

# Occupier's Guide - Office

General market trends remained depressed to close out the year, with little change from the previous quarter. Vacancy rates fell a negligible 0.8% over the quarter to 17.5%. Overall asking rates remained nearly flat, averaging \$77.23 per square foot over the quarter. Net absorption remained negative with 260.5 KSF of negative absorption over the quarter despite large move-ins from Figma, Afterpay, and Asana.

On average, costs and lead times for TI buildouts have substantially increased due to inflation, labor shortages, and supply chain constraints. It will be important, moving forward to keep this in mind throughout the leasing process. It is expected that the supply chain issues should take nearly two years to return to normal.

Companies with confident insights into their future can take advantage of current market conditions while companies who are unsure of the future of their footprint are stuck in a holding pattern.

## Occupier's Perspective

**Timelines for lease negotiation and TI construction costs have been severely impacted.** Expect a 10.0% average increase in TI costs and 6-month minimum lead time for lease negotiations/TI starts. Expect smaller projects to have even larger increases. As a result, plug & play options will be much more valuable in 2022.

**Overall availability in the market increased** to 26.2% as large tenants shed office space.

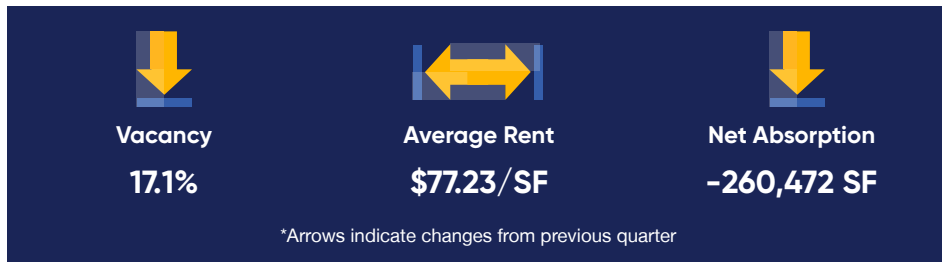
**The North and South Financial Districts continued to be robust in subleasing activity** as the flight to quality continues. Virtually every other submarket recorded small decreases or large increases in sublease supply.

## Market Trends

**Subleases represented 23.7% of total leasing volume square footage in Q4.** In total, 2021 recorded 37.2% of subleasing activity compared to 22.0% pre-pandemic (2019).

**Subleases are still offering major discounts comparatively to direct spaces in the market.** In the Financial Districts, although becoming increasingly limited, tenants can expect a 20-30% discount on class A and B product.

**Large technology subleases are still available:** Major technology companies, including Salesforce, Uber, Zynga, Dropbox, Unity, either still have sublease offerings, or paid termination fees to rid of unused office space. This continues to put pressure on vacancy and rental rates.



