

# SAN FRANCISCO

## OFFICE MARKET | Q4 2025



**92.9M**

Inventory SF



**944,481**

Net Absorption SF



**30.1%**

Direct Vacant Available Rate



**32.7%**

Total Availability



**2.7M**

Leasing Activity (SF)



**\$67.39**

Full Service Rent PSF

## Vacancy Dips, Absorption Rises as San Francisco Closes Year Strong

### Q4 2025 Market Observations

- San Francisco's office market ended the year on a strong note as it recorded its largest quarterly net absorption gain since the pandemic. The recovery that gradually gained momentum last quarter is now in full sprint as this marks the first time of consecutive quarters with positive net absorption in six years. This strong end of the year was also supported by the city's third consecutive quarter of lowered vacancy. Overall vacancy is down 3.6% year-over-year resulting in a rate of 32.7% and this encouraging trend of continuous lowered vacancy is welcomed compared to the 20-quarter stretch of increases seen before Q3 broke the streak.
- Positive net absorption skyrocketed to over 940,000 square feet this quarter, bringing the year-to-date total over 1 million. With no new development and a sustained flight to quality among occupiers, the limited pool of best-in class spaces is intensifying competition and driving up demand among the resurging market.
- Leasing activity showed meaningful improvement in 2025 as this quarter jumped up to 2.7 million square feet of transactions, bringing the year-to-date total up to 8.2 million square feet. Although vacancy and availability rates remained high compared to historical norms, supply and demand trends indicated a recovering leasing market, fueled by global interest and growth in AI, along with ongoing trends in RTO policies (See Page 4 for top lease transactions of Q4).

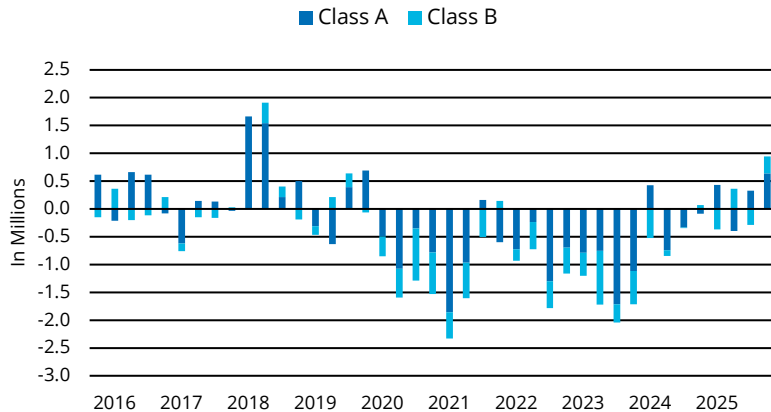




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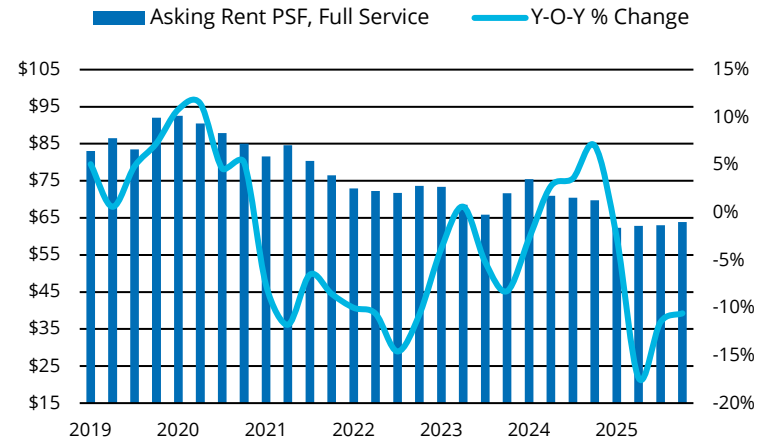
- San Francisco's **direct vacancy rate** remained stable at 30.1%. However, the sublease market recorded a noticeable decrease in availability, falling 150 basis points year-over-year to 4.3%, as demand has been spread across the entire market, geographically, with AI-related tenants taking sublease space in all classes and sizes.
- Net absorption** reached its highest positive quarterly number since pre-pandemic (2019) totaling over 944,000 square feet this quarter. Over the past year, quarterly increases exceeding 60,000 square feet have helped reshape the market, bringing positive absorption to the surface this year following five straight years of annual negative net absorption. Class A space continues to attract strong tenant interest, with a recorded positive absorption of 640,000 square feet.
- Full-service rents** remained steady this year, ticking up slightly over the past quarter to \$63.89 per square foot, yet leaving room for further improvement to reach historical averages.
- Heightened **investor activity** generated over \$1 billion in sales volume during Q4, led by the purchase of two-part property, 409 & 499 Illinois St, by UCSF. Buyers also 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 52% percent of global AI funding in 2025 directed toward the Bay Area.

