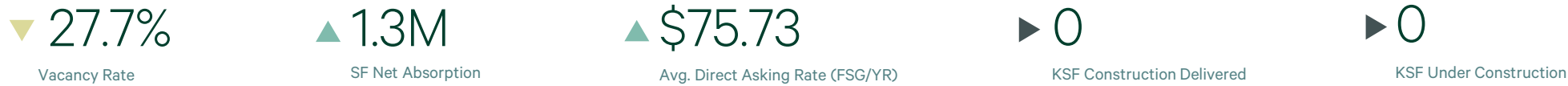


FIGURES | SAN FRANCISCO OFFICE | Q3 2026

Large AI and tech leases in SOMA pushed occupancy and rents higher

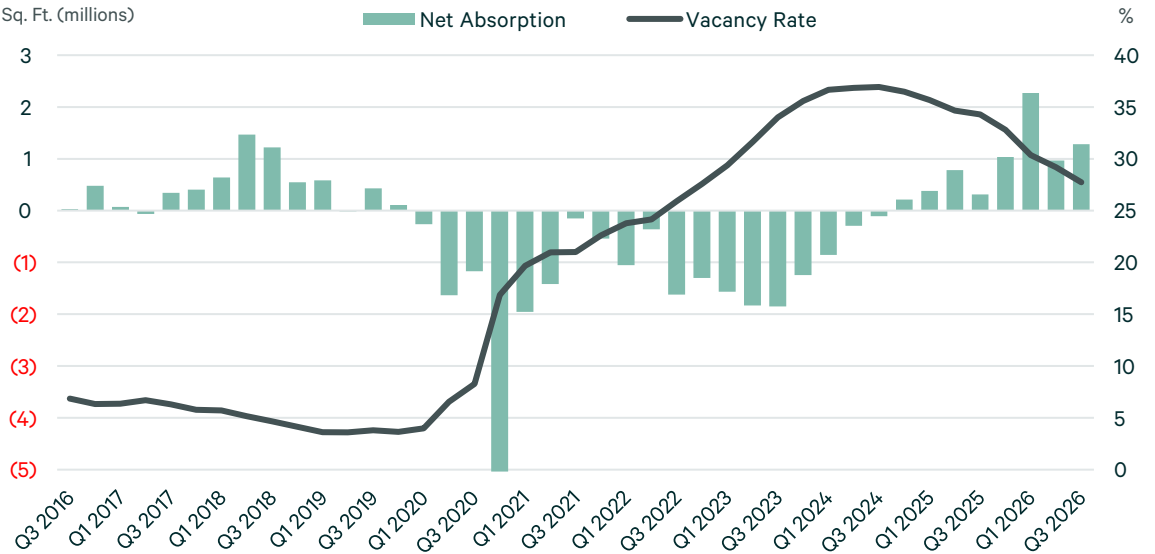


Note: Arrows indicate change from previous quarter.

Market Overview

- Eight consecutive quarters of positive net absorption, totaling 7.2 million sq. ft., reduced vacancy from 36.9% in Q3 2024 to 27.7% in Q3 2026.
- Expanding AI and tech startups drove 1.3 million sq. ft. of positive net absorption in Q3 2026, elevating year-to-date net absorption to 4.5 million sq. ft.
- Vacancy declined by 1.5 percentage points to 27.7%, down 6.6 percentage points year-over-year. South of Market (SOMA) led Q3 with a 5.3-percentage-point drop in vacancy.
- Asking rents accelerated for a fifth consecutive quarter to \$75.73, up 9.8% year-over-year.
- 2.7 million sq. ft. of Q3 leasing activity increased the year-to-date total to 10.3 million sq. ft., putting year-end leasing on pace to match peak pre-pandemic years.
- Tenants-in-the-market demand remained high, ending the quarter at 8.4 million sq. ft. of active requirements. Expansion requirements represented 46% of this total.
- Year-to-date investment sales volume reached \$2.91 billion, 22% higher than year-end 2025.

