

Colton Commercial & Partners, Inc.

State of
the Market

NEWSLETTER

San Francisco
Q4 2023

Quick Trends & Statistics

Citywide Average Vacancy	↑
Citywide Average Asking Rates	↓
Class A Buildings Asking Rates	↓
Class B Buildings Asking Rates	↓
Sublease Inventory	↓
Unemployment Rate	↓

*"Expand Always, in All
Ways."*

Ryan Serhant



THERE IS A HEARTBEAT



Pre-Covid, San Francisco was the hottest market in North America. However, 2023 can be seen as a transitional year. Leasing activity in Q4 2023 hit its highest level since Q2 2022, with over 2 million square feet of leasing activity. This surge was lead by tech firms, mostly AI companies. Major 2023 tech leases:

Open AI 1455 3rd Street 486,000 square feet
Anthropic 500 Howard Street 230,325 square feet
Faire 100 Potrero Street 62,031 square feet
Github 275 Brannan Street 54,763 square feet

The citywide vacancy rate seems to have bottomed out at the 36% level. Sublease inventory has fallen to 9 million square feet of inventory, down some 300,000 square feet from Q3 2023. Average asking rental rates citywide for all office class types is sitting at \$69.00 per square foot. This rate does not include rent concessions, such as free rent, significant improvement allowances and other concessions, such as furniture purchases and relocation allowances paid by many landlords. These incentives have been offered historically in other down markets.

Sales activity experienced its lowest per square foot price point since the early 2000's. In Q4 2023 the average sales price citywide was \$280 per square foot, well below replacement cost. This downturn in sale pricing is mainly due to high interest rates, the general lack of reasonable financing and high vacancy rates.

There were only 8 sale transactions completed during Q4 2023, better than only 1 sale completed in Q3 of 2023. The top 3 recent sales are listed below:

1 Harrison St \$82,500,000
123 Townsend St \$72,000,000
350 California St \$61,050,000

The lowest price per square foot sale of 2023 was the sale of the Wells Fargo building located at 550 California St., which was sold for \$115 per square foot. Most real estate experts consider this sale to be representative that the market has bottomed out.

Restoring confidence in the San Francisco office market is our greatest challenge.

**COLTON
COMMERCIAL &
PARTNERS**
**RECENTLY CLOSED
TRANSACTIONS**

Property: Office Sale
Location: 821 Folsom Street
Represented: Seller
Brokers: Jay Shaffer and Eddy Adjaoute

Property: Retail Sale
Location: 374 Guerrero Street
Represented: Seller
Brokers: Jay Shaffer and Eddy Adjaoute

Property: Flex Building Sale
Location: 400 Treat Avenue
Represented: Rock Band Land
Broker: Jay Shaffer

Property: Office
Location: 300 Brannan Street
Represented: Landlord, The 300 Company
Brokers: Brad Colton, Tori DeCoite, Bryan Colton

Property: Office/Retail
Location: 166 Geary Street
Represented: Blowology
Brokers: Tori DeCoite, Bryan Colton

Property: Office
Location: 329 Bryant Street
Represented: Both Landlord & Tenant
Brokers: Mark Walker, Daniel Starr

Property: Office
Location: 425 2nd Street
Represented: Landlord
Brokers: Mark Walker, Sonia Santiago

Property: Office
Location: 201 California Street
Represented: Lunar
Brokers: Jay Shaffer, Bryan Colton

Property: Office
Location: 230 California Street
Represented: Undisclosed AI Company
Brokers: Bryan Colton, Daniel Starr

Property: Office
Location: 235 Pine Street
Represented: Atlas HXM Sublease
Brokers: Daniel Starr, Mark Walker

Property: Office
Location: 100 Bush Street
Represented: Origin Financial
Broker: Daniel Starr

Top 10 Recent Leases*

TENANT	ADDRESS	LEASE TYPE	SQUARE FEET +/-
Open AI	UBER HQ 1455-1515 3rd St.	Sublease	486,600
Cisco Meraki	500 Terry A Francois	Renewal	234,537
ANTHROPIC	500 Howard St	Sublease	230,325
Charles Schwab	211 Main St.	Renewal	169,764
Stifel, Nicolaus & Company	One Montgomery St	Renewal	68,446
Hive	100 First St	Sublease	57,117
Gibson Dunn	One Embarcadero Ctr.	Direct	50,000
Gensler	220 Montgomery St.	Direct	45,544
HaydenAI	460 Bryant St.	Sublease	41,976
Patreon	600 Townsend St.	Direct	41,403

