



The Axiant Group

COMMERCIAL REAL ESTATE SERVICES



Market Overview

A quarterly publication of the San Francisco office market by The Axiant Group

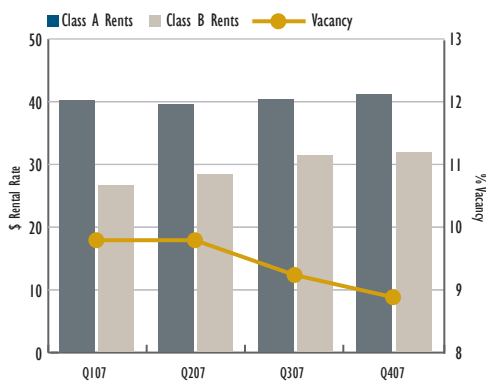
4th Quarter 2007

Fourth quarter office leasing activity mirrored third quarter levels; undramatic activity level still exceeds Q1 and Q2

Vacancy Rate Shows Slight Absorption

Office vacancy in San Francisco's Financial Core decreased from 9.5% in the 3rd quarter to 9.0% in the 4th quarter. Gross leasing activity was down in the 4th quarter to 918,715 square feet from 996,587 square feet in the 3rd quarter. Overall net absorption

SAN FRANCISCO FINANCIAL CORE



was down to 216,487 square feet from 308,834 square feet. Net absorption in the first two quarters of the year were static or negative.

Asking rental rates continued to climb. Rates increased

from \$43.47 in the 3rd quarter to \$46.26 in the 4th quarter. Class B financial core rental rates also moved upward, but marginally, with asking rates increasing from \$32.97 to \$33.35.

Sub-prime Affects Retail Sales and Commercial Real Estate

The sub-prime mortgage melt down in residential markets has directly affected consumer spending. Retail holiday sales in December were very weak. In 2007 sales rose just over 4%, the smallest gain since 2002. The commercial real estate market has also been affected, both financially and psychologically. The Federal Reserve recent drops in the prime interest rates as eased some of these concerns.

Many Landlords are re-evaluating their rental rates and starting to consider tenant demand as the barometer for rental rates as opposed to their pro forma's...

Many feel the Federal Reserve did not act as aggressively as it should have to stop the economy's perceived downward

spiral. Many tenants have rethought transactions due to these recent developments. For example, tenants walked away from transactions where a letter of intent had been signed to lease space at a high rental rate. Many Landlords are reevaluating their rental rates and starting to consider tenant demand as the barometer for rental rates as opposed to their pro forma's which are based on the record sale price paid for their building!

Axiant Secures Major East & West Coast Facilities

The Axiant group represented a major privately held Company in the purchase of land and a build-to-suit in The Eastern United States. The new facility will be in excess of 500,000 square feet. The negotiations took over 18 months to complete. We will provide a more detailed announcement with ground breaking news in the upcoming newsletter.

TPG Expands & Extends at 345 California Street

TPG Capital Inc. (formerly Texas Pacific Group) recently leased the entire 35th floor and expanded and extended their lease on the 26th floor in 345 California Street. John Abel of the Axiant Group represented them in the transaction. They now occupy six floors of the building, totaling in excess of 100,000 square feet.