Figure 1: Historical Vacancy and Net Absorption



Source: CBRE Research

Market Overview

In Q3 2026, market-wide vacancy declined for the eighth consecutive quarter, falling from 29.2% to 27.7%, driven by 1.3 million sq. ft. of positive net absorption. Year-to-date net absorption stood at 4.5 million sq. ft. The vacancy rate now sits 920 basis points below its Q3 2024 peak of 36.9%.

Large leases signed by expanding AI and tech companies have been the catalyst for vacancy decline and occupancy growth in the past eight quarters. Q3 2026 had six deals signed that were 100,000 sq. ft. or larger, and all six were signed by tech companies. This brought the year-to-date total to 20 large deals, on pace to surpass the all-time high of 23 large block deals signed in 2018. Three of the six large block deals signed in Q3 2026 were in South of Market, representing a shift away from the South Financial District as the primary center of gravity for large office deals in San Francisco.

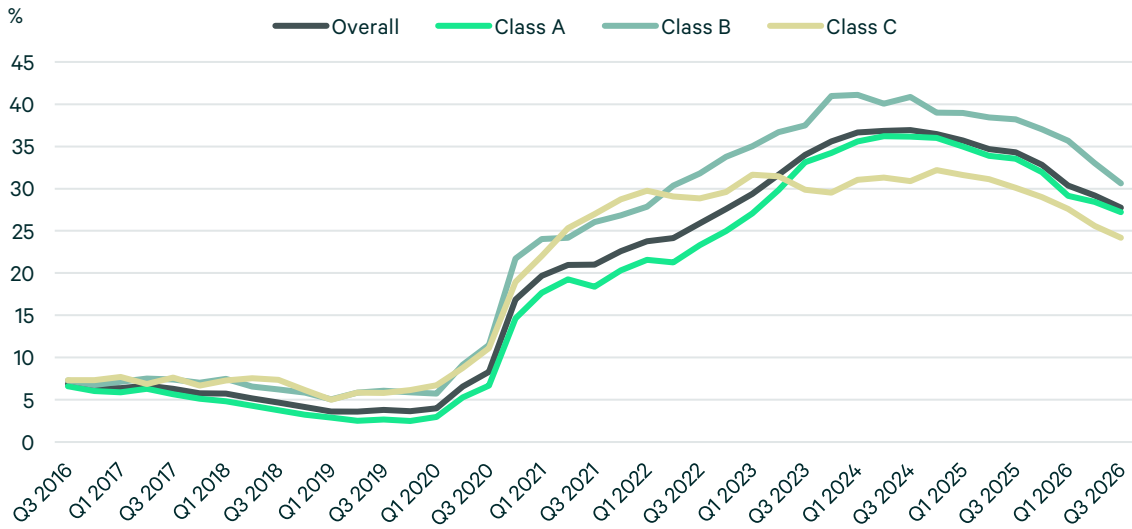
Between Q3 2024 and Q3 2025, in the early innings of the current market growth cycle, vacancy declined by 260 basis points, driven by 1.7 million sq. ft. of positive net absorption. This growth was heavily concentrated in the Central Business District, with North Financial District and South Financial District capturing nearly 60% of market-wide occupancy gains during this period. This was driven by a combination of AI expansion deals, led by Anthropic and Harvey in South Financial District, and professional services tenants relocating to recently-upgraded trophy buildings in North Financial District such as The Pyramid and 101 California St.

Between Q3 2025 and Q3 2026, the market experienced a much steeper 660-basis-point drop in vacancy, propelled by 5.6 million sq. ft. of positive net absorption. During this period, nearly 70% of market-wide occupancy gains were captured by South Financial District, South of Market, and Mission Bay/China Basin. This growth was driven almost entirely by AI/tech expansion, including several 100,000+ sq. ft. large block deals signed by the likes of Anthropic, OpenAI, Sierra, Brex, Cognition, and Hinge Health. South Financial District alone gained over 2.3 million sq. ft. of occupancy during this period, followed by South of Market with 806,000 sq. ft. of occupancy gains and Mission Bay/China Basin with 665,000 sq. ft. of occupancy gains.

