

Yardi® Matrix

OFFICE MARKET REPORT

San Francisco Breaks Records

Winter 2020

**Construction
Activity Accelerates**

**Investment Surpasses
2018's Volume**

**Asking Rates
Spike Significantly**

SAN FRANCISCO OFFICE MARKET

Yardi® Matrix

Firing on All Cylinders

Thanks to its outstanding economy, San Francisco remains one of the nation's top attractions for both talent and employers. But the high cost of living, coupled with rising taxes and rents, is projected to put pressure on long-term growth. While the coworking industry's expansion continued throughout the better part of 2019, with 1 million square feet in new leases closed between January and November, the trend is likely to be heavily impacted by the sector's imminent transformation.

The metro gained 22,200 office-using jobs in the 12 months ending in October, with more than half of those jobs added to the professional and business services sector (up 3.3% year-over-year). The financial activities and information sectors—which gained a combined 10,800 jobs—had year-over-year growth rates of 5.5% and 5.8%, respectively. Financial services company Visa plans to relocate its global headquarters to the metro, which will add as many as 1,500 positions by 2024.

In contrast with national trends, investors focused less on value-add opportunities in San Francisco, which accounted for less than 25% of the metro's total transaction volume of \$5.2 billion year-to-date through November. As a result, San Francisco saw a 50% uptick in sales volume from the same period in 2018. Additionally, despite an increase in deliveries in 2018 and the first 11 months of 2019, the metro's average vacancy rate declined by 140 basis points year-over-year to 7.8% in November.

Market Analysis

Winter 2020

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