



The Axiant Group  
COMMERCIAL REAL ESTATE SERVICES



# Market Overview

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

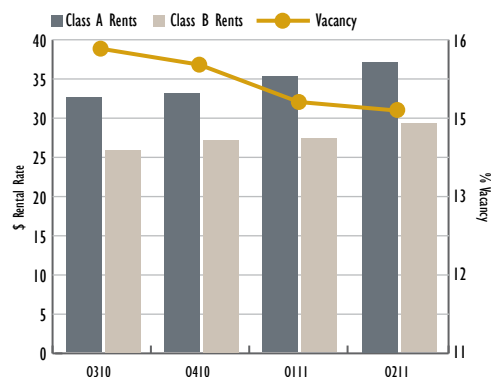
2nd Quarter 2011

Rates are rising dramatically in the South of Market area as vacancy shrinks. However, the downtown financial district is in the doldrums with little or no demand from the traditional sectors. Most of the demand in the financial district is coming from technology firms who are being forced out of the South of Market area due to a lack of available space!

## Downtown Activity Remains Lackluster

Office vacancy in San Francisco's financial core moved downward slightly in the 2nd quarter of 2011, from 15.2% to 15.1%. Gross leasing activity was down from 1,190,017 square feet in the 1st quarter to 998,898 square feet in the 2nd quarter. Net absorption was positive at 62,740 square feet.

### SAN FRANCISCO FINANCIAL CORE



Class A asking rental rates increased. Rates went from \$35.16 in the 1st quarter to \$37.01 in the 2nd quarter. Landlords are trying to increase rental rates in the financial district based on the pricing increases and transaction volume in the South of Market area. Class B financial core rental rates increased, going from \$27.24 in the 1st quarter to \$29.17 in the 2nd quarter. Absorption was negative at 48,110 square feet.

## Dropbox Commits to 70,000 Square Feet

Dropbox, a company which allows users to easily file share and sync between multiple PC's, PDA's and phones has signed a lease for over

70,000 square feet at 185 Berry Street. The space Dropbox took is part of a two floor addition to the building which was completed in 2006 and has remained vacant for 5 years due to weak market conditions. Originally, this space was planned to accommodate Bio Science users. However, demand from technology users pushed this space to office use with rents close to \$50.00 per square foot. Dropbox is currently located at 760 Market Street. They moved into that facility in June of 2010 occupying 12,000 square feet. The expansion to 185 Berry Street represents a 600 percent increase in the size of their headquarter facility.

## Axiant Group Completes Major Lease

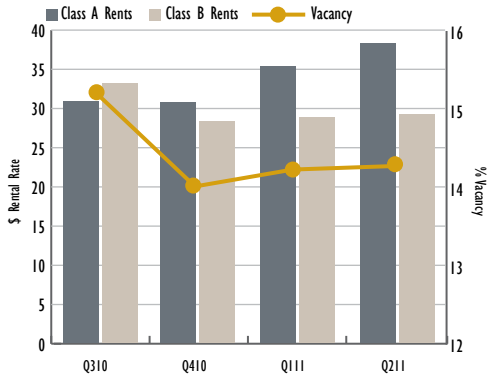
The Axiant Group is pleased to represent Moss Adams LLP a leader in assurance, tax, consulting, risk management, transaction, and wealth services. Moss Adams employs over 1,700, including more than 220 partners. They have twenty offices throughout the western United States. The lease was completed in the 2nd quarter of 2011. Moss Adams LLP was represented by Robert Larscheid, a Principle at the Axiant Group. This



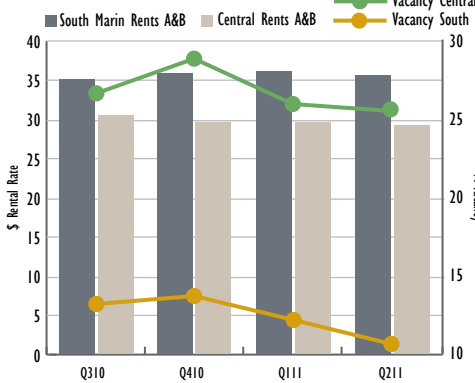
Moss Adams relocates to 101 Second Street, with help from the Axiant Group

Lease was in excess of 28,658 square feet, the largest direct lease for a relocation completed in the financial core this quarter. Moss Adams will be relocating to 101 Second Street a premier building just south of Market Street.

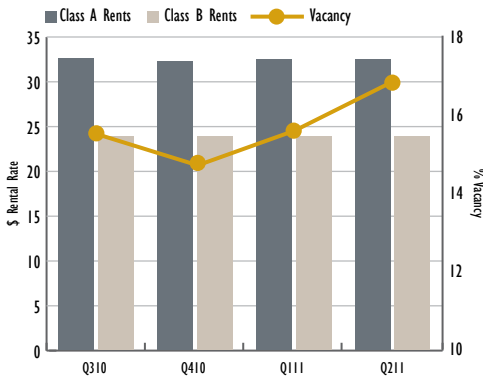
**SAN FRANCISCO SOMA**



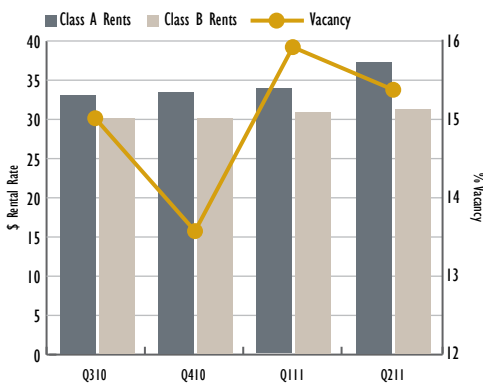
**MARIN**



**OAKLAND**



**PENINSULA**



**Where's the Space?**

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Build.	651,989	7.20%	196,792	2.20%	848,711	9.40%
Fin. Dist. A	5,158,627	12.70%	406,191	0.73%	5,568,818	13.7%
Fin. Dist. B	2,465,756	19.37%	28,944	0.23%	2,491,750	19.6%
SOMA A	320,115	6.70%	46,671	1.0%	366,786	7.7%
SOMA B	1,779,945	16.90%	46,729	0.40%	1,826,674	17.4%

**Large Tenants in the Market**

Tenant	Sq. Ft.
Dolby Labs	250,000
Farella, Braun & Martel LLP	113,000
Modcloth	100,000

**Significant Leases Completed in the First Quarter**

Tenant	Sq. Ft.	Address
EPA	290,000	75 Hawthorne Street
Dropbox	70,000	185 Berry Street
Cornerstone Research	42,291***	Two Embarcadero Center
<b>Moss Adams</b>	<b>28,658</b>	<b>101 Second Street</b>
State Compensation Insurance Fund	28,578	333 Bush Street
Regus	27,506**	425 Market Steet
Miller Law Group	25,531**	111 Sutter Street

\* Expansion at existing location  
 \*\* Renewal at existing location  
 \*\*\* Sublease

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.