* Through 2023

Top 5 Recent Sales*

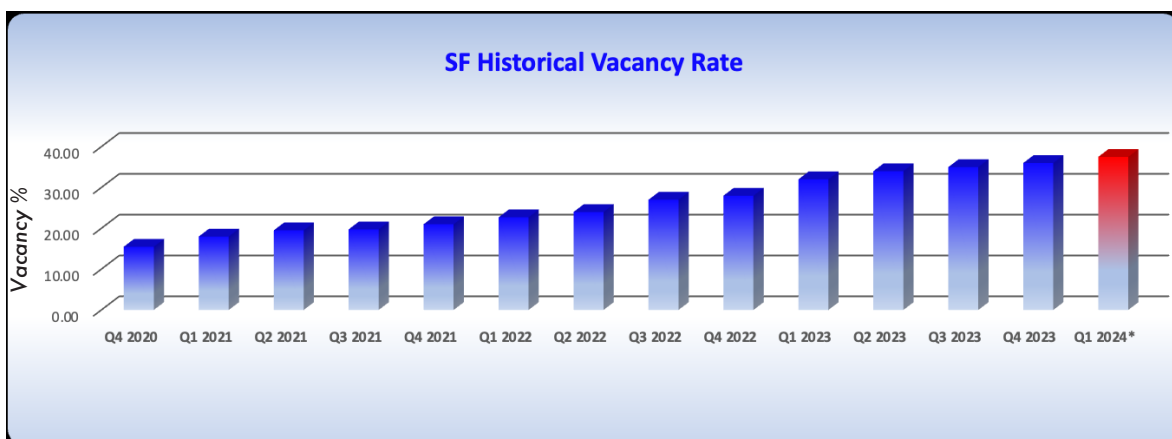
ADDRESS	PRICE	PRICE per SF	SQUARE FEET
1 Harrison St	\$82,500,000	\$412.50	200,000
123 Townsend St	\$72,000,000	\$525.74	136,950
350 California St	\$61,050,000	\$200.16	305,000
180-182 Howard St	\$54,000,000	\$221.84	243,418
600 Spear St	\$41,000,000	\$260.42	157,436

* Through 2023

Market Data

Asking Rents Are Being Driven By The Top 5% Of The Market

SUB MARKET	AVG ANNUAL ASKING RATE PER SF	VACANCY RATE	RENTAL RATE TREND
N. Financial District	\$70.90	36.6%	↓
S. Financial District	\$73.75	32.8%	↓
Jackson Square	\$56.00	32.5%	↓
North Waterfront	\$43.00	38.3%	↓
Union Square	\$56.25	31.0%	↓
Yerba Buena	\$64.50	56.5%	↓
Mid-Market & Civic Center	\$38.00	47.9%	↓
Rincon / South Beach	\$59.50	31.2%	↓
SOMA	\$52.60	37.6%	↓
Mission	\$39.25	38.4%	↓



* Projected

Colton Commercial & Partners, Inc.

Bradley L. Colton

President

bcolton@coltoncommercialsf.com

License #00805116

Jay D. Shaffer

Partner & Co-Founder

jshaffer@coltoncommercialsf.com

License #01444640

Robert J. Walker

Broker Associate

bwalker@coltoncommercialsf.com

License #00442500

Mark D. Walker

Director of Leasing & Sales

mwalker@coltoncommercialsf.com

License #00878051

Sonia C. Santiago

Director of Real Estate Services

ssantiago@coltoncommercialsf.com

License #02017728

Andrew Thompson

Vice President

athompson@coltoncommercialsf.com

License #00987186

Daniel H. Starr

Vice President

dstarr@coltoncommercialsf.com

License #02017899

Bryan B. Colton

Vice President

bryancolton@coltoncommercialsf.com

License #02111407

Tori DeCoite

Senior Leasing & Property Manager

tdecoite@coltoncommercialsf.com

License #02042753

Eddy Adjaoute

Senior Sales & Leasing Associate

eddy@coltoncommercialsf.com

License #02114628

Jacob Berston

Sales & Leasing Associate

jacob@coltoncommercialsf.com

License #02218477

Anthony Otero

Assistant Property Manager

anthony@coltoncommercialsf.com

Maggie Curran

Office Manager

mcurran@coltoncommercialsf.com

Colton Commercial & Partners is a full-service commercial real estate firm specializing in Leasing, Investment Sales, Property Management and Project Management in San Francisco and the Greater Bay Area.

With over **160 years** of combined experience, our team of commercial real estate brokers brings service and expertise to a whole new level.

Colton Commercial & Partners, Inc is pleased to have been awarded the Property Management of **1000 Van Ness Avenue**, a historical mixed-use commercial property in San Francisco. Brad Colton, Bryan Colton and Tori DeCoite will be handling the Property Management on behalf of the new Ownership of 1000 Van Ness Avenue.



530 Bush Street, Suite 800, San Francisco, CA 94108

P: 415.834.1600 • F: 415.834.1601 • www.coltoncommercialsf.com