## NET ABSORPTION BY CLASS



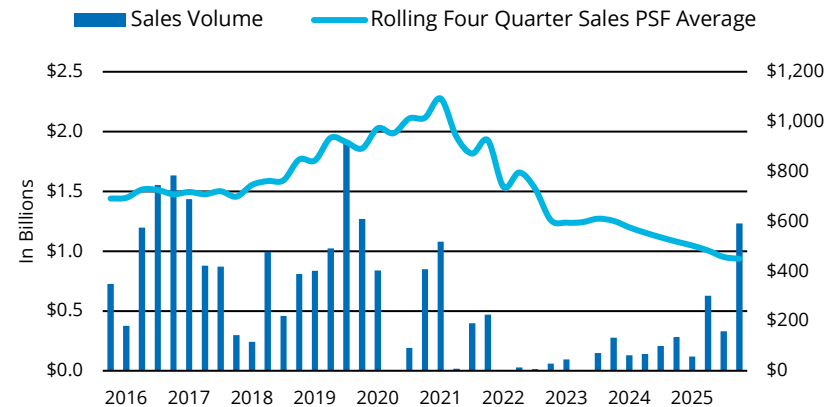
Source: CoStar, Transwestern

## ASKING RENT



Source: CoStar, Transwestern

## SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern



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## OFFICE MARKET INDICATORS - ALL SPACE

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	U/C SF	QUARTERLY NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
Financial District	30,460,856	8,219,926	27.0%	29.4%	0	(23,331)	322,665	\$71.81
South Financial District	24,846,268	7,140,654	28.7%	34.6%	0	70,911	184,865	\$75.53
Jackson Square	1,457,514	401,999	27.6%	32.7%	0	59,125	38,674	\$59.07
MidMarket	4,801,296	1,796,609	37.4%	45.7%	0	26,337	73,810	\$49.74
Mission Bay/China Basin	2,689,595	833,774	29.2%	32.3%	0	397,910	781,627	\$96.46
Mission/Potrero	973,538	217,869	22.4%	25.5%	0	(21,571)	(47,857)	\$56.27
Rincon/South Beach	4,686,585	1,486,260	31.7%	38.5%	0	63,567	(169,330)	\$60.27
Showplace Square	2,787,356	948,116	28.7%	35.5%	0	85,906	117,849	\$64.33
Civic Center/Van Ness	1,723,177	373,933	29.8%	31.4%	0	(7,991)	(35,397)	\$43.26
South of Market	8,992,258	1,251,794	25.3%	26.9%	0	168,521	184,822	\$57.76
Union Square	3,808,257	1,482,545	34.7%	35.6%	0	36,249	27,348	\$47.85
Waterfront/North Beach	2,385,303	982,003	23.4%	32.0%	0	39,173	78,221	\$47.01
Yerba Buena	3,355,733	1,643,152	48.9%	57.1%	0	50,075	(318,631)	\$63.27
<b>TOTAL</b>	<b>92,967,736</b>	<b>27,983,289</b>	<b>30.1%</b>	<b>32.7%</b>	<b>0</b>	<b>944,881</b>	<b>1,238,666</b>	<b>\$67.39</b>

