

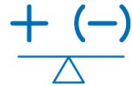
SAN FRANCISCO

OFFICE MARKET | Q3 2025



92.9M

Inventory SF



64,144

Net Absorption SF



30%

Direct Vacant Available Rate



33%

Total Availability



1.7

Leasing Activity (Mill)



\$63.02

Asking Rent PSF

San Francisco Continues on Its Path of Resurgence

Q3 2025 Market Observations

- Momentum in San Francisco's office market has continued to strengthen. The recovery that began gradually is now advancing at a modest but increasingly measurable pace. This progression is highlighted by overall net absorption turning positive for only the second time in the city's long recovery period. Which was also supported by a consecutive quarterly decrease in vacancy, which dropped 60 basis points to 34.4 percent. Two consecutive quarters of vacancy rate decline suggest the beginning of a new trend, reversing a 20-quarter stretch of increases.
- Positive absorption has reemerged, totaling 64,144 square feet. Over the past year, consistent quarter-over-quarter improvement has signaled rising tenant demand, which has now finally outpaced the large volume of office space givebacks. Continued heightened interest in the North and South Financial Districts has led to a recorded citywide positive year-to-date net absorption of 115,356 square feet.
- Although slightly more modest than the two previous quarters, leasing activity remains strong, totaling 1.7 million square feet. This brings the year-to-date total to 6.5 million square feet. Leasing demand continues to be led by Tech and AI sectors, which accounted for 50% of the largest transactions year-to-date. Notably, three of the top ten deals in Q3 were AI-related, collectively representing 181,000 square feet of leased space.

