

MARKET TRENDS

SAN FRANCISCO OFFICE

MARKET DRIVERS

San Francisco's office market continues to strengthen, driven by growth in the AI and broader technology sectors. What began as leasing demand from smaller and mid-sized venture-backed firms a few years ago has evolved into larger commitments from both established technology companies and rapidly expanding AI firms. Demand is also beginning to spread beyond CBD trophy assets into Class B properties and adjacent submarkets like Rincon/South Beach, MidMarket, Mission Bay, and SoMa. This increase in tenant activity reflects growing business confidence and a strengthening economic outlook.

Tenants remain focused on high-quality space that supports collaboration, employee experience, and future growth, keeping demand concentrated in well-located, amenity-rich buildings. At the same time, limited new construction and declining sublease inventory have created a more favorable supply environment, allowing existing space to absorb demand more effectively. While hybrid work continues to influence utilization, recovery is increasingly being driven by leasing and expansion activity rather than market sentiment alone.

Leasing activity remained strong in Q3 2026, with more than 3M SF leased during the quarter and over 10M SF leased year-to-date. Net absorption was also very strong, exceeding 1M SF in Q3 2026 bringing the year-to-date total to 2.7M SF. Both metrics are on pace for their strongest annual performance since 2018, reinforcing the market's positive momentum. As a result, the overall vacancy rate declined to 26.0% at quarter-end, down from its 32% peak in 2024, while availability also fell to 27.4% at the end of the quarter.

Demand remains concentrated within Class A properties, which continues to capture the majority of leasing activity (55% of the year-to-date total) and net absorption gains (65% of the year-to-date total) in 2026. However, the recovery is also supported by a broader tenant base. Through 2026, nearly 60% of new office leases signed were under 5,000 SF and more than 75% were under 10,000 SF, emphasizing the role of smaller growth-oriented firms and the continued preference for flexibility and efficient footprints.

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Market Summary

	3Q26	2Q26	3Q25	YOY Change
Direct Vacancy Rate	23.8%	24.7%	27.0%	-320 bps
Overall Vacancy Rate	26.0%	27.2%	31.1%	-510 bps
Estimated Asking Rent	\$74.79	\$72.54	\$68.80	8.7%
Under Construction (SF)	0	381,750	0	N/A
	3Q26	2026 YTD	2025 YTD	YOY Change
Leasing Activity (SF)	3,036,496	10,025,959	7,495,348	33.8%
Net Absorption (SF)	1,068,105	2,752,556	-553,341	N/A
New Deliveries (SF)	0	0	212,796	N/A
Sale Volume (SF)	1,062,670	3,820,735	3,869,564	-1.3%

3Q 2026

↑ **3.0M SF**
LEASING ACTIVITY

↑ **1.1M SF**
NET ABSORPTION

↓ **26.0%**
TOTAL
VACANCY RATE

↑ **\$74.79**
ASKING RENT (AVG)

