

San Francisco

Office Market | Q1 2026

San Francisco Continues Momentum as Vacancy Dips and Rents Climb

Market Observations

- The San Francisco office market achieved its best quarterly performance in years to start 2026, indicating that the market is gaining momentum and evolving toward expansion. Key metrics reflect this growth, including a rise in leasing activity, record positive net absorption, and increased interest from institutional and global capital market participants. After a year of stabilization, the market recovery accelerated significantly, fueled by global and local interest in artificial intelligence.
- Quarterly net absorption totaled 1.05M SF, marking the third consecutive quarter of positive absorption for the first time since 2018.
- Leasing activity totaled more than 3.4M SF during Q1 2026. This is the first time leasing activity has eclipsed 3M SF during a Q1 since 2000. This coincided with full-service asking rents increasing over \$2 from last quarter, across all classes and submarkets, to close the quarter at \$69.58.
- The overall vacancy rate at the end of Q1 2026 was 31.7%, dropping 330 bps from a rate of 35.0% on year ago. This quarter marks the largest decline in vacant space since the onset of the pandemic and the first-time vacancy fell for four consecutive quarters since 2014.



92.9M
Inventory SF



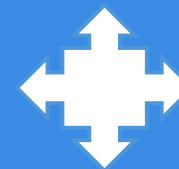
+1.05M
Net Absorption SF



27.7%
Direct Vacancy



31.7%
Total Availability



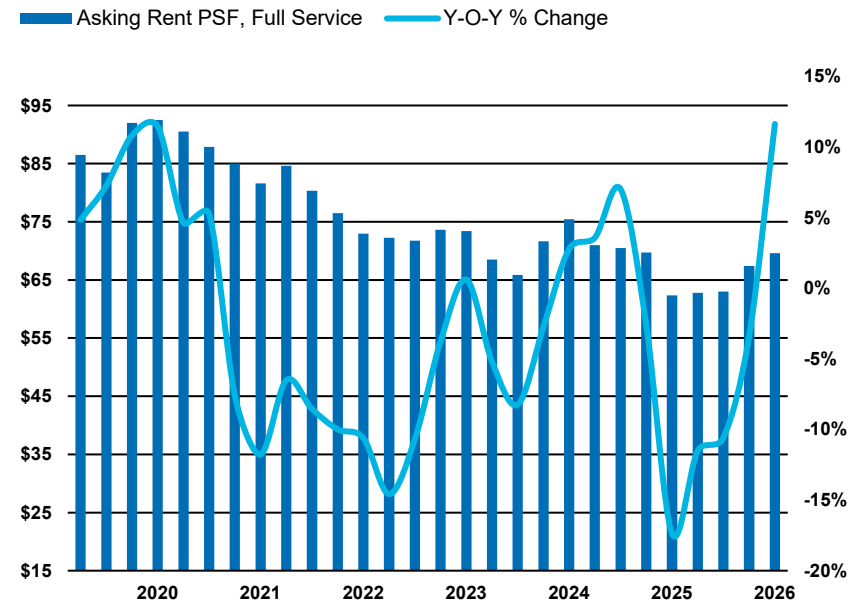
3.4M
Leasing Activity SF



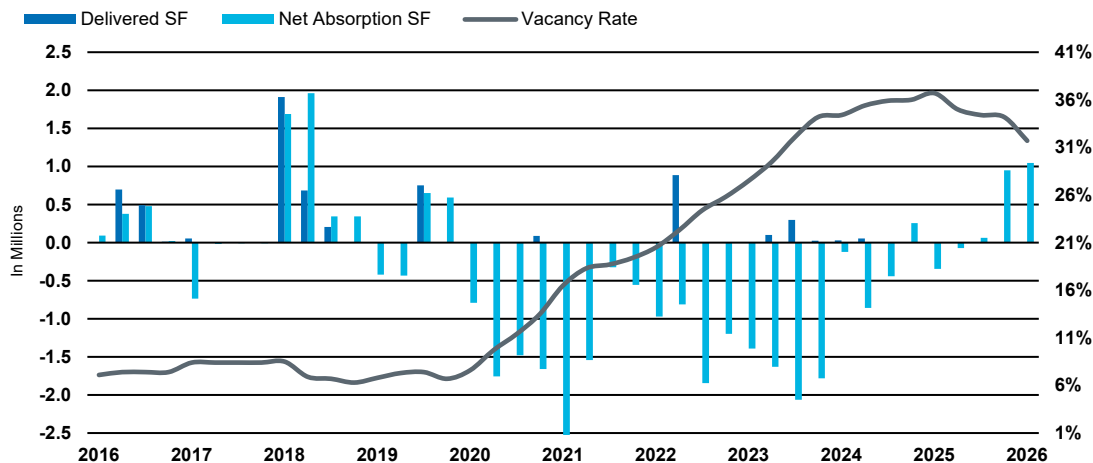
\$69.58 PSF
Full Service Asking Rent

- **Net absorption** totaled over positive 1M SF this quarter for the first time since 2018. This was led primarily by AI-focused and traditional technology firms, with incremental demand emerging from more conventional office users (see pg. 4 for top leasing deals of Q1).
- **Full-service asking rents** increased 11.6% year-over-year to \$69.58. Strong demand from AI tenants resulted in double-digit increases in both the Mission Bay/China Basin and South Financial District submarkets.
