



## Leasing volume tops one million square feet for the second quarter post-pandemic

The third quarter of 2021 marked the second consecutive quarter since the onset of the pandemic that San Francisco registered more than one million square feet (msf) of leasing volume. Despite growing concerns and local restrictions due to the COVID-19 Delta variant, signs of market resiliency and recovery are evident. Q3 ended with close to 2.0 msf leased, an increase of 74% over the previous quarter. The majority of leasing activity occurred within the North and South Financial Districts, with a combined 1.3 msf leased between those two submarkets alone. San Francisco's overall availability rate dropped slightly, to 26.2%, a 10 basis point drop from Q2 after climbing quickly - and steadily - since the pandemic began. Class A availability rate fell 10 bps as well, resulting in a 23.9% rate.

### Despite hybrid work models and murky return-to-work timelines, large companies continue to acquire space in San Francisco

The City of San Francisco and the overall Bay Area reinstated some local health mandates, which have slowed return-to-office timelines, although nowhere near as harsh as previous quarters. Many companies have pushed office re-occupancy deadlines back towards the end of the year, or early 2022. Although hybrid work models are sure to be a fixture in the future and return-to-office timelines are sluggish, companies still view San Francisco as a key gateway market and are still acquiring space to keep a physical presence in the city. Charles Schwab, even after moving its headquarters to Texas, has renewed its lease for the entire 43,000-sf (square foot) building at 100 Post. Additionally, Yelp, although downsizing its footprint, has signed a sublease for 53,000 sf at 350 Mission Street. Waymo also subleased nearly 50,000 sf of Uber's former space at 555 Market Street. Notably, Pinterest signed the largest lease of the quarter, renewing 85,000 sf of space at 651 Brannan Street.

### Price discovery persists, as premium and trophy-quality space compete with discounted sublease rates

Overall asking rents dropped a nominal 0.3% over the quarter, resulting in an \$72.79 per square foot (psf) rate. Class A asking rents ended the quarter at \$75.98 psf, an increase of 0.7% from Q2. Sublease inventory remains abundant, but has declined in recent quarters with over 8.0 msf currently marketed. As owners of prime properties have continued to resist dropping marketed rents, the market is still in a price discovery mode as premium spaces compete with the plethora of available sublease space on the market and tenants are likely to encounter price reduction in negotiations for certain buildings.

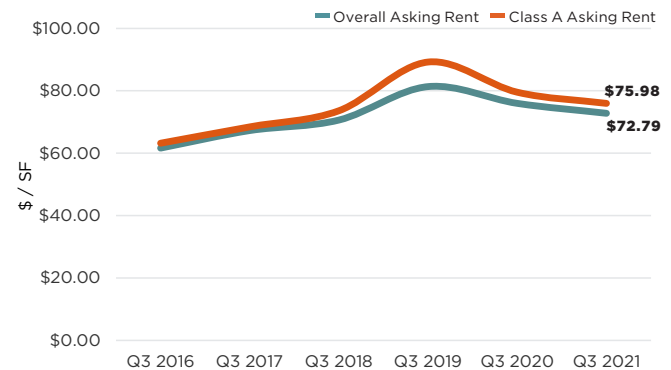
### Outlook

- Due to concerns regarding the Delta strain, companies have pushed return-to-office timelines back until winter or early 2022; however, market activity is increasing
- Large companies still see San Francisco as a prime location, leasing space in the city, even after relocating headquarters or downsizing pre-COVID footprints
- The market is still in a price discovery mode amidst availability highs; premium space is still looking to achieve pre-COVID rates while sublease blocks are priced at a discount

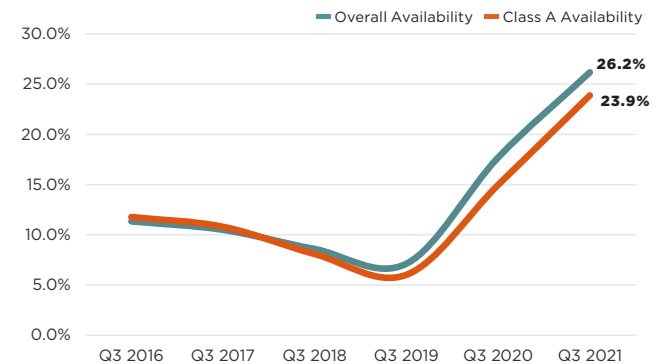
### KEY STATISTICS

	Q3 2020	Q3 2021	y-o-y Change
Inventory	81.2 MSF	<b>83.0 MSF</b>	▲
Availability Rate	17.7%	<b>26.2%</b>	▲
Asking Rental Rate	\$75.98	<b>\$72.79</b>	▼
Class A Asking Rental Rate	\$79.55	<b>\$75.98</b>	▼
Quarterly Leasing Activity	0.3 MSF	<b>1.9 MSF</b>	▲

