

## San Francisco 4Q14 Office Report

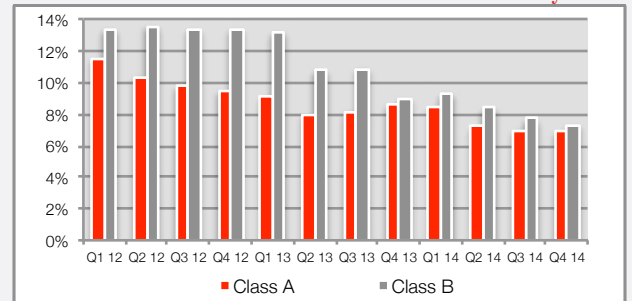


San Francisco had an increase in employment this quarter compared to the fourth quarter of 2013, and unemployment has declined from 4.7% to 4.4% compared to the fourth quarter of 2013. Companies are working to downsize their office spaces, especially larger public firms. Companies are adopting policies to have shared workspaces. The implementation of non-dedicated offices and technology-supported work zones helps to decrease the space a company needs. Technology companies in San Francisco are trying to create more efficient work densities.

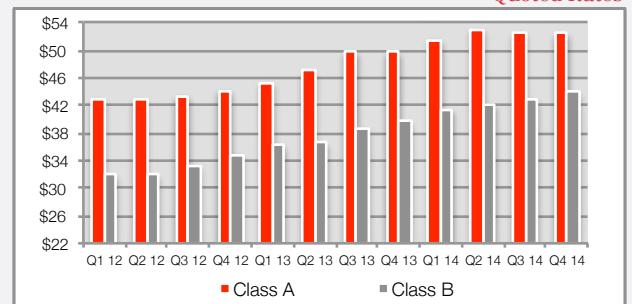
Two major lease transactions occurred in the fourth quarter of 2014: Google, Inc. leased 242,640 square feet at the 1 Market St. building and Dodge & Cox Funds leased 154,164 square feet at the 555 California St building. The San Francisco market had two major sales: The Blackstone Group, purchased 49% interest in 1 Market St. for \$600,000,000 and Paramount Group, Inc. purchased 30-50 Beale St. for \$395,000,000. Both buildings are located in the submarket of the South Financial District

In the fourth quarter, the San Francisco market had an increase in net absorption, compared to last quarter and total net absorption for 2014 was greater compared to 2013. Office vacancy has been on the decline year over year and has dropped to 6.7%. Quoted rates for San Francisco have risen dramatically since recession era lows, and some businesses are exploring the East Bay as a viable option for relocation.

Vacancy Rates



Quoted Rates



New Construction



### Trends for 4Q14

▲  
NET ABSORPTION

▼  
VACANCY RATE

▼  
CONSTRUCTION

▲  
QUOTED RATES

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## Office Report

### Market Overview:

SUBMARKET	# BLDGS.	TOTAL RBA (SF)	VACANCY (%)	QUOTED RATES (\$/SF/YR)	NET ABSORPTION (SF)	DELIVERIES (SF)	UNDER CONSTRUCTION (SF)
SF Downtown Core	335	56,322,453	8.0%	\$48.33	123,372	0	3,046,945
SF Downtown North	223	7,520,836	7.1%	\$41.70	25,481	0	0
SF Downtown South	417	19,092,137	8.3%	\$49.49	121,590	0	859,812
SF Downtown West	420	16,640,534	3.9%	\$42.40	34,504	0	0
SF Outer Areas	603	7,898,927	3.0%	\$37.23	31,057	0	0
SF Southeast	138	5,724,902	6.4%	\$32.37	41,409	0	354,000

### Significant Sales Transactions:

Buyer	Address	Price	Submarket
The Blackstone Group (49% interest)	1 Market St	\$600,000,000	South Financial
Paramount Group, Inc	30-50 Beale St	\$395,000,000	South Financial
TIAA-CREF & Norges Bank	405 Howard St	\$390,000,000	South Financial
Columbia Property Trust	650 California St	\$309,000,000	Financial
Pembroke Real Estate	100 California St	\$182,250,000	Financial
Invesco Ltd & Harvest Properties	55 Hawthorne St/ 631 Howard St	\$138,000,000	South Financial
Clarion Partners	60 Spear St	\$107,000,000	South Financial
CBRE Global Investors	235 Pine St	\$88,755,000	Financial
Google, Inc	188 Embarcadero	\$65,000,000	South Financial

### Significant Lease Transactions:

Tenant	Address	Size	Submarket
Google, Inc	1 Market St	242,640	South Financial
Dodge & Cox Funds	555 California St	154,164	Financial
Moody's KMV	405 Howard St	69,242	South Financial
Jones Day (Renewal)	555 California St	60,947	Financial
Fenwick & West LLP	555 California St	58,144	Financial
Perkins Cole	505 Howard St	55,695	South Financial
Next 15 Communications	100 Montgomery St	47,390	Financial
Prosper Marketplace	221 Main St	41,618	South Financial
NeuStar, Inc	505 Howard St	36,181	South Financial

# 4Q'14

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