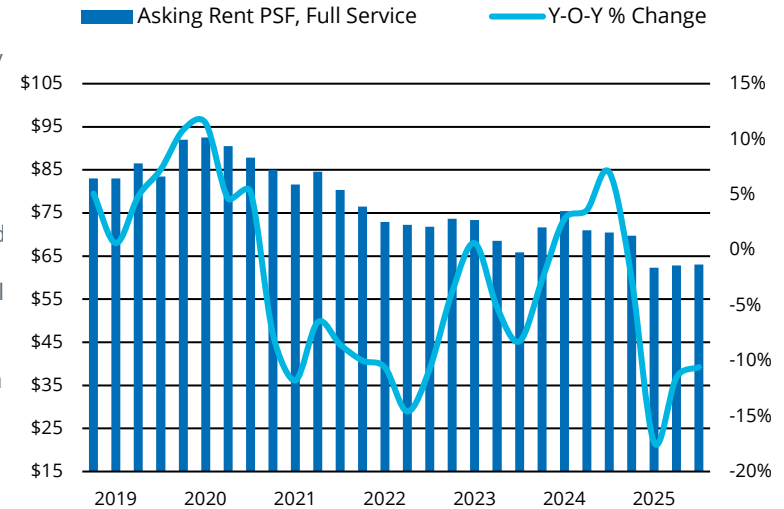




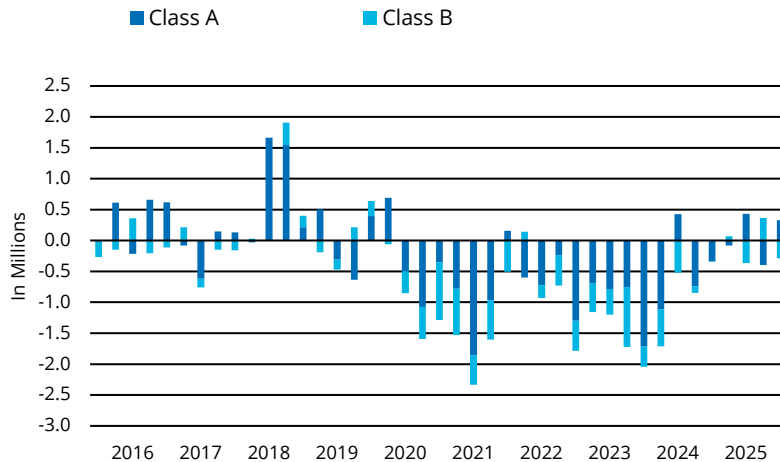
SAN FRANCISCO OFFICE MARKET | Q3 2025

- San Francisco's **direct vacancy rate** remained stable at 28.8%. However, the sublease market recorded a noticeable decrease in availability, falling 80 basis points year-over-year to falling to 5%, as the new influx of startups pursue short-term deals as a flexible opportunity.
- Net absorption** continues to make steady progress. Over the past year, quarterly increases exceeding 130,000 square feet have helped reshape the market, bringing positive absorption to the surface this quarter with 64,144 square feet recorded. Class A space continues to attract strong tenant interest, with a recorded positive absorption of 327,000 square feet.
- Full-service rents** remain strong, ticking up slightly over the past quarter to \$63 per square foot, yet leaving room for further improvement. Class A asking rents also increased rising by \$1 to an average of \$75.53 per square foot. The Showplace Square submarket experienced a notable jump, climbing 15% year-over-year to align more closely with overall market averages, with asking rates now hovering around \$65 per square foot.
- Heightened investor** activity generated roughly \$331 million in sales volume during Q3, as buyers capitalized on discounted office assets while positioning themselves for San Francisco's anticipated resurgence. This renewed optimism is mirrored in the **venture capital** sector, where AI continues to lead the charge, with 75 percent of national AI investments in 2025, totaling \$98 billion, directed toward the Bay Area.

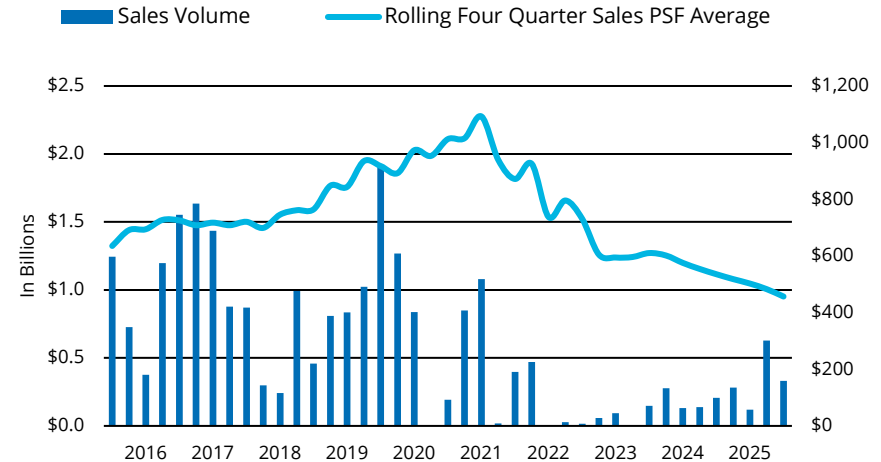
ASKING RENT



NET ABSORPTION BY CLASS



SALES VOLUME





SAN FRANCISCO OFFICE MARKET | Q3 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	8,196,595	26.9%	29.5%	0	297,049	345,996	\$71.70	\$78.00
South Financial District	24,846,268	7,211,565	29.4%	35.6%	0	19,025	113,954	\$75.33	\$77.50
Jackson Square	1,457,514	461,124	31.4%	32.7%	0	(21,223)	(20,451)	\$59.04	--
MidMarket	4,801,296	1,822,946	42.4%	49.5%	0	(7,981)	47,473	\$50.00	\$52.06
Mission Bay/China Basin	2,689,595	1,985,531	32.9%	32.9%	0	(21,994)	183,717	\$77.58	\$87.21
Mission/Potrero	973,538	196,298	23.7%	26.0%	0	9,078	(4,715)	\$54.18	--
Rincon/South Beach	4,686,585	1,549,827	32.2%	40.5%	0	(221,124)	(232,897)	\$61.31	\$76.37
Showplace Square	2,787,356	1,034,022	28.7%	35.5%	0	78,916	31,943	\$66.65	\$76.40
Civic Center/Van Ness	1,723,177	365,942	29.2%	30.4%	0	8,317	(27,406)	\$50.25	--
South of Market	8,992,258	1,420,315	28.3%	29.9%	0	(79,994)	16,301	\$51.56	\$57.64
Union Square	3,808,257	1,518,794	35.3%	36.6%	0	34,767	(8,901)	\$50.08	\$65.00
Waterfront/North Beach	2,385,303	1,021,176	23.9%	32.2%	0	25,289	39,048	\$63.83	\$72.14
Yerba Buena	3,355,733	1,693,227	51.0%	58.0%	0	(55,971)	(368,706)	\$66.10	\$76.43
TOTAL	92,967,736	27,477,362	30.4%	34.4%	0	64,144	115,356	\$63.02	\$75.53