Mission Bay/China Basin has maintained the lowest vacancy rate in the city for the past few quarters, following a rapid decline from 41.2% in Q1 2024 to 13.2% in Q1 2026. This decline in vacancy was driven by unique supply and demand dynamics that existed in Q1 2024. On the supply side, Mission Bay/China Basin had the highest availability of high-quality Class A large block office spaces with large floor plates well-suited for tech tenants. On the demand side, active tenant requirements had surged from a post-pandemic low of 2.8 million sq. ft. in Q4 2022 to 6.0 million sq. ft. in Q1 2024, with tech tenants driving the rebound.

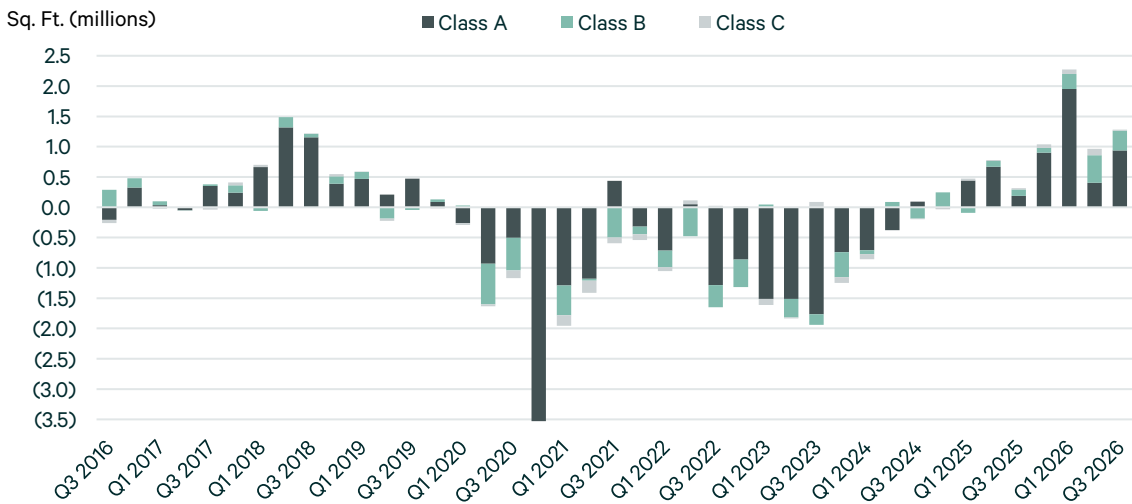
Large leases signed by OpenAI, Sierra, Coinbase, and Nvidia cut Mission Bay’s vacancy to 13.2% by Q1 2026, leaving only life science space as the remaining large blocks available in the submarket.

Figure 2: Vacancy Rates by Class



Source: CBRE Research

Figure 3: Net Absorption by Class



Source: CBRE Research

With no remaining large blocks of office space available in Mission Bay/China Basin, tech occupiers shifted their sights to South of Market in early 2026, where numerous high-quality Class A large blocks left behind by other tech companies were sitting vacant, fully-furnished and ready for immediate occupancy.

Brex renewed and expanded from 98,000 sq. ft. to 198,000 sq. ft. at 270 Brannan St, to occupy the entire building, allowing more space for future headcount growth. Brex first leased 270 Brannan St in 2025 when it was one of the premier occupancy-ready large block availabilities in South of Market. Brex previously occupied 16,000 sq. ft. at 85 2nd St in South Financial District. Cognition subleased 182,000 sq. ft. from Cruise at 333 Brannan St, another premier plug-and-play full-building opportunity in South of Market. Cognition had previously occupied 25,000 sq. ft. at 550 3rd St. Airbnb signed a 122,000 sq. ft. new lease at 850 Brannan St, expanding their total footprint by nearly 50%.

