

San Francisco Office Highlights August 2009

Signs that the economy is slowly moving towards a recovery surfaced in July as leasing activity increased and confidence in the market seemed to strengthen. However, as the hustle and bustle from the second quarter began to wane and summer took over, business in the market slowed during August. Few leases were recorded for the month and only two transactions over 10,000 square feet were signed while large blocks of sublease space continued to hit the market. Pfizer announced in July that it would not be moving into its 105,000 square foot lease at Alexandria Real Estate's new development in Mission Bay and subsequently placed the space on the sublease market in August. Additionally, O'Melveny & Meyers placed its second block of sublease space on the market in August, amounting to 157,948 square feet between its locations at 275 Battery Street and 2 Embarcadero Center.

Q2 2009 Statistics By Submarket

CBD	CURRENT	CHANGE
Submarket Stock	49,603,988	↔
Direct Vacancy	10.0%	↗
Total Vacancy	12.8%	↗
Quoted Gross Rents (All Classes)	\$36.79	↘
S.F. Under Construction	0	↔

**All building classes*

NON-CBD	CURRENT	CHANGE
Submarket Stock	29,735,364	↔
Direct Vacancy	14.5%	↗
Total Vacancy	16.1%	↗
Quoted Gross Rents (all classes)	\$28.76	↘
S.F. Under Construction	466,000	↔

**All building classes*

Select August Lease Transactions

Company	Address	Size (s.f.)	Term	Floor(s)	Transaction Type
24 Hour Fitness	100 California St	29,776	5 yrs	LL, GF, 2	Renewal
Steel River	One Letterman Dr	16,629	8 yrs	5	New
Engine Yard	500 Third St	14,465	2 yr 3 mos	5	Sublease
Clickability	580 California St	14,096	1 yr 11 mos	7	Sublease
Sugar	111 Sutter	12,971	3 yrs	15	New

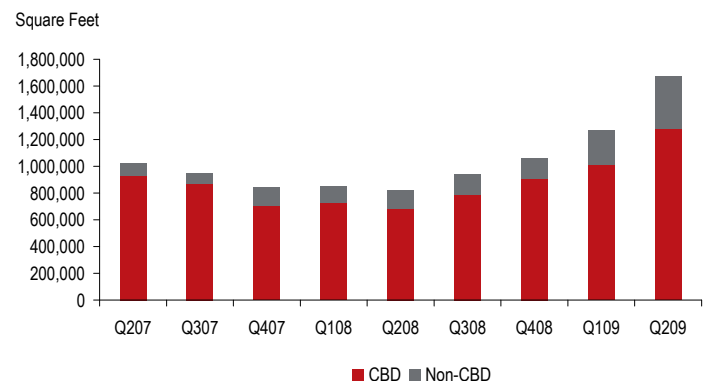
** Indicates Jones Lang LaSalle involvement.*

As a result of the increasing sublease space and weak demand, rents continue to fall and are expected to decline through the remainder of 2009 despite economists' forecasts of economic growth. At an average asking rate of \$24.79 per square foot for sublease space, compared with the second quarter's average asking rate of \$33.78, landlords remain challenged by the deeply discounted competition.

Timing of Demand	Total S.F. Expiring
2010	5,572,308
2011	4,212,729
2012	4,874,237
2013	3,904,345
Total	18,563,619

**Citywide, all building classes*

San Francisco Historical Sublease Vacancy



Research Contact

Julia Kilpatrick
+1 415 354 6908
julia.kilpatrick@am.jll.com