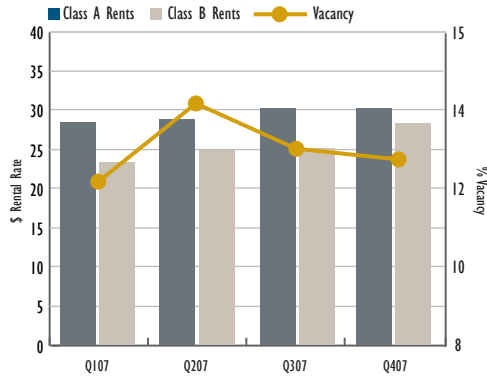
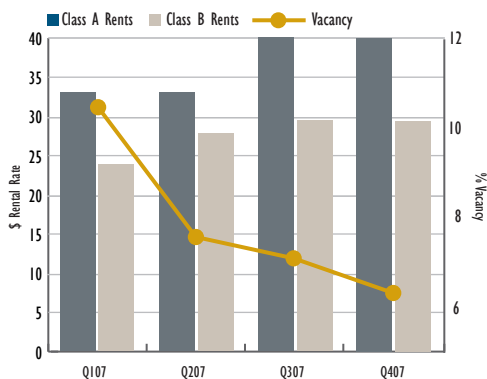
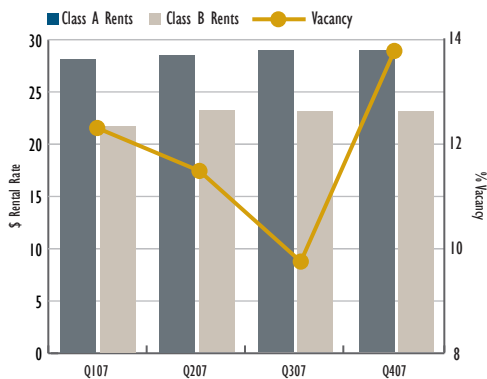
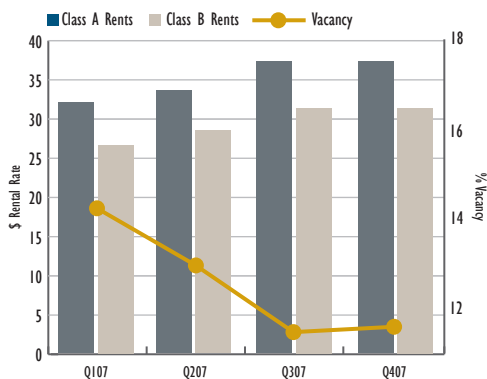


The Axiant Group represented TPG Capital in their expansion and extension at 345 California Street.

TPG is one of the world's premier global private investment firms with over \$30 billion of capital under management. They manage a family of funds including private equity, venture capital, public equity and debt investing.

Visa Extends Lease at 123 Mission St.

Steve Corbitt and Jeff Tremolada of the Axiant Group represented Visa International in extending their San Francisco facilities at 123 Mission Street. Visa leased over 58,000 square feet. This year, The Axiant Group is representing Visa across the country for office space requirements totaling in excess of 1,000,000 square feet. Visa Inc. is the world's largest payments company, with more than US\$3.34 trillion of payments and cash volume conducted on 1.4 billion cards.

SAN FRANCISCO SOMA

SAN FRANCISCO NORTH WATERFRONT

OAKLAND

PENINSULA

Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Buildings	769,458	8.20%	118,550	1.30%	888,008	9.50%
Fin. Dist. A	3,117,640	8.20%	326,871	0.90%	3,444,511	9.00%
Fin. Dist. B	1,139,032	7.70%	122,263	0.80%	1,261,295	8.50%
SOMA A	266,381	5.70%	144,479	3.10%	410,860	8.80%
SOMA B	1,529,711	12.70%	194,314	1.60%	1,724,025	14.30%

Large Tenants in the Market

Tenant	Sq. Ft.
Google	210,000
California Pacific Medical Center (Lease pending)	180,000
The Art Institute of California	100,000
DLA Piper	100,000

Significant Leases Completed Fourth Quarter 2007

Tenant	Sq. Ft.	Address
O'Melveny & Meyers LLP	170,000	Two Embarcadero Center
Marsh & McLennan Companies, Inc.	127,108	345 California Street
Barclays PLC	112,000	45 Fremont Street
Visa International*	58,000	123 Mission Street
TPG Capital (expansion)*	33,657	345 California Street

*Represented by the Axiant Group


The Axiant Group Can Help You

Do you want information about rents and space available in your building? Are you interested in subleasing or terminating your lease? Is your lease expiring in the next three years?

Contact The Axiant Group. We have handled transactions from 1,000 to 1,000,000 sq.ft. in the Bay Area and throughout the U.S. The average tenure of our brokers is over 20 years. We have handled assignments for clients including Chevron U.S.A., Coblenz, Patch, Duffy & Bass, Oracle Corporation, PG&E, Sutro & Company, Zurich Scudder Investments, Charles Schwab, Texas Pacific Group, Club One, Moss Adams, and many others.