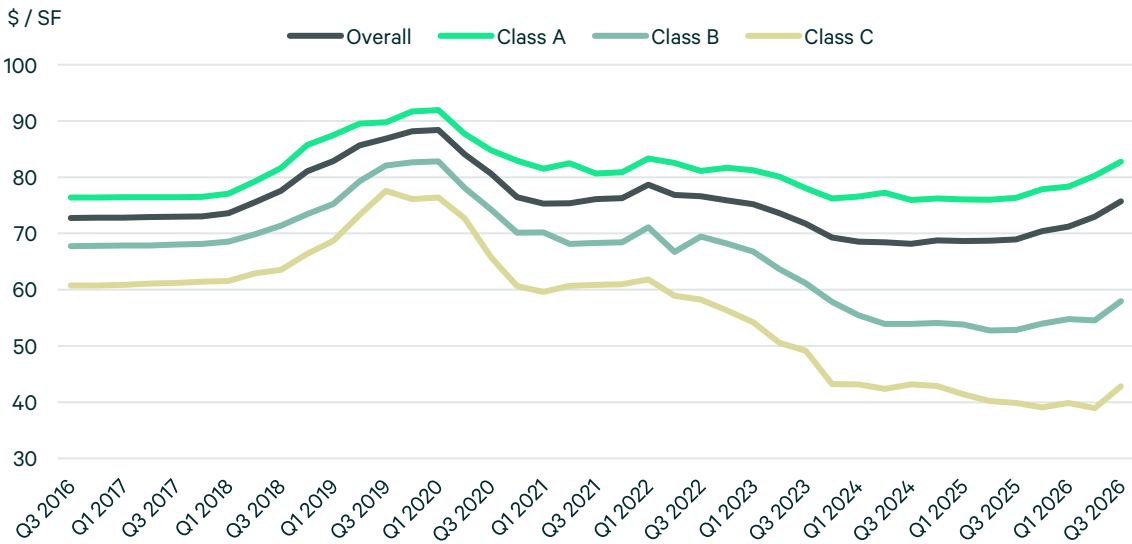
Landlords have responded to surging demand from AI/tech tenants and declining availability of high-quality spaces by hiking rents more aggressively in recent quarters. The average direct asking rate increased to \$75.73 per sq. ft. full-service equivalent in Q3 2026, up 3.8% quarter-over-quarter and 9.8% year-over-year. Asking rents have increased 11.1% since bottoming out at \$68.16 in Q3 2024, yet they remain 14.3% below the Q1 2020 peak of \$88.40. Rent growth is accelerating, with year-over-year rent growth increasing for five straight quarters from 1.2% in Q3 2025, though it remains below the 11% to 15% annual growth rates seen during peak pre-pandemic years.

Rent growth varied widely by submarket, with smaller submarkets more susceptible to large increases driven by a small number of spaces commanding high asking rents. Mission Bay/China Basin’s asking rate reached an all-time high of \$130.90 in Q3 2026, up 16.7% quarter-over-quarter and 49.8% year-over-year. This was driven by Sierra’s expansion from 257,000 sq. ft. to 351,000 sq. ft. at 185 Berry St, leasing the last remaining office space in the submarket with an asking rate below \$100 per sq. ft.

South of Market’s asking rate increased to \$82.57, up 11.9% quarter-over-quarter and 31.7% year-over-year. Declining large block availability in South of Market motivated landlords of the remaining large blocks in the submarket to hike rents, knowing that tech tenants looking for high-quality large blocks of space have a rapidly shrinking number of options to choose from.