Source: CoStar, Transwestern



SAN FRANCISCO OFFICE MARKET | Q3 2025

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	PRICE PSF	BUILDING SF	BUYER	SELLER
505 Montgomery St	North Financial District	\$105,000,000	\$287	250,786	Peninsula Land & Capital LLC	RREEF Property Trust, Inc
420 Montgomery St	North Financial District	\$55,000,000	\$134	409,013	REDCO Development	Wells Fargo & Company
600 Townsend St	Showplace Square	\$54,000,000	\$259	208,259	Lincoln Property Company	Toda America, Inc
251 Post St	Union Square	\$30,500,000	\$822	37,088	Golden Van Building LLC	Grosvenor

Source: Transwestern

NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
Latham & Watkins	505 Montgomery St	North Financial District	Renewal	119,812
Anthropic	505 Howard St	South Financial District	New Lease	104,345
Brex, Inc	270 Brannan St	Rincon/South Beach	New Lease	98,238
Kickoff	633 Folsom St	Rincon/South Beach	Sublease	55,668
ARUP	560 Mission St	South Financial District	Renewal	49,672

Source: Transwestern



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Research Methodology

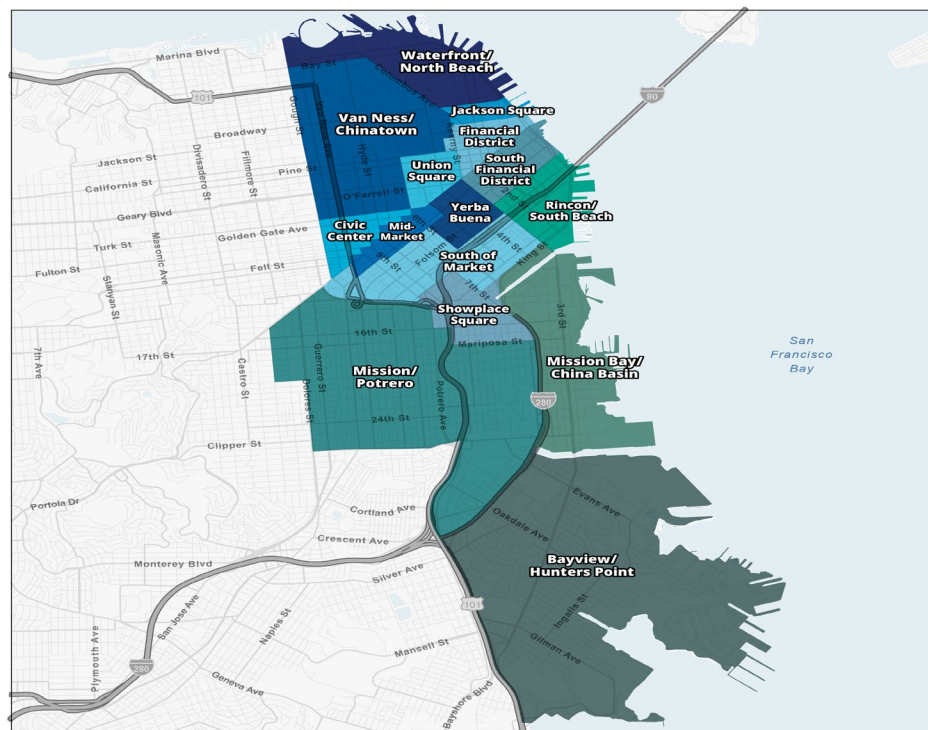
The information in this report is the result of a compilation of information on office properties located in San Francisco. This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger, excluding condo and medical office facilities and those properties owned and occupied 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 and [@Transwestern](https://twitter.com/Transwestern).

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