- **Office investment activity** had a robust start to 2026, marked by multiple high-profile transactions. The most significant was the sale of the Transamerica Pyramid for \$690 million, or \$907 psf. Broader market investment sales were meaningfully higher as well, leading to a 104% increase in sales quarter-over-quarter. Pricing continued to trend upwards as buildings saw an average of \$585 psf in transactions in Q1 2026, compared to a rolling four quarter average of \$481.
- **Looking forward**, strong leasing activity and ongoing expansion in the AI sector are expected to continue into 2026, further reducing vacancy rates and driving up rents.

Asking Rent

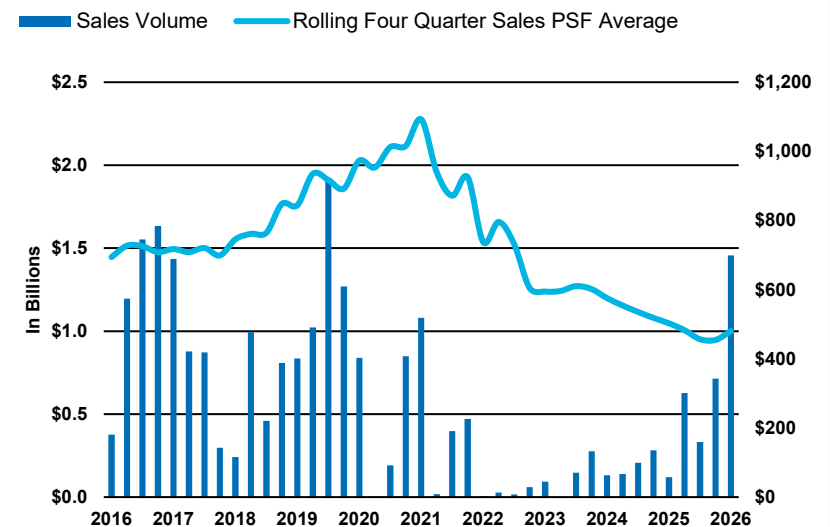


Delivery Impact On Key Indicators



Source: CoStar, Transwestern

Sales Volume



Market Indicators Table

All Classes of Space | Q1 2026

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	U/C SF	QUARTERLY NET ABSORPTION SF	YoY NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
Financial District	30,460,856	8,165,127	26.8%	29.2%	0	54,799	377,464	\$71.59
South Financial District	24,846,268	6,020,679	24.2%	30.9%	0	1,119,975	1,304,840	\$77.12
Jackson Square	1,457,514	415,414	28.5%	32.9%	0	(13,415)	25,259	\$61.60
MidMarket	4,801,296	2,067,794	43.1%	48.6%	0	(271,185)	(197,375)	\$49.41
Mission Bay/China Basin	2,689,595	747,256	27.8%	31.1%	0	86,518	868,145	\$107.16
Mission/Potrero	973,538	199,173	20.5%	24.8%	0	18,696	(29,161)	\$60.26
Rincon/South Beach	4,686,585	1,557,913	33.2%	40.3%	0	(71,653)	(240,983)	\$67.47
Showplace Square	2,787,356	937,952	33.7%	39.7%	0	10,164	128,013	\$64.10
Civic Center/Van Ness	1,723,177	330,268	19.2%	24.3%	0	43,665	8,268	\$43.00
South of Market	8,992,258	1,240,950	13.8%	25.4%	0	10,844	195,666	\$60.50
Union Square	3,808,257	1,536,077	40.3%	41.2%	0	(53,532)	(26,184)	\$51.37
Waterfront/North Beach	2,385,303	970,585	40.7%	42.0%	0	11,417	89,638	\$66.61
Yerba Buena	3,355,733	1,541,706	45.9%	54.1%	0	101,446	(217,185)	\$68.60
TOTAL	92,967,736	25,730,894	27.7%	31.7%	0	1,047,739	2,286,405	\$69.58

