



Consistent growth shrinks availability

No near-term end in sight for tech growth in the market

San Francisco is one of the most active office markets in the country today, largely fueled by a strong high-tech sector. High-tech jobs now make up 28.6 percent of all jobs in San Francisco, an all-time high. The unemployment rate declined by 90 basis points year-over-year to a recent low of 3.8 percent, compared to 6.9 percent statewide and 5.7 percent nationally. Despite fears that growth in the tech industry is too good to be true, the industry continues to drive the office market with large lease transactions and expansion. Uber, in addition to their over 70,000 square foot lease at 685 Market last quarter, leased an additional 172,000 square feet at 555 Market Street during the quarter.

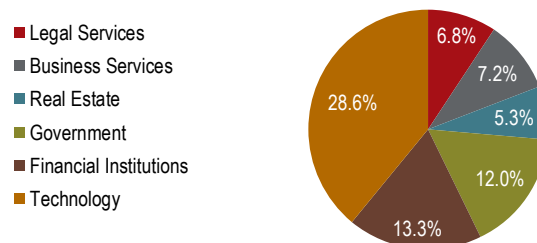
The race for space and the rise of subleases

The insatiable appetite for space is forcing some tenants to lease more space than their immediate needs require in anticipation of future growth and to secure space before rents increase further. However, as tenants plan for future rent growth, some have their space back on market. Sublease availability grew by 37.4 percent since last quarter. Tenants across industries are adding to the sublease market. However, the influx of subleases are not sitting idle. Tech firms in particular are absorbing sublease space but as a short term solution to longer term real estate needs. The majority of subleases leased this quarter were listed for less than six months as demand for direct and sublet space remains high.

Stable, low-risk market attracts investment

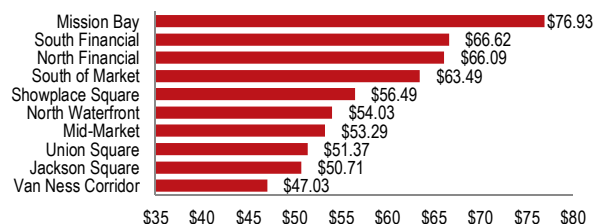
Swelling employment growth and escalating rents continue to stimulate demand and make San Francisco one of the most desired investment markets globally. There were four sales transactions this quarter, three of which were outside the CBD. The limited Trophy and Class A supply in the CBD and the potential for tenant spill over from the saturated CBD market gives non-CBD properties more appeal than in previous years. Foreign investment is growing, and San Francisco now ranks as third most desirable market globally behind New York and London.

Technology comprises largest share of office-using employment



Source: JLL Research

Average asking rents across San Francisco



Source: JLL Research

Office building sales

\$516.3 M

Total building sales YTD, a 16 percent increase from last quarter.

Source: JLL Research

9.9%

Total vacancy

381,934

Q1 2015 net absorption (s.f.)

13.9%

12-month rent growth

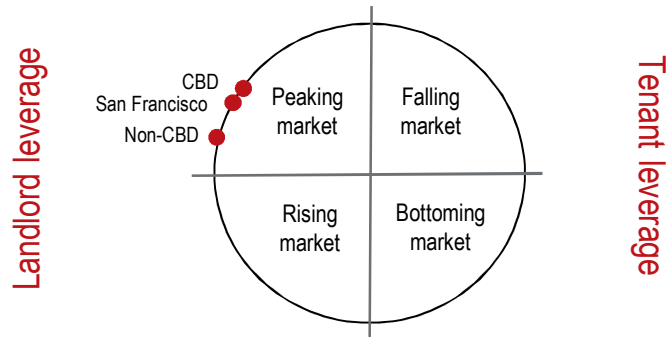
3,134,205

Total under construction (s.f.)