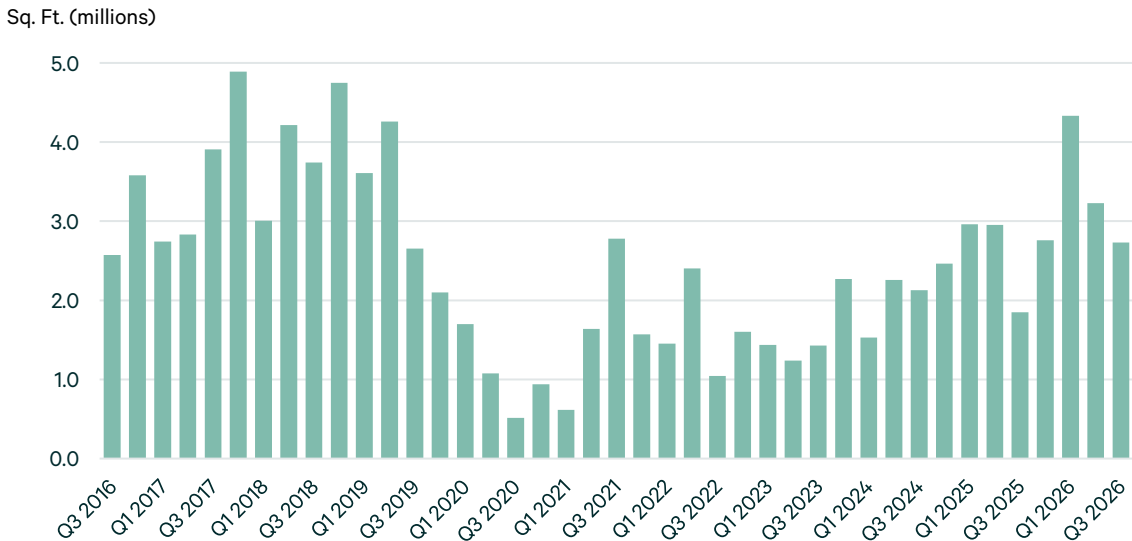
The availability of 100,000+ sq. ft. contiguous large blocks peaked in Q3 2023 with 58 blocks on the market. Between Q3 2023 to Q3 2025, large block availability gradually declined to 50 blocks. Since then, large block availability has declined more rapidly with 35 blocks remaining on the market at the end of Q3 2026. At the end of Q3, there were 26 tenants in the market looking for 100,000+ sq. ft. of contiguous space with 9 deals pending. This indicates that vacancy and large block availability will continue to shrink rapidly over the next few quarters, accelerating rent growth for the spaces that remain available.

Figure 4: Average Direct Asking Rate by Class



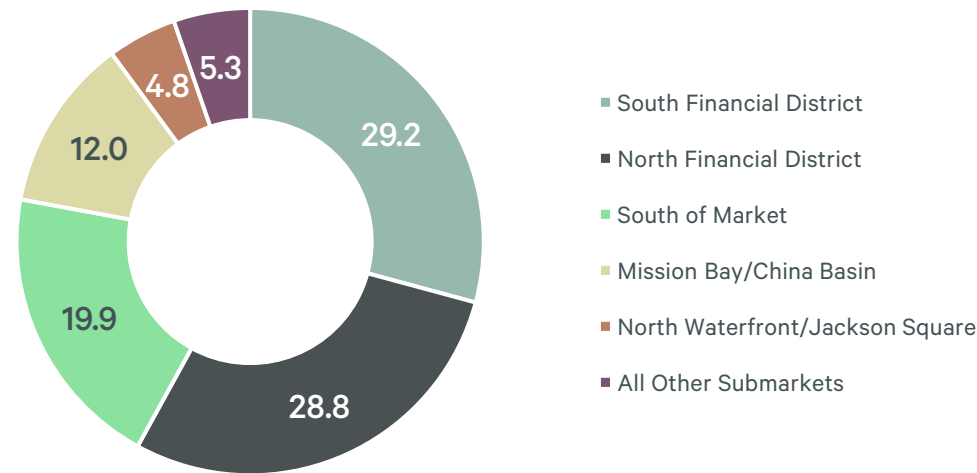
CBRE Research

Figure 5: Quarterly Leasing Activity



CBRE Research

Figure 6: Leasing by Submarket (% of Total Activity)



Source: CBRE Research

Investment Sales Activity

Investment sales volume reached \$1.11 billion in Q3 2026, lifting the year-to-date total to \$2.91 billion, putting 2026 on pace for the highest annual volume since 2019. For the first time since 2022, institutional buyers represented more than 50% of the year’s total investment volume, demonstrating rising investor confidence in the San Francisco office market. Private buyers have remained very active in the market, already doubling their 2025 total investment volume through the first three quarters of 2026.

