

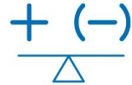
# SAN FRANCISCO

## OFFICE MARKET | Q2 2025



**92.9M**

Inventory SF



**(70,505K)**

Net Absorption SF



**28%**

Direct Vacant Available Rate



**34%**

Total Availability



**0**

Under Construction SF



**\$62.60**

Asking Rent PSF

## San Francisco Leasing Activity Hits Highs as Office Momentum Builds

### Q2 2025 Market Observations

- San Francisco's office market continues to build momentum, with leasing activity gaining meaningful traction and investor interest reaching a three-year high. While net absorption remains negative, it improved notably both quarter-over-quarter and year-over-year. The city also recorded its first decline in direct vacancy since 2019, signaling a shift in momentum. With rents holding steady and major leases supporting absorption, the market appears to be cautiously continuing its trajectory towards recovery.
- While positive absorption is struggling to resurface, clear positive momentum is happening. Although citywide net absorption was negative 70,505 square feet this quarter, it still represents an 80% improvement over the previous quarter. On a year-over-year basis, absorption increased by approximately 785,500 square feet.
- Leasing activity in the city remained strong, with 2.6 million square feet recorded during the quarter, bringing the year-to-date total to 5.2 million square feet. This marks a 67% increase over the halfway mark of 2024 and puts the city at pace for its highest annual leasing volume since 2019, when 9.3 million square feet were recorded.

