SAN FRANCISCO OFFICE REPORT

Yardi® Matrix

Market Analysis

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Aggregated and anonymized expense and lease expiration data is available to Yardi Matrix subscribers. Please contact us for details!

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Supply Wave Offers Test For Booming Office Market

As the leading technology market in the United States, San Francisco has exhibited the economic volatility that comes with the boom-and-bust nature of the Internet and software industry. Over the past decade, a significant influx of venture capital has produced numerous startup firms and expansion among industry leaders. The strong and steady growth has impacted the city's office market, leading to **high occupancy rates** and a **robust development pipeline**, with **9 million square feet currently under construction**.

Roughly 28,000 jobs were added in the 12 months ending in March, bolstered by the city's tech sector and its proximity to Silicon Valley. **Office-using employment** in San Francisco **grew at a rate nearly twice the national average** in 2016, leading to more job gains in high-paying positions.

Leasing activity continued at high levels in the most established tech submarkets—such as South Beach, South of Market and Mission Bay—where high-quality space is being added. Rates were highest in the Silicon Valley-adjacent **Menlo Park-Palo Alto** submarket, where **average leases hit $72.49** per square foot, while the **Financial District** claimed average rates of **$63.06** as of June. Roughly 57% of office stock is Class A, as is the bulk of listed space.

Strong investor interest led to more than **$6 billion in office asset trades** in the 12 months ending in June. Investors were focused on the more established submarkets such as the Financial District and South Beach, where the bulk of transactions occurred. Activity has exacted pressure on area acquisition yields, leading the average for Class A urban assets to fall below the 5% mark.