Pricing varied widely by location and building quality. At the high end, DivcoWest acquired a 47.5% stake in 101 California St, paying \$771 per sq. ft. for the trophy tower. Next was 410 Townsend St in South of Market, which New York Life and Bridgeton sold to Zurich Asset Management for \$610 per sq. ft., more than double what they paid to acquire the property in 2024. This was the first completed exit by an investor that acquired a property in the post-pandemic era. At the low end of the price range, 875-899 Howard St in Yerba Buena, where vacancy exceeds 60%, was acquired by Seven Equity Group for \$218 per sq. ft..

Figure 7: Key Lease Transactions

Tenant	Address	Sq. Ft.	Deal Type	Submarket
Sierra	185 Berry St	351,000	Renewal/Exp.	Mission Bay/China Basin
Amazon	525 Market St	210,000	Renewal/Exp.	South Financial District
Brex	270 Brannan St	198,000	Renewal/Exp.	South of Market
Cognition	333 Brannan St	182,000	Sublease	South of Market
Airbnb	850 Brannan St	122,000	New Lease	South of Market
Hinge Health	300 Mission St	118,000	New Lease	South Financial District
Physical Intelligence	850 Brannan St	80,000	Sublease	South of Market
Disney Streaming	One Market Plaza	76,000	New Lease	South Financial District
Retool	1550 Bryant St	55,000	Renewal	Potrero Hill
McKinsey & Co.	555 California St	55,000	Renewal	North Financial District

