890	N/A	19.1%	0.5%	9,225
Total	86,332,404	\$58.95	26.6%	9.0%	(301,368)

Note: All statistics above are a snapshot of the market from Q3 2021. Net absorption was calculated as physical move-ins/move-outs.

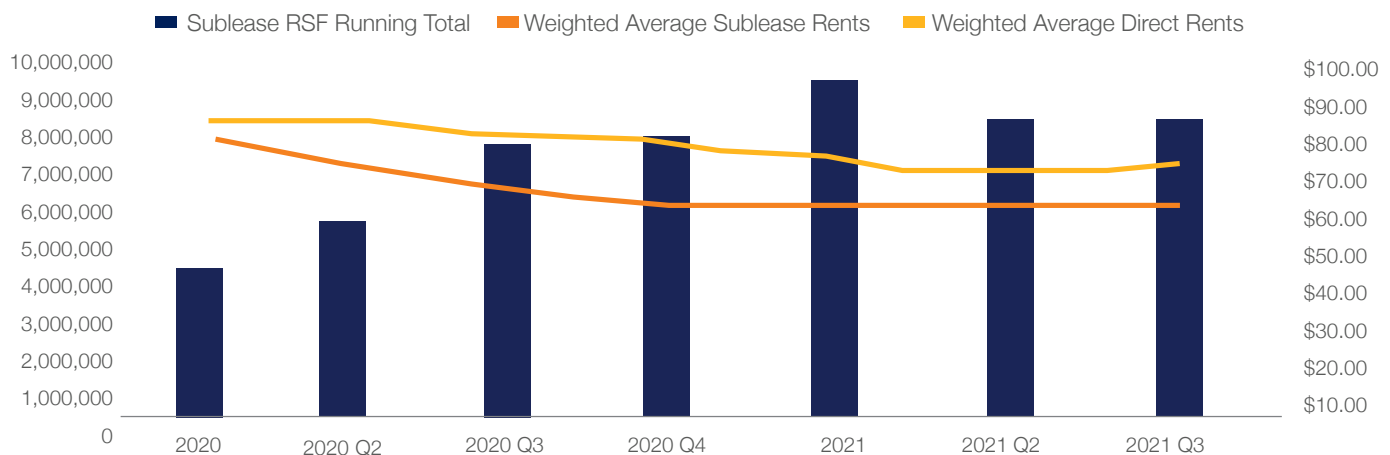
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Rents

While overall availability remains high, direct and sublease asking rents continue to feel downwards pressure, falling 5.1% and 11.9% year-over-year, respectively.

Quarter-over-quarter, landlords continued to get creative with concessions rather than reducing asking rental rates. The bid-ask disparity is an ongoing negotiation struggle throughout the market

Running Total of Sublease Inventory vs. Sublease Asking Rates



Supply

Sublease supply remained nearly flat during the quarter at 8.4M SF, although, overall supply in the market increased by 985.6K SF

Large companies continue add premium sublease spaces to market. Zynga vacated their entire Showplace Square HQ and listed it for sublease (295.0K SF) as they shift to a hybrid model. Coinbase listed their entire 179.9K SF coworking HQ for sublease in the Financial District.

2022 Projections

- 1 Deferred decisions will continue to put negative pressure on market fundamentals until hybrid workplace plans ratios are agreed upon.
- 2 For the first time in nearly 10 years, the abundance of availability is providing opportunity for tenants to take advantage of office deals at a discount.
- 3 Due to increased “band-aid approach” transactions, transactions with long-term real estate goals in mind will continue to be pushed back.
- 4 Hybrid work models will put upwards pressure on availability as companies right size as the rise of remote work becomes increasingly popular among workers.

Methodology: The information in this report is focused on office properties located in the San Francisco. The report evaluates all Class A & B office properties 7,500 square feet and above, excluding owner-occupied buildings. All sublease spaces evaluated were also 7,500 square feet and above. Source data comes from CoStar along with a variety of other resources. All analytics were done by the Cresa Research Department in the San Francisco office.