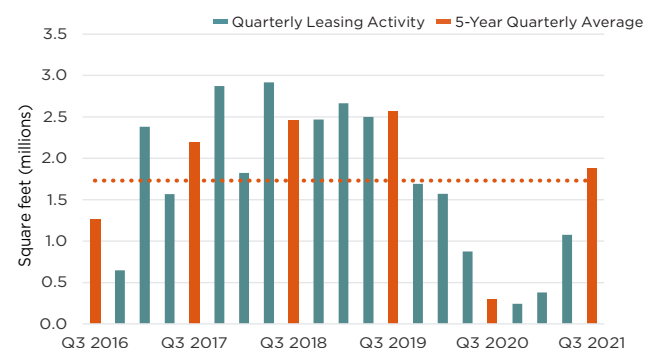
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

6 of 10

of major transactions were new locations

45.4%

of major transactions occurred in the Financial District North submarket by square footage

84.8%

Technology sector tenants accounted for 84.8% of major transactions by square footage

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Chime	194,440	101 California Street	New Location	Financial District North	Technology
Pinterest	84,355	651 Brannan Street	Renewal	SOMA	Technology
Segment	75,654	100 California Street	New Location	Financial District North	Technology
Amplitude	57,530	201 Third Street	New Location	Financial District South	Technology
Yelp	53,596	350 Mission Street	New Location	Financial District South	Technology
Airtable	48,818	155 5th Street	Renewal	Yerba Buena	Technology
Waymo	48,205	555 Market Street	New Location	Financial District South	Technology
Charles Schwab	43,340	100 Post Street	Renewal	Union Square/Civic Center	Financial Services
Royal Bank of Canada	31,217	345 California Street	Renewal	Financial District North	Financial Services
Generate Capital	26,387	560 Davis Street	New Location	Jackson Square	Financial Services

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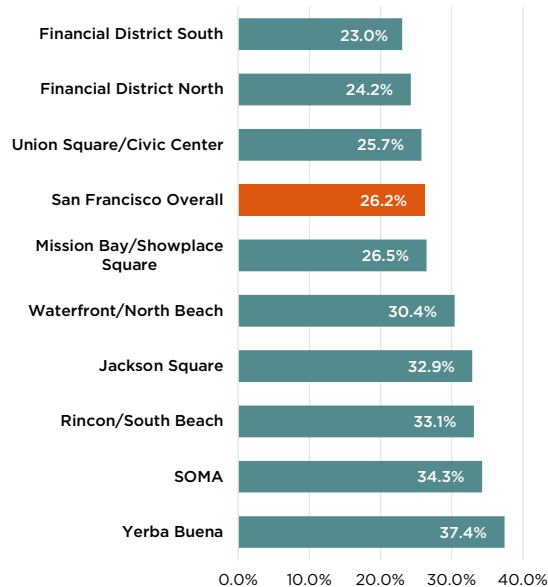
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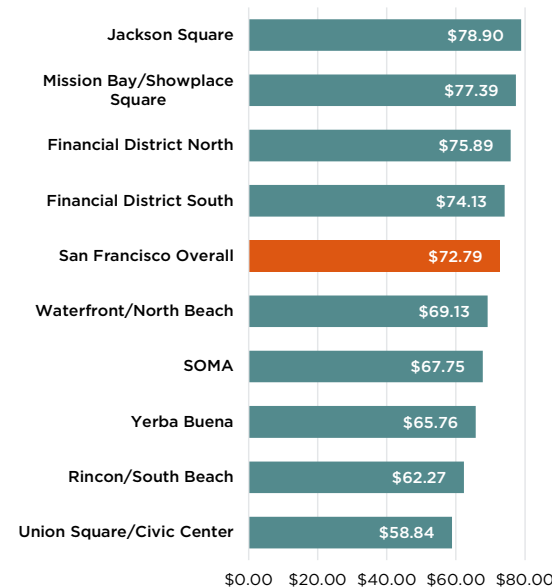
AVAILABILITY RATE COMPARISON

San Francisco Submarkets



RENTAL RATE COMPARISON (\$/SF)

San Francisco Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

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