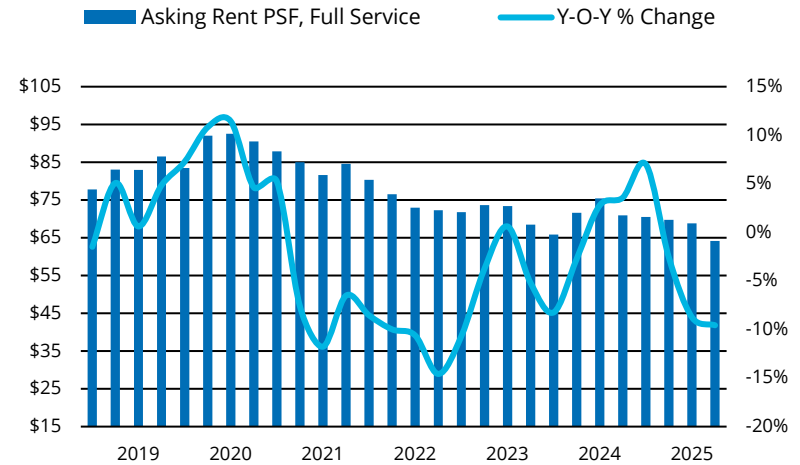




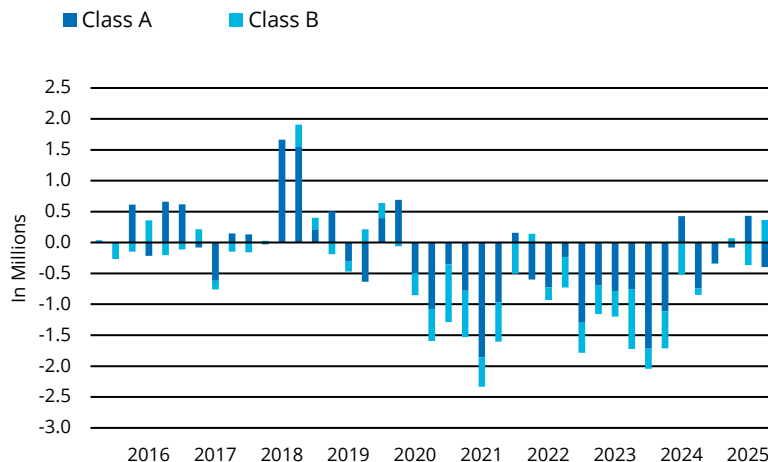
# SAN FRANCISCO OFFICE MARKET | Q2 2025

- San Francisco's **direct vacancy** rate ticked down 1% to 30.4%, marking the first downward movement recorded since the city's recovery era began post 2019. Both Class A and Class B contributed to this decrease, equally contributing an 80 basis point drop within their respective sectors.
- Although still negative, **net absorption** demonstrated resilience, with signs of growth emerging despite multiple office givebacks, including Google's exit from 365,000 square feet. Absorption improvement can be partially attributed to several large leases, such as the City and County of San Francisco's 224K square-foot commitment to the Mid-Market submarket. As well as Coinbase's 151K square-foot lease at Mission Rock contributing to the positive momentum.
- Full-service rents** remained relatively stable, hovering around \$62 per square foot. Meanwhile, Class A rents saw a more notable increase of \$1.10, bringing the average to \$74.50 per square foot. Prestigious Class A spaces with views are hovering \$100 per square foot, with vacancy in that segment around 5%.
- Investor activity** was notably strong in Q2, with eleven recorded transactions totaling 2.4 million square feet and \$398 million in sales volume. This figure significantly outperforms previous quarterly totals by an average of \$282 million and represents the highest recorded sales volume in the past three years.

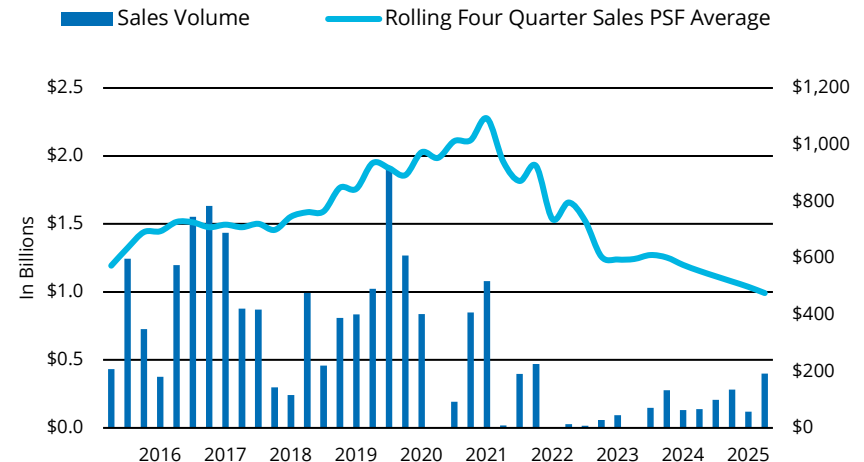
## ASKING RENT



## NET ABSORPTION BY CLASS



## SALES VOLUME





# SAN FRANCISCO OFFICE MARKET | Q2 2025

## OFFICE MARKET INDICATORS - ALL SPACE

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE	CLASS A RENT PSF, FULL SERVICE
Financial District	30,460,856	8,446,229	27.7%	30.4%	0	17,253	42,353	\$70.98	\$75.06
South Financial District	24,846,268	7,249,780	29.3%	35.6%	0	(145,319)	(50,390)	\$73.55	76.00
Jackson Square	1,457,514	417,556	28.1%	29.4%	0	4,653	7,612	\$58.74	--
MidMarket	4,801,296	1,883,171	41.7%	49.5%	0	144,077	56,269	\$47.07	\$53.00
Mission Bay/China Basin	2,689,595	1,013,650	32.5%	32.5%	0	180,626	205,711	\$106.00	\$106.00
Mission/Potrero	973,538	256,789	29.0%	31.0%	0	211	(26,750)	\$49.35	--
Rincon/South Beach	4,686,585	1,304,000	26.0%	38.0%	0	(65,788)	(344,701)	\$60.84	\$66.00
Showplace Square	2,787,356	908,114	25.5.6%	38.1%	0	(36,292)	(46,973)	\$58.05	\$63.52
Civic Center/Van Ness	1,723,177	448,070	32.0%	33.0%	0	(10,565)	(37,477)	\$46.23	--
South of Market	8,992,258	1,076,276	26.7%	28.8%	0	28,127	(10,170)	\$60.25	\$76.68
Union Square	3,808,257	1,542,541	32.2%	34.0%	0	(34,427)	(35,414)	\$49.54	\$65.00
Waterfront/North Beach	2,385,303	1,120,648	26.0%	28.9%	0	19,233	27,119	\$62.41	\$72.14
Yerba Buena	3,355,733	1,649,108	38.4%	46.0%	0	(172,294)	(312,753)	\$66.10	\$76.64
<b>TOTAL</b>	<b>92,967,736</b>	<b>27,315,932</b>	<b>30.4%</b>	<b>35.0%</b>	<b>0</b>	<b>(70,505)</b>	<b>(525,546)</b>	<b>\$62.60</b>	<b>\$74.50</b>

