

# SAN FRANCISCO OFFICE MARKET

Yardi® Matrix

## Market Analysis

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## High-Tech Growing Pains



San Francisco's economy powers on. However, the high cost of living, rising taxes and limited new office inventory are putting a strain on the metro's long-term growth. The tight competition for premier space among tech titans such as Facebook, Google, Salesforce and Apple further adds to the metro's power divides, forcing companies including Bechtel and RxTE Health to relocate outside the metro. Lyft, Pinterest and Uber went public this year and Airbnb plans to do the same in 2020, paving the way for potential power struggles among businesses of various sizes.

The metro's office-using employment pool grew by 25,200 new positions in the 12 months ending in July. Major gains were recorded in the professional and business services sector (15,500 new jobs), followed by 5,800 new positions in the information sector, which continues to steer San Francisco's economic wheel.

Solid employment growth continues to fuel the need for more office space. As such, the development pipeline includes 8.6 million square feet under construction as of August, with 3 million square feet expected to be completed by year-end. Despite record-breaking deliveries, demand continues to outpace supply amid building restrictions and tax constraints. Two-thirds of the upcoming projects are fully committed, and the recently approved Proposition C and Proposition M measures will only limit development further.