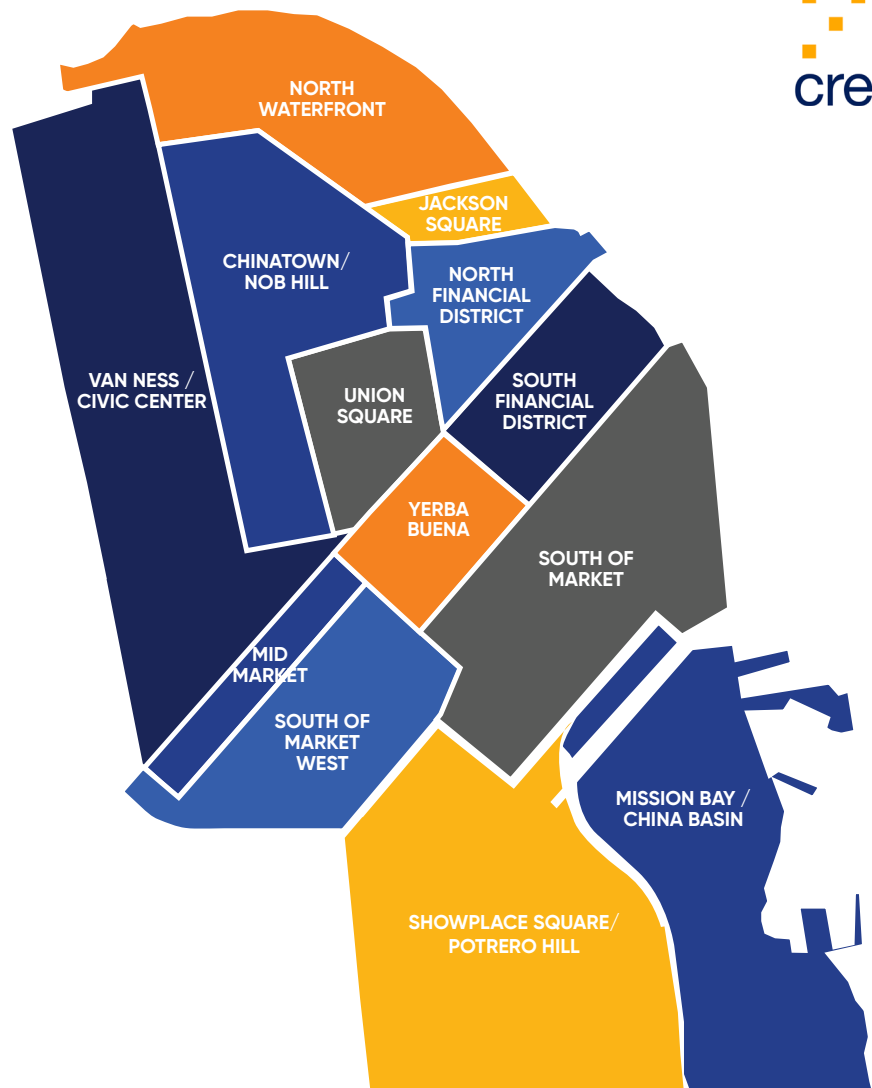
## Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Sublease Asking Rent (\$/SF)	Total Vacancy Rate	QoQ Change
\$80.99	\$60.13	No. Financial   Class A 15.4%	▼ (-1.0%)
\$79.79	\$54.41	No. Financial   Class B 23.3%	▼ (-1.4%)
\$83.02	\$60.50	So. Financial   Class A 12.1%	▼ (-0.5%)
\$78.69	\$56.45	So. Financial   Class B 18.5%	▲ 4.2%
\$76.96	\$73.16	SOMA   Class A 19.2%	▼ (-1.5%)
\$68.61	\$65.63	SOMA   Class B 26.0%	▼ (-1.2%)

## Recent Transactions

Tenant	Size	Submarket	Type	Sector
1 Twitter	164,240	MidMarket	Renewal/Expansion	Technology
2 Indeed	63,000	South Financial District	Renewal	Technology
3 Fremont Group	60,500	South Financial District	New Lease	Financial Institution
4 Lewis Brisbois LLP	40,242	South Financial District	New Lease	Legal
5 HOK	34,088	Financial District	Renewal	Professional Services

# Submarket Statistics - Office



Submarket	Inventory	Overall Rent	YoY Trend	Vacancy	YoY Trend	Net Absorption
North Financial District	27,654,726	\$80.51	▼	18.5%	▲	(51,145)
South Financial District	25,472,268	\$81.61	▲	13.3%	▲	(287,037)
N. Waterfront	3,264,700	\$75.12	▼	22.6%	▲	(35,081)
Jackson Square	1,992,740	\$75.77	▼	22.5%	▼	57,595
Mid Market	4,431,981	\$65.68	▼	17.3%	▲	(66,304)
Yerba Buena	3,001,852	\$81.50	▲	26.7%	▲	(8,796)
Union Square	3,450,424	\$60.99	▼	20.2%	▼	153,606
SoMa	6,987,582	\$71.57	▼	18.8%	▼	190,091
Western SoMa	1,181,889	\$63.67	▼	24.1%	▼	63,860
Mission Bay / China Basin	3,757,864	\$92.00	▲	16.7%	▼	(49,268)
Potrero Hill / Showplace Square	5,061,290	\$68.77	▲	14.3%	▲	(164,276)
Civic Center / Van Ness	1,989,391	\$49.36	▼	9.6%	▼	(63,717)
<b>Total</b>	<b>88,246,707</b>	<b>\$77.23</b>	<b>▼</b>	<b>17.1%</b>	<b>▲</b>	<b>(260,472)</b>