Source: CoStar, Transwestern

Notable Sales

ADDRESS	SUBMARKET	SALE PRICE	PRICE PSF	BUILDING SF	BUYER	SELLER
Transamerica Pyramid	Financial District	\$690,000,000	\$907	760,000	Yoda PLC	SHVO
45 Fremont St	South Financial District	\$265,000,000	\$383	692,000	Madison Capital	Shorenstein & Bank of America
123 Mission St	South Financial District	\$90,000,000	\$249	362,061	Madison Capital	Juul
240 Stockton St	Union Square	\$44,000,000	\$1,085	40,536	Moran Capital LLC	Grosvenor

Source: Transwestern

Notable Lease Transactions

TENANT	Industry	ADDRESS	SUBMARKET	TYPE	SF LEASED
Anthropic	Technology, Advertising, Media & Information	300 Howard St	South Financial District	New Lease	480,000
OpenAI	Technology, Advertising, Media & Information	1800 Owens St	Mission Bay/China Basin	Sublease	282,000
Crusoe	Technology, Advertising, Media & Information	225 Bush St	Financial District	New Lease	130,000
Atlassian	Technology, Advertising, Media & Information	350 Bush St	Financial District	Renewal	127,000
Charles Schwab	Financial Services	425 Market St	South Financial District	New Lease	115,014

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 properties owned by a government agency and medical outpatient buildings.

About Transwestern

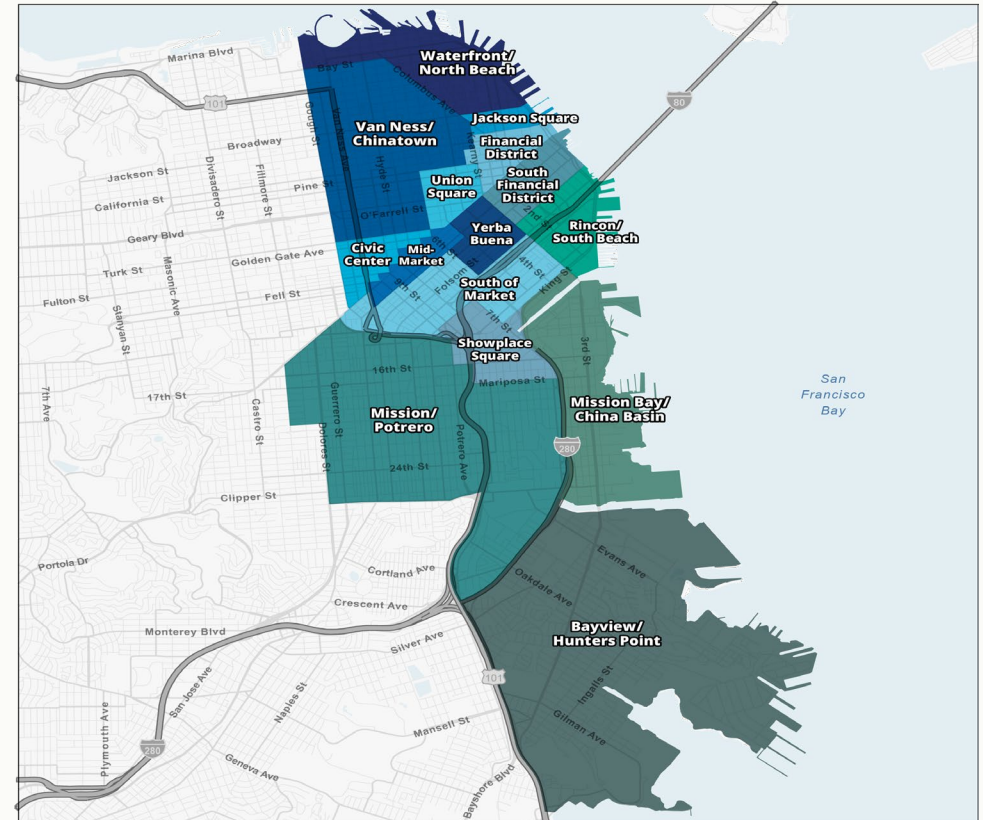
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¹Includes all Transwestern enterprise assets and its RAUM as of April 1, 2026

For More Information

John Stratton

Senior Research Analyst
John.Stratton@transwestern.com
 312.402.0278



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