

REVIEW

SAN FRANCISCO OFFICE MARKET

USA Q4 2024

 **TRANSWESTERN**

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Real Estate for a changing world



Q4 2024

OFFICE MARKET SAN FRANCISCO

KEY FIGURES

87m sqft

INVENTORY

30.4%

VACANCY RATE

\$70

PRIME AVERAGE ASKING RENT

\$1.8bn

TOTAL INVESTMENT

\$626m

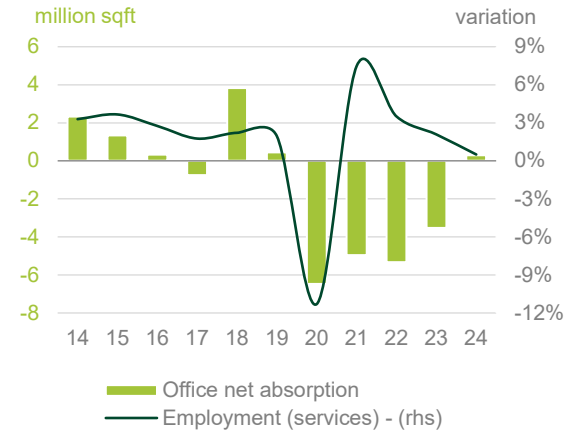
OFFICE INVESTMENT

6.60%

OFFICE PRIME CAP RATE

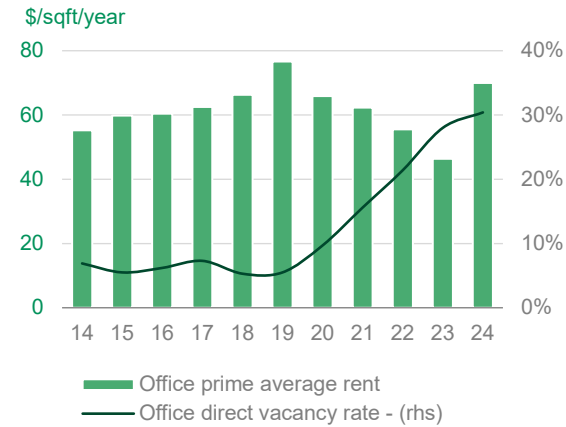
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Net Absorption / Employment



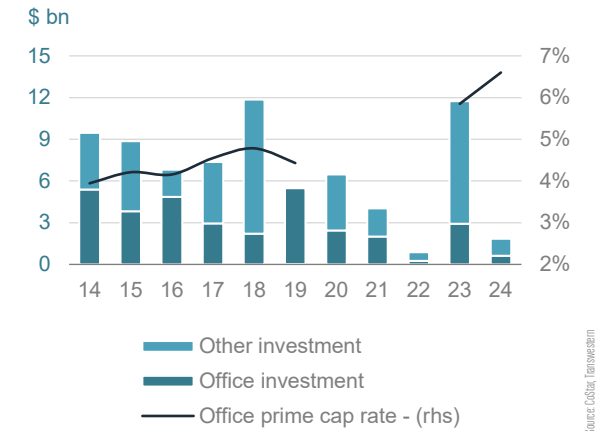
Source: Bureau of Labor Statistics, Colliers, Transwestern

Prime rent / Vacancy Rate



Source: Colliers, Transwestern

Investment / Capital Rate



Source: Colliers, Transwestern

Positive Movement for Both Sectors

With positive net absorption of 199,025, the fourth quarter marks only the second time the market has been positive since the start of the pandemic in the first quarter of 2020. This positivity corresponded with the decrease in the San Francisco metro unemployment rate of 0.5%.

Hot Tenant Demand Encourages High Rents Despite Vacancy

In 20 consecutive quarters, San Francisco's citywide vacancy rate has gradually risen, reaching a new high this quarter of 36.1%. Transwestern believes this represents the peak, anticipating a subsequent decline. With both deal count and activity increasing this year, the combination of these factors is expected to lead to a reduction in vacancy rates moving forward. However, because of the drastic increase in tenant activity, rents are likely to retain their previous high standings leading to a high increase in prime spaces.

Investment Volume Scarce but VC Funding Active

2024 marks the first post-pandemic year without a sub-\$100 million quarter. However, 2024 sales volume of \$626 million is still down 6% from 2023, yet it is only 2% below the 5-year average of \$636.6 million. Conversely, with the three federal rate cuts that have cut rates by 100 bps, a surge in investment volume could be expected in 2025.