Source: CoStar, Transwestern



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## NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	PRICE PSF	BUILDING SF	BUYER	SELLER
<b>409 &amp; 499 Illinois St</b>	Mission Bay/China Basin	\$767,000,000	\$1,460	525,000	UCSF	Alexandria Real Estate Equities
<b>600 California St</b>	Financial District	\$130,000,000	\$361	359,883	Lone Star Funds	WeWork Capital Advisors LLC
<b>667 Mission St</b>	South Financial District	\$90,000,000	\$561	160,164	First Citizens Bank	Align Real Estate

Source: Transwestern

## NOTABLE LEASES

TENANT	INDUSTRY	ADDRESS	SUBMARKET	TYPE	SF LEASED
<b>Sierra AI</b>	Technology, Advertising, Media & Information	185 Berry St	Mission Bay/China Basin	New Lease	257,817
<b>Kirkland &amp; Ellis</b>	Legal Services	555 California St	North Financial District	Renewal & Expansion	153,202
<b>DocuSign</b>	Technology, Advertising, Media & Information	221 Main St	South Financial District	Renewal & Expansion	142,169
<b>LabCorp</b>	Life Sciences	1400 16 <sup>th</sup> St	South of Market	Renewal	103,213
<b>Persona</b>	Technology, Advertising, Media & Information	300 Mission St	South Financial District	New Lease	86,912

Source: Transwestern



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## Research Methodology

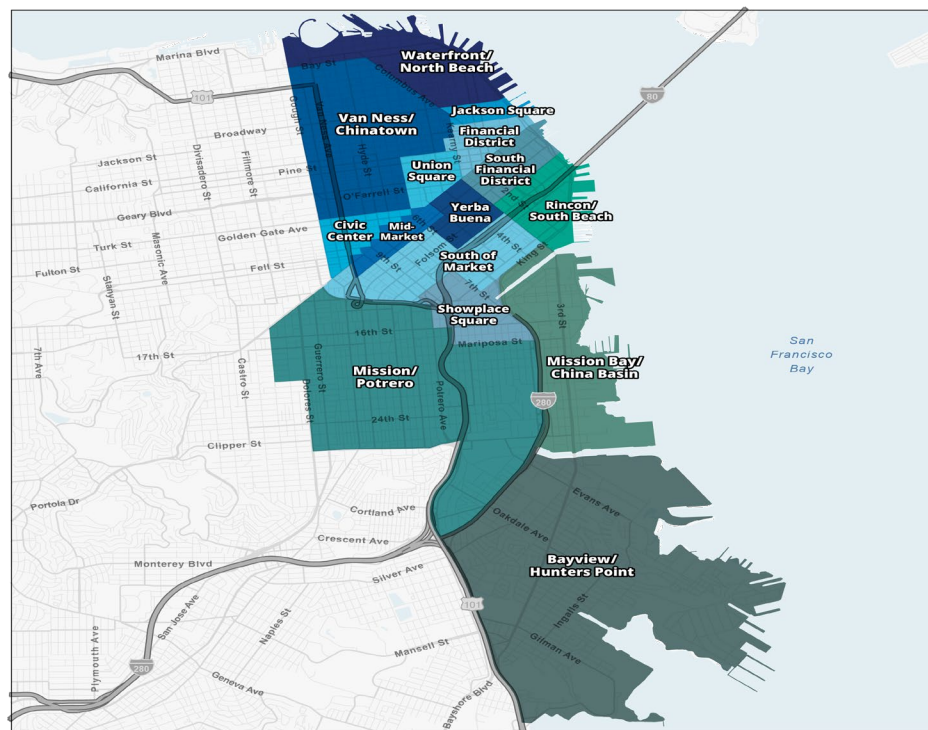
The information in this report is the result of a compilation of information on office properties located in San Francisco. This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger, excluding condo and medical office facilities and those properties owned and occupied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

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