↔ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

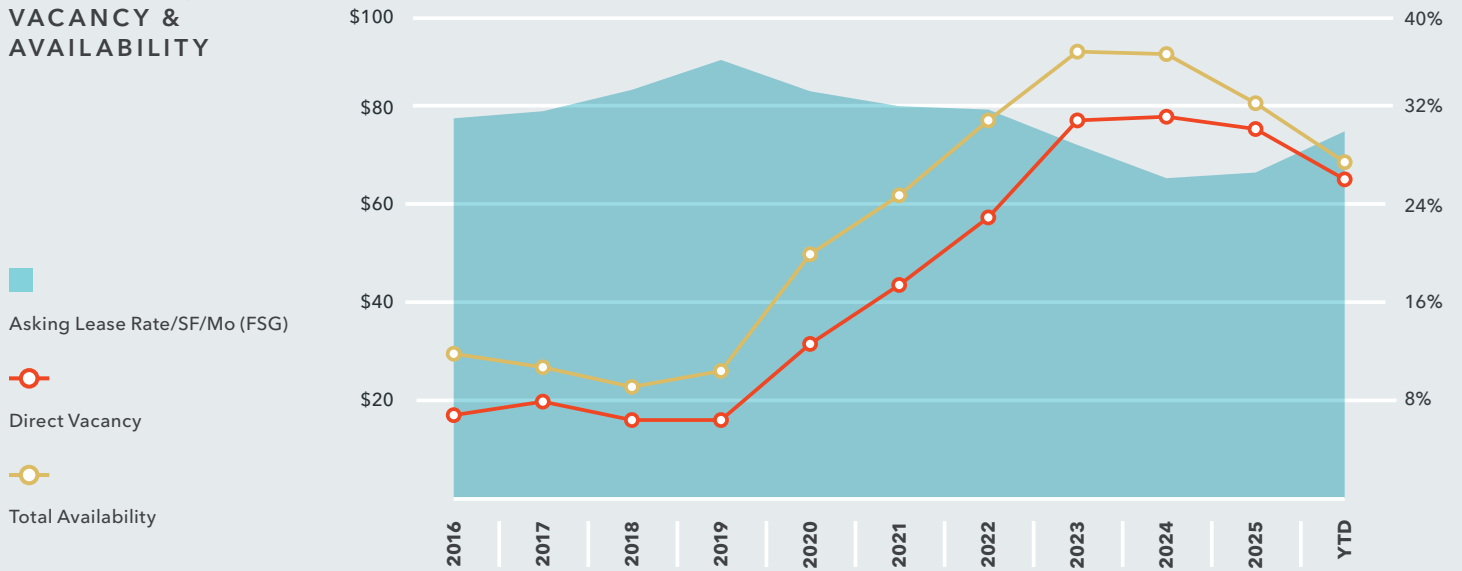
Market Highlights

NET ABSORPTION
ended the quarter with
1.1M SF, marketwide

LEASING ACTIVITY totaled
3.0M SF during the quarter

ESTIMATED ASKING RENTS
increased to \$74.79
Full Service Gross

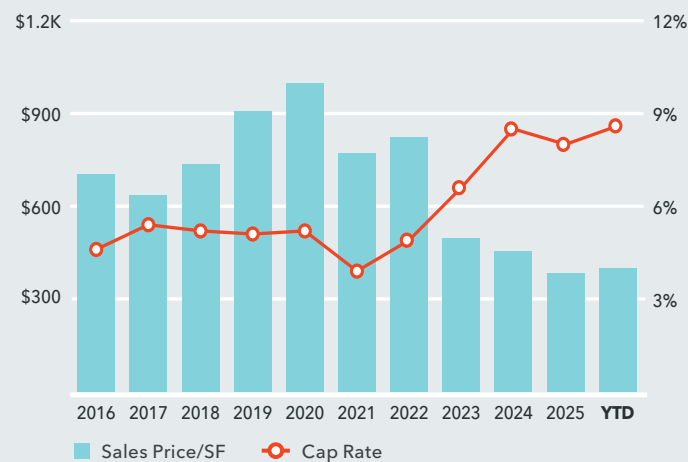
LEASE RATE, VACANCY & AVAILABILITY



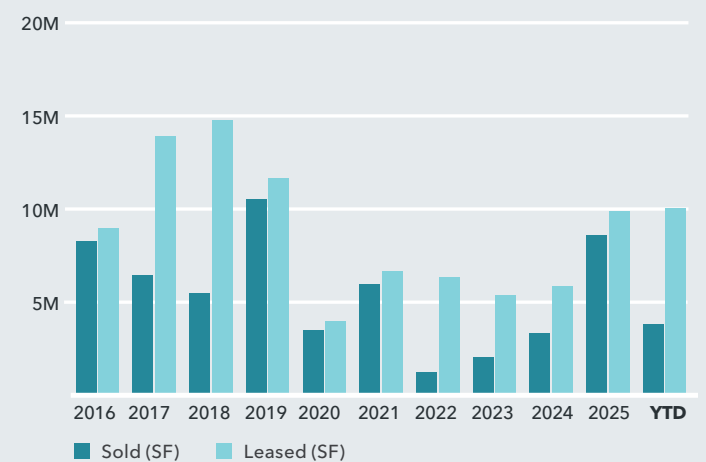
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Availability Rate	3Q26 Total Net Absorption	YTD Total Net Absorption	3Q26 Leasing Activity	YTD Leasing Activity	Estimated Asking Rent
Civic Center	633,079	26.9%	0.0%	26.9%	7.5%	-46	-11,802	806	5,797	\$43.85
Financial District	30,384,909	27.2%	1.6%	28.8%	29.4%	-10,648	152,437	835,336	2,433,316	\$75.03
Jackson Square	2,438,177	21.3%	2.2%	23.5%	21.2%	-49,226	-134,068	84,640	221,005	\$74.95
Mid Market	4,956,345	32.1%	0.0%	32.1%	38.6%	-34,941	223,508	11,000	558,009	\$51.31
Mission Bay/China Basin	4,554,867	10.5%	2.4%	12.9%	18.5%	-113,289	264,367	24,322	453,164	\$118.87
Mission/Potrero	1,848,297	12.8%	0.9%	13.7%	13.7%	-31,642	-37,971	34,508	129,805	\$62.97
Rincon/South Beach	6,858,067	20.3%	9.1%	29.4%	28.5%	87,267	99,867	451,898	1,008,768	\$42.42
Showplace Square	4,402,813	12.9%	4.5%	17.4%	29.8%	189,149	295,013	281,479	672,345	\$62.25
South Financial District	29,286,801	20.0%	1.7%	21.7%	23.4%	890,144	1,786,899	808,606	3,222,270	\$79.64
SOMA	3,664,007	29.5%	1.3%	30.8%	27.2%	83,632	61,229	154,340	407,620	\$72.99
Union Square	5,310,638	26.3%	1.5%	27.7%	27.8%	131,311	38,565	205,121	473,576	\$56.08
Van Ness Corridor/Chinatown	1,639,075	17.5%	0.1%	17.6%	17.2%	-102,587	-29,356	2,128	8,274	\$48.27
Waterfront/North Beach	3,721,553	21.5%	0.4%	22.0%	23.9%	84,811	247,373	102,998	289,327	\$72.20
Yerba Buena	3,568,472	52.6%	4.3%	56.9%	57.0%	-55,830	-203,505	39,314	142,683	\$68.45
San Francisco Totals	103,267,100	23.8%	2.2%	26.0%	27.4%	1,068,105	2,752,556	3,036,496	10,025,959	\$74.79
Class A	59,977,724	23.3%	2.4%	25.7%	27.7%	684,587	1,796,662	1,767,812	5,562,028	\$79.34
Class B	36,284,481	25.2%	2.1%	27.3%	28.3%	327,806	936,616	1,142,739	3,988,236	\$63.00
Class C	7,004,895	19.9%	1.1%	21.0%	20.0%	55,712	19,278	125,945	475,695	\$52.58