52.5%

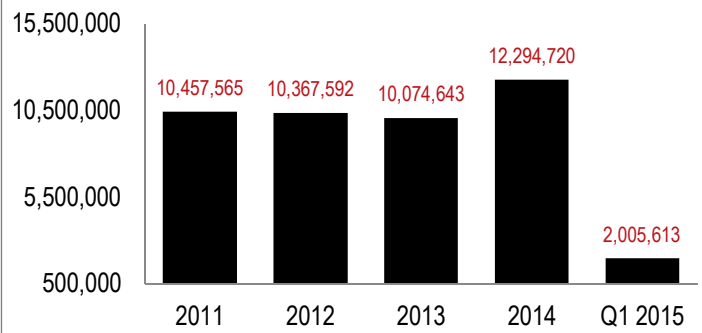
Total released

Current conditions – market and submarket



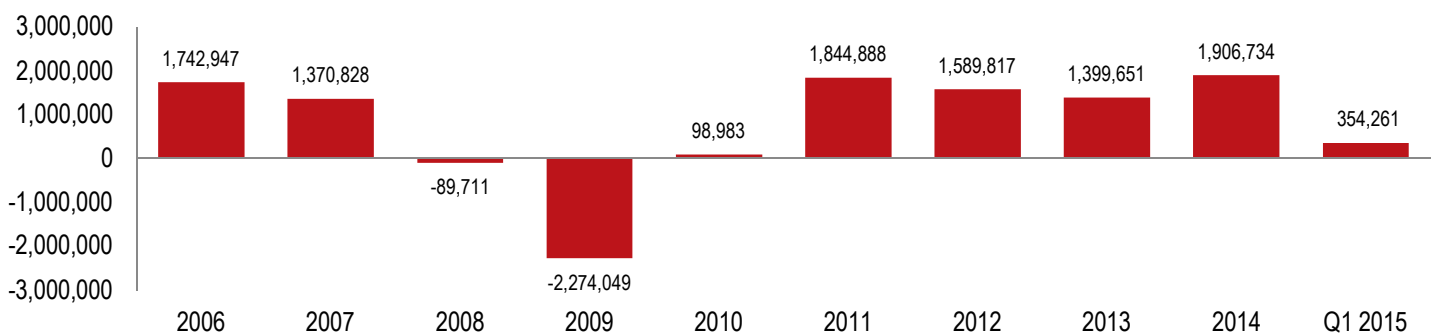
Source: JLL Research

Historical leasing activity (\$M)



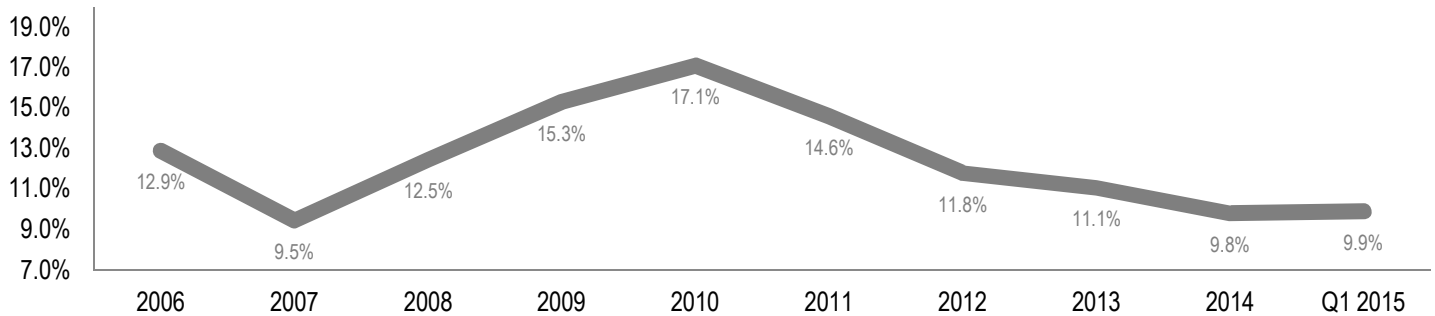
Source: JLL Research

Total net absorption (s.f.)



Source: JLL Research

Total vacancy rate



Source: JLL Research

Direct average asking rent (\$ p.s.f.)



Source: JLL Research