



The Axiant Group

COMMERCIAL REAL ESTATE SERVICES

# Market Overview

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

3rd Quarter 2007

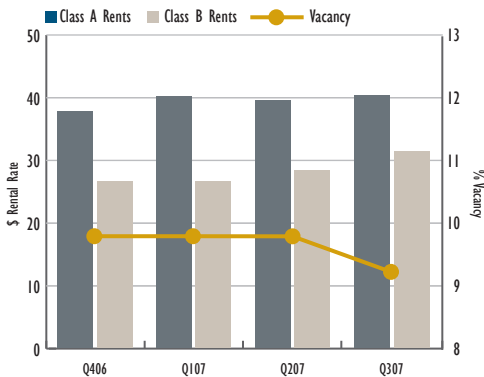
## Office leasing activity increased slightly in 3rd Quarter, breaking a two quarter trend of negative or very low absorption.

### Vacancy Rate Shows Slight Absorption

Office vacancy in San Francisco's Financial Core decreased from 9.8% in the 2nd quarter to 9.2% in the 3rd quarter. Gross leasing activity was down in the third quarter to 996,587 from 1,439,744 square feet. However, overall net absorption went up to 308,834. Net absorption in the 1st quarter was static and in the 2nd quarter negative.

Asking rental rates continued to climb. Rates increased from \$41.25 in the 2nd quarter to \$43.47 in the 3rd quarter. Class B financial core rental rates also moved upward, with asking rates increasing from \$29.68 to \$32.97.

### SAN FRANCISCO FINANCIAL CORE



## Sub-prime Concerns Spill Over to Commercial Real Estate Markets

The sub-prime mortgage melt down in residential markets has had an effect on the commercial real estate market, both financially and psychologically. The Federal Reserve dropping the prime interest rate has eased some of these concerns, but many feel more problems may be forthcoming in the near future. Many tenants have put the brakes on transactions due to these recent developments. For example, tenants backed out of transactions where a letter of intent had been signed to lease space at a high rental rate. The word in the market place is that many Landlords are reevaluating their rental rates and starting to consider tenant demand as the barometer for rental rates vs. 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 an update more detailed announcement with ground breaking news in the next 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 the top five floors of the building as well as one additional floor, totaling in excess of 100,000 square feet.



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

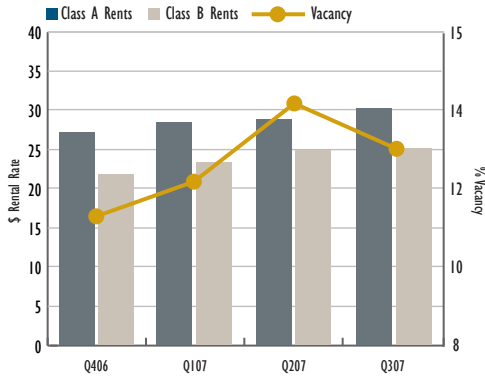
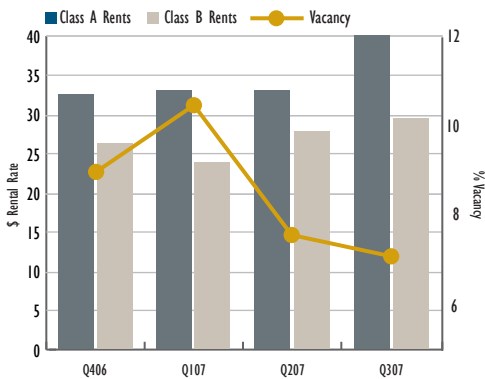
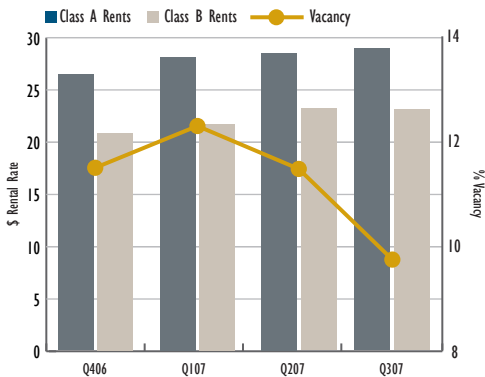
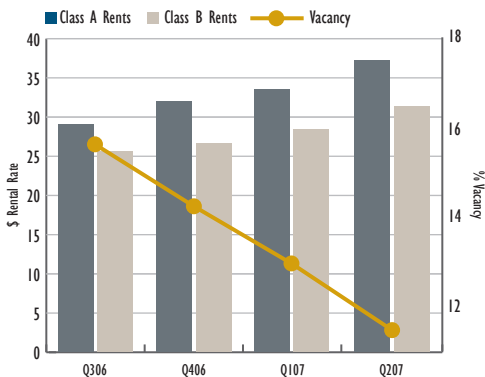
TPG is one of the world's premier global private investment firms with over \$30 billion of capital under management. They manage a family of funds including private equity, venture capital, public equity and debt investing.

## Visa Extends Lease at 123 Mission St.



Axiant represented Visa International in extending their 58,000+ square foot lease at 123 Mission Street.

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. The Axiant group is representing Visa this year 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	640,965	6.90%	135,114	1.40%	776,079	8.30%
Fin. Dist. A	3,110,349	8.20%	421,078	1.10%	3,531,427	9.80%
Fin. Dist. B	1,191,304	7.90%	172,814	1.10%	1,364,118	9.10%
SOMA A	366,824	8.10%	4,479	0.10%	371,303	8.20%
SOMA B	1,569,515	13.20%	190,174	1.60%	1,759,689	14.80%

**Large Tenants in the Market**

Tenant	Sq. Ft.
Google	210,000
The Art Institute of California	100,000
DLA Piper	100,000
Wells Fargo Bank	75,000

**Significant Leases Completed Second Quarter 2007**

Tenant	Sq. Ft.	Address
Marsh & McLennan Companies, Inc.	127,108	345 California Street
SalesForce.com	80,555	1 California Street
Verizon Wireless	77,000	201 Spear 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.