Source: CBRE Research

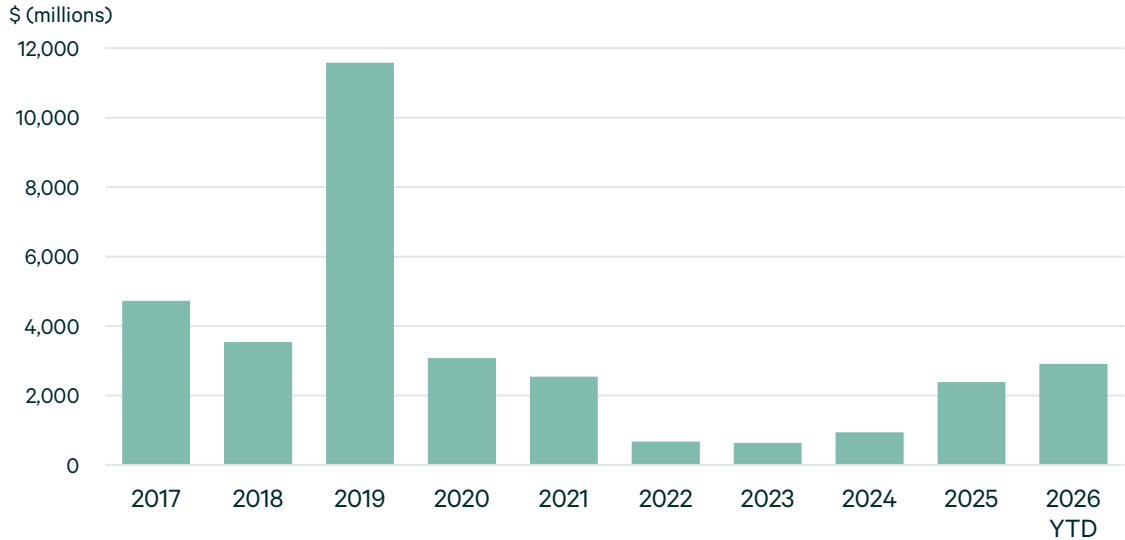
Figure 8: Key Sale Transactions

**47.5% partial interest acquisition*

Property	Buyer	Sale Price	Size (SF)	Price Per SF
*101 California St	DivcoWest	\$965M	1,251,483	\$771
225 Bush St	Flynn Properties	\$221M	585,448	\$377
201 California St	Ridge Capital Investors	\$75.0M	272,370	\$275
301 Battery St	Presidio Bay Ventures	\$73.0M	208,751	\$350
875-899 Howard St	Seven Equity Group	\$65.5M	300,711	\$218
300 Kansas St (R&D)	Lincoln Property Co. / Sabal	\$61.7M	151,777	\$407
747 Front St	Pendulum Property Partners	\$48.8M	86,171	\$566
410 Townsend St	Zurich Asset Management	\$47.6M	78,000	\$610

Source: MSCI Real Capital Analytics, CBRE Research

Figure 9: Annual Investment Sales Volume



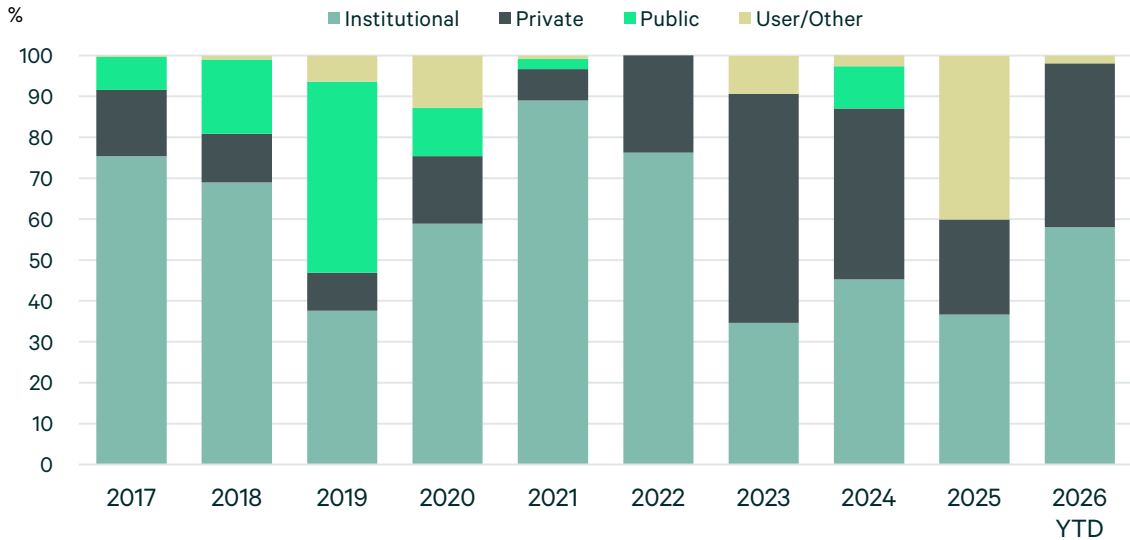
Source: MSCI Real Capital Analytics

Construction Activity

Q3 2026 was the tenth consecutive quarter with no new developments delivered or under construction. Mission Rock remains the newest development in San Francisco, delivered in Q1 2024. The lack of construction activity since then is a result of no new development starts between 2021 and 2023.