Q4 2024

OFFICE MARKET USA

| Occupier Market | Inventory (million sqft) | Net Absorption (million sqft) | Vacancy Rate (%) | | Office Prime Asking Rent (\$/sqft/year) | | |
|-------------------------|--------------------------|-------------------------------|------------------|--------------|---|-------------|-------------|
| | 2024 | 2024 | 2023 | 2024 | 2023 | 2024 | Trend |
| Atlanta | 234 | 2.0 | 18.7% | 20.4% | 31.8 | 31.4 | -1% |
| Chicago | 159 | -3.5 | 20.2% | 22.7% | 70.7 | 73.1 | 4% |
| Dallas/Fort Worth | 306 | 1.3 | 18.4% | 19.5% | 68.7 | 72.1 | 5% |
| Denver | 163 | -1.7 | 14.7% | 16.5% | 32.2 | 32.1 | -1% |
| Detroit | 201 | -1.1 | 10.7% | 11.1% | 21.0 | 21.3 | 1% |
| Houston | 209 | -0.3 | 20.4% | 20.8% | 46.0 | 46.1 | 0% |
| Los Angeles | 390 | -2.5 | 16.0% | 16.6% | 43.8 | 45.4 | 4% |
| Miami | 53 | 0.9 | 12.7% | 12.9% | 85.3 | 86.7 | 2% |
| Minneapolis | 190 | -268.6 | 11.9% | 11.9% | 29.7 | 30.0 | 1% |
| New York/Manhattan | 457 | 5.3 | 14.2% | 14.4% | 77.4 | 79.9 | 3% |
| Phoenix | 170 | -1.6 | 17.7% | 20.8% | 33.5 | 30.1 | -10% |
| San Diego | 100 | -0.2 | 12.0% | 12.5% | 36.4 | 36.5 | 0% |
| San Francisco | 87 | 0.3 | 28.0% | 30.4% | 46.4 | 70.0 | 51% |
| Seattle | 181 | -1.8 | 12.9% | 15.4% | 37.3 | 36.5 | -2% |
| Washington DC | 145 | -0.5 | 14.8% | 14.9% | 83.0 | 83.3 | 0% |
| Total 15 markets | 3,045 | -272.0 | 16.2% | 17.4% | 49.5 | 51.6 | 3.8% |

| Investment Market | Total investment volume (\$ million) | | Office investment volume (\$ million) | | Cap rate (%) | | |
|-------------------------|--------------------------------------|---------------|---------------------------------------|---------------|--------------|--------------|-----------|
| | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | bps |
| Atlanta | 5,950 | 8,410 | 1,210 | 1,860 | 6.90% | 8.10% | 120 |
| Chicago | 340 | 740 | 140 | 570 | NA | NA | NA |
| Dallas/Fort Worth | 8,810 | 2,510 | 2,340 | 410 | 6.10% | 6.40% | 30 |
| Denver | 2,210 | 3,070 | 860 | 730 | 7.00% | 6.00% | -100 |
| Detroit | 1,870 | 1,700 | 500 | 256 | 8.20% | 8.90% | 70 |
| Houston | 8,460 | 9,840 | 2,340 | 1,220 | 12.10% | 11.50% | -60 |
| Los Angeles | 8,150 | 9,460 | 2,360 | 2,150 | NA | NA | NA |
| Miami | 3,170 | 5,120 | 980 | 1,760 | 6.00% | 8.10% | 210 |
| Minneapolis | 4,360 | 6,770 | 580 | 680 | 7.70% | 7.20% | -50 |
| New York/Manhattan | 6,900 | 10,240 | 4,960 | 7,650 | 6.10% | 5.50% | -60 |
| Phoenix | 4,680 | 7,110 | 560 | 1,140 | 6.24% | 7.50% | 126 |
| San Diego | 6,600 | 4,380 | 770 | 930 | 6.40% | 7.50% | 110 |
| San Francisco | 11,730 | 1,850 | 2,920 | 630 | 5.85% | 6.60% | 75 |
| Seattle | 860 | 3,000 | 180 | 1,210 | 6.00% | 6.40% | 40 |
| Washington DC | 560 | 1,090 | 510 | 790 | 7.00% | 8.60% | 160 |
| Total 15 markets | 74,650 | 75,290 | 21,210 | 21,986 | 7.05% | 7.56% | 52 |

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