ECONOMIC REVIEW

San Francisco's economy continues to find solid footing, supported by its position as a global technology and innovation hub. Venture capital investment remains active, while growing AI, software, and advanced computing firms continue to support job creation and office demand. Although hiring is more measured than in previous growth cycles, the labor market remains healthy, with unemployment near 4% and employment posting modest gains. More importantly, many companies have shifted from cost containment toward growth and expansion.

These trends are supporting the stronger office market fundamentals seen in 2026. Companies are starting to make longer-term real estate decisions and placing greater value on workplaces that foster collaboration, innovation, and employee engagement. While hybrid work continues to shape workplace strategies, recovery is also being driven by business expansion, capital investment, and growth across key industries.

NEAR-TERM OUTLOOK

The strengthening office market is expected to persist as demand broadens into a wider range of industries. While AI and technology firms will remain key drivers of activity, companies across multiple sectors are actively evaluating space needs and making longer-term occupancy decisions. At the same time, declining sublease inventory and limited new construction are creating a more balanced supply-demand environment.

Demand remains concentrated in high-quality buildings as tenants continue to prioritize amenities, accessibility, and workplace experience. This flight to quality is expected to continue, further widening the gap between top-tier assets and many older Class C properties lacking modern upgrades. While economic uncertainty and evolving workplace strategies remain potential headwinds, market fundamentals continue to improve. As demand expands and availability declines, San Francisco remains well positioned for sustained office market recovery and growth.

SIGNIFICANT SALE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
180 Post St	Union Square	35,285	\$48,500,000	\$1,375	Silver Gate Property II, LLC	Grosvenor
410 Townsend St	South of Market	78,000	\$47,400,000	\$608	Zurich U.S.	New York Life Bridgeton Hldgs.
818-875 Howard St	Yerba Buena	216,152	\$50,688,745	\$235	Howard Street SF Ventures, LLC	Howard Street Associates, LLC
536 Mission St	South Financial District	141,750	\$31,652,500	\$223	Lincoln Property Company McCourt Partners	Golden Gate University
417 Montgomery St	Financial District	96,090	\$25,200,000	\$262	417 Montgomery, LLC	CCT Enterprises

SIGNIFICANT LEASE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Transaction Date	Deal Type	Tenant
333 Brannan St	Rincon/South Beach	182,054	August 2026	Sublease	Cognition
300 Mission St	South Financial District	119,274	August 2026	New Lease	Hinge Health
270 Brannan St	Rincon/South Beach	116,853	July 2026	New Lease	Brex
200 Rhode Island St	Showplace Square	101,782	August 2026	New Lease	Airbnb
One Market Plz	South Financial District	76,285	August 2026	New Lease	The Walt Disney Company

Data Source: CoStar, Kidder Mathews, Bureau of Labor Statistics, California EDD



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COMMERCIAL
BROKERAGE

\$9B

AVERAGE ANNUAL
TRANSACTION VOLUME

32.4M

ANNUAL
SALES SF

32.5M

ANNUAL
LEASING SFASSET
SERVICES

55M+ SF

MANAGEMENT
PORTFOLIO SIZE

800+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,700+

AVERAGE ANNUAL
ASSIGNMENTS

42

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS