



The Axiant Group
COMMERCIAL REAL ESTATE SERVICES



Market Overview

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

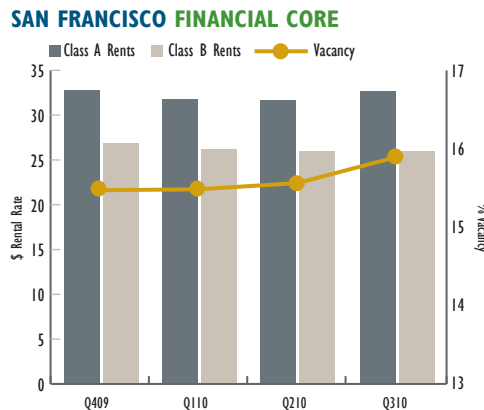
3rd Quarter 2010

The South of Market area continues to be the sought after location in San Francisco and the only area in San Francisco with positive absorption. The activity level South of Market continues to increase with rental rates rising and vacancy declining. The downtown financial district remains lackluster with negative absorption, although rental rates increased slightly in the third quarter.

Negative Absorption, Rates Move Upward?

Office vacancy in San Francisco's financial core move upward in the 3rd quarter of 2010, from 15.6% to 15.9%. Gross leasing activity was down slightly from 1,000,620 square feet in the 2nd quarter to 966,734 square feet in the 3rd quarter. Net absorption was negative at 360,203 square feet.

Class A asking rental rates moved up slightly. Rental rates increased from \$31.67 in the 2nd quarter to \$32.48 in the 3rd quarter. Ironically, rental rates edged up even though additional space has come on the market.



Although the increase is small, it certainly could be considered within the margin of error. Class B financial core rental rates were

unchanged, going from \$25.80 in the 2nd quarter to \$25.79 in the 3rd quarter.



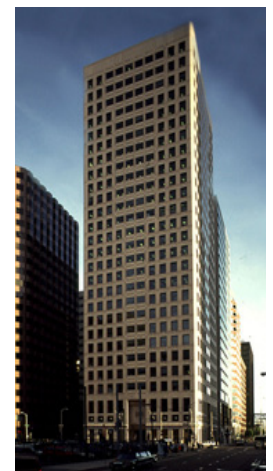
Zynga has completed the highly anticipated lease of 650 Townsend Street which will house over 2,500 employees.

Large South of Market Deals Completed

Zynga finally completed their highly anticipated lease at 650 Townsend. The internet gaming company leased over

a quarter of a million square feet and will be housing over 2,500 employees at their new headquarters. The space is not the most desirable in the market and has been vacant for several years. The majority of the space is interior and has few exterior outlooks. On the positive side, it is well located for a technology group and is one of the few buildings in the South of Market area which can accommodate a requirement of this size. 650 Townsend originally started as merchandise market and converted to a datacom / office building at the start of the dot com era.

Additional large leases were made in the South Financial District by the software firm Salesforce who took an additional 71,000 square feet of space at 123 Mission. Salesforce's headquarters is at One Market Street, also known as "The Landmark" where they occupy over 250,000 square feet of space. They also have a substantial tenancy at One California Street. Salesforce is one of the fastest growing software firms in the city, with this latest expansion their total square footage, in San Francisco alone, is in excess of 400,000 square feet.



SalesForce new lease at 123 Mission Street.

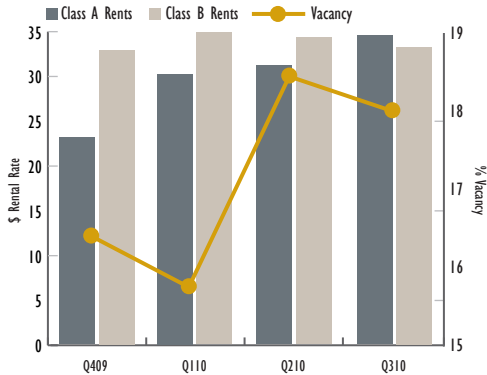
Deloitte completed their new lease for 166,000 square feet at 555 Mission street, in the South Financial District. Although this was



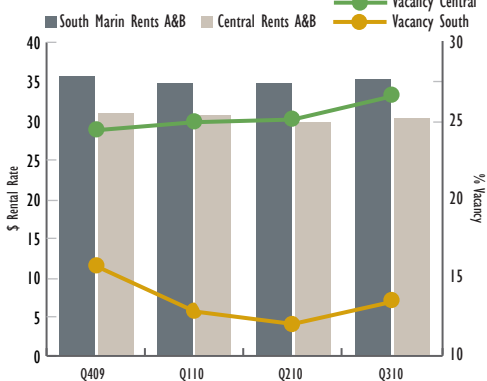
Deloitte will vacate 250,000 square feet with their move from 50 Fremont Street.

another substantial lease commitment, unlike the two leases mentioned above, it will not create any real absorption of space. Deloitte is leasing less space in their new facility than they occupy in their current facility. At 50 Fremont Street they occupy over thirteen floors, over of a quarter of a million square feet. When their move takes place they will create over 85,000 square feet of negative absorption in the marketplace. Once again demonstrating that for the time being that major growth areas in the market and the economy are technology based.

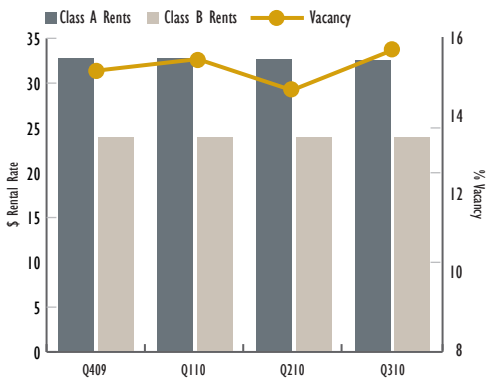
SAN FRANCISCO SOMA



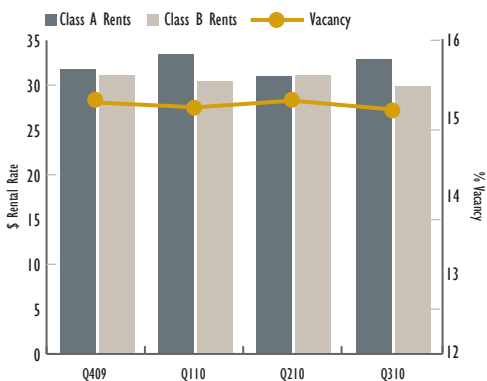
MARIN



OAKLAND



PENINSULA



Where's the Space?

Submarket	Direct SF	Vacancy (direct)	Sublet SF	Vacancy (sublet)	Total SF	Vacancy (Total)
Top 10 Buildings	706,139	7.80%	215,613	2.40%	921,770	10.20%
Fin. Dist. A	5,300,779	13.00%	1,163,586	2.90%	6,464,365	15.90%
Fin. Dist. B	2,030,259	15.80%	21,640	0.20%	2,052,169	16.00%
SOMA A	948,149	17.20%	97,269	1.80%	1,045,418	19.00%
SOMA B	2,137,822	19.00%	67,304	0.60%	2,205,126	19.60%

Large Tenants in the Market

Tenant	Sq. Ft.
Dolby Labs	250,000
Twitter	200,000
Sephora	175,000
Farella, Braun & Martel LLP	113,000
Citicorp	100,000

Significant Leases Completed in the Third Quarter

Tenant	Sq. Ft.	Address
Zynga	270,000	650 Townsend Street
Deloitte	166,435	555 Mission Street
SalesForce	71,000	123 Mission Street
Nation Park Service	53,000	333 Bush Street
Conifer Securities**	52,000	Ferry Building
International Game Technology	45,899	405 Howard Street
San Francisco Aids Foundation	45,322	1035 Market Street

** Renewal at existing location



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.