Source: CoStar, Transwestern



# SAN FRANCISCO OFFICE MARKET | Q2 2025

## NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	PRICE PSF	BUILDING SF	BUYER	SELLER
<b>555 – 575 Market St</b>	South Financial District	\$177,000,000	\$230	800,711	Flynn Properties	Paramount Group
<b>300 Howard St</b>	South Financial District	\$111,300,000	\$272	408,475	Blackstone/Divco West	CalSTRS/Divco West
<b>88 Kearny St</b>	North Financial District	\$74,500,000	\$318	233,887	Lending Club	Nuveen
<b>353 Sacramento St</b>	North Financial District	\$62,000,000	\$202	306,883	New York Life/Lincoln Property	Pacific Oak

Source: Transwestern

## NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
<b>LinkedIn</b>	222 2 <sup>nd</sup> St	South Financial District	Renewal	154,450
<b>Coinbase</b>	Mission Rock – Building B	Mission Bay	New Lease	150,671
<b>Morrison Foerster</b>	101 California St	North Financial District	New Lease	112,760
<b>Harvey AI</b>	201 3 <sup>rd</sup> St	South Financial District	New Lease	92,814
<b>US Bank</b>	1 California St	North Financial District	Renewal	75,925

Source: Transwestern



## Research Methodology

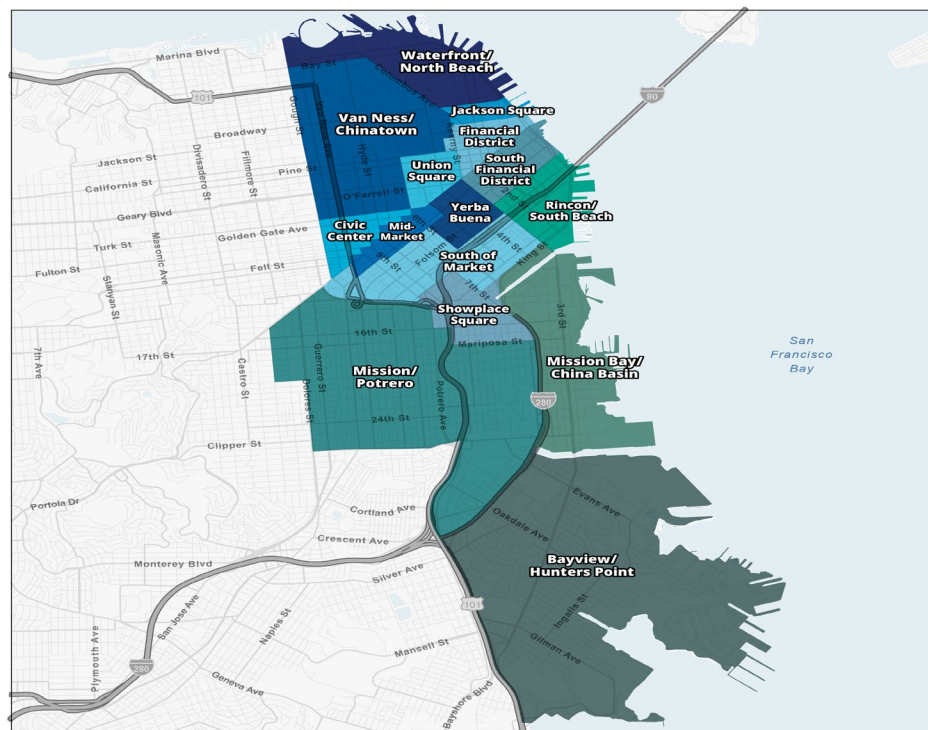
The information in this report is the result of a compilation of information on office properties located in San Francisco. This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger, excluding condo and medical office facilities and those properties owned and occupied by a government agency.

## About Transwestern

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at [transwestern.com](https://transwestern.com) and [@Transwestern](https://twitter.com/Transwestern).

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