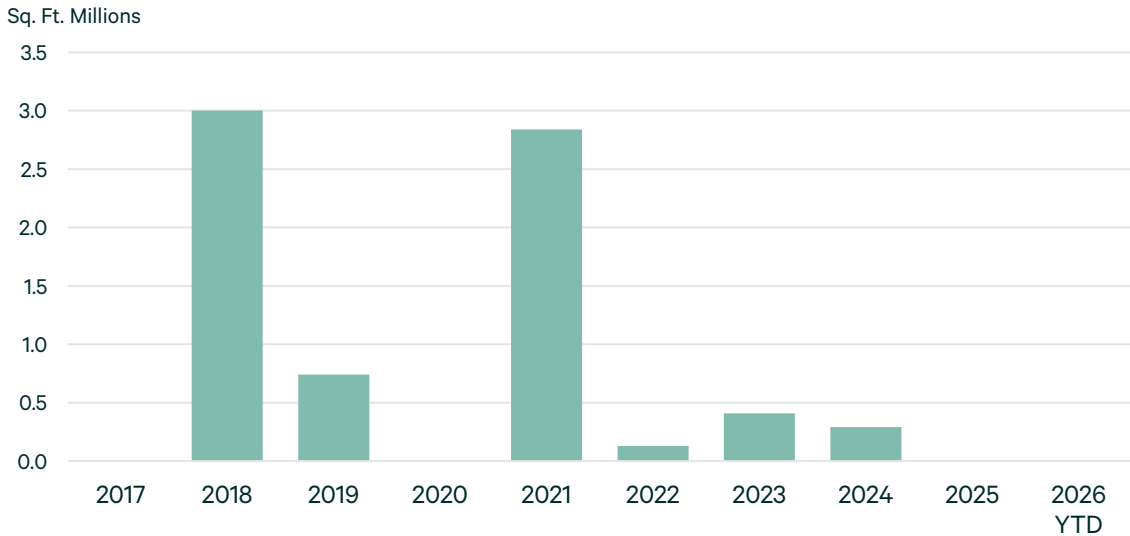
Due to the recent surge in leasing activity, which has contributed to tightening supply in high-quality Class A buildings, several significant projects are aiming to break ground within the next 12 months, including 530 Sansome St (The Jackson) and Fifty at First (50 First St).

Figure 10: Buyer Composition



Source: MSCI Real Capital Analytics

Figure 11: Construction Deliveries



Source: CBRE Research

Market Statistics by Class

Figure 12: Market Statistics by Class

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Q3 2026 Net Absorption (SF)	YTD 2026 Net Absorption (SF)	Construction Deliveries (SF)	Under Construction (SF)
Class A	66.56M	27.2	30.2	26.0	4.2	82.77	935,699	3,293,961	-	-
Class B	18.24M	30.6	32.3	29.0	3.2	57.97	331,434	1,030,892	-	-
Class C	5.31M	24.2	24.9	23.8	1.2	42.82	12,389	191,595	-	-
Total	90.11M	27.7	30.3	26.5	3.8	75.73	1,279,522	4,516,448	-	-

Source: CBRE Research, Q3 2026

Market Statistics by Submarket

Figure 13: Market Statistics by Submarket

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rate (\$/SF FSG/yr)	Q3 2026 Net Absorption (SF)	YTD 2026 Net Absorption (SF)	Construction Deliveries (SF)	Under Construction (SF)
North Financial District	27.97M	30.1	31.8	30.2	1.5	75.41	80.23	308,102	484,153	-	-
South Financial District	26.02M	23.0	26.7	23.8	3.0	81.98	83.79	348,734	2,001,601	-	-
North Waterfront/Jackson Square	6.09M	19.4	22.0	19.0	3.0	77.72	93.45	56,856	202,139	-	-
South of Market	9.13M	28.6	35.4	25.4	10.0	82.57	91.42	483,762	761,664	-	-
Yerba Buena	4.15M	63.9	64.4	61.0	3.4	66.75	78.09	(78,414)	17,204	-	-
South of Market West	3.51M	38.4	38.4	24.3	14.1	48.92	55.84	25,032	562,611	-	-
Mission Bay/China Basin	4.80M	16.0	16.0	10.7	5.3	130.60	130.60	45,315	309,075	-	-
Potrero Hill	2.80M	22.6	25.5	19.0	6.5	62.85	70.98	37,398	129,309	-	-
Civic Center/Van Ness	1.81M	23.1	23.1	23.0	0.1	43.85	44.87	0	33,690	-	-
Union Square	3.82M	25.4	26.0	24.2	1.8	52.24	65.19	52,737	15,002	-	-
Total	90.11M	27.7	30.3	26.5	3.8	75.73	82.77	1,279,522	4,516,448	-	-

Source: CBRE Research, Q3 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Survey Criteria

[Insert survey Criteria here. Contact your manager for specific criteria]

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