



San Francisco office market report

Q1 2026

**AVISON
YOUNG**

San Francisco office market trends

3.82 msf

Highest leasing since Q2 2018

San Francisco's total leasing volume ended at 3.82 msf in Q1 2026, the largest quarter of activity since Q2 2018 (4.02 msf). This also marked a 52.8% increase from Q4 2025.

Leasing was in large part driven by AI, with Anthropic, OpenAI, and Crusoe Energy signing deals totaling 532,933 sf, 282,124 sf, and 130,234 sf, respectively.

8.75 msf

AI office footprints expand

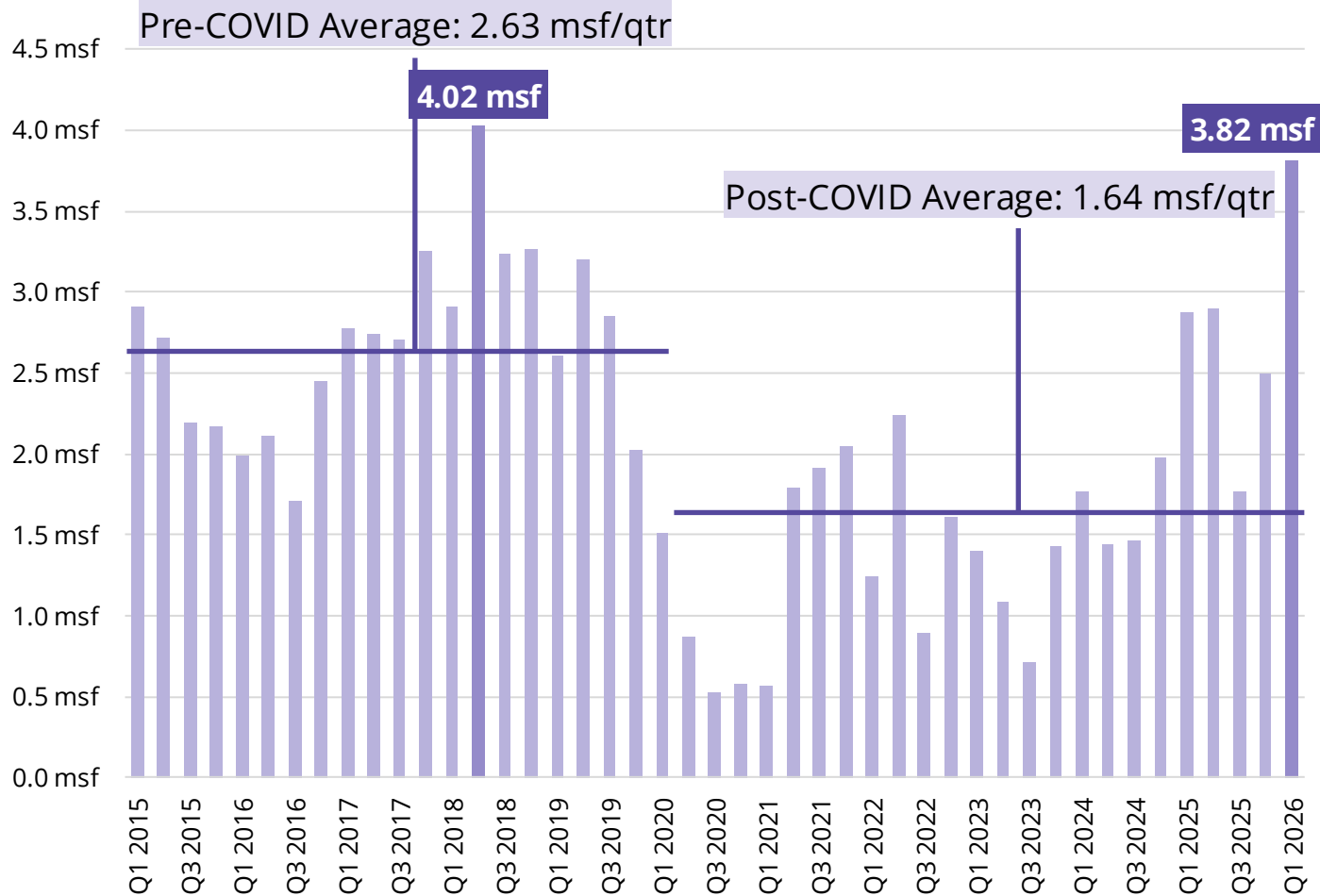
As San Francisco's office recovery continues, it has been undeniably driven by AI companies reigniting demand and leasing large swathes of space, totaling 8.75 msf in Q1 2026. This now accounts for 13.4% of the market's total occupied space.

8.08 msf

Funding drives tenant demand

The surge in total VC funding has heavily contributed to the overall increase in office demand for active and pending tenants in the market. Historically, increases in VC funding have led to an increase in office demand within 12-18 months. As VC funding continues to grow exponentially in San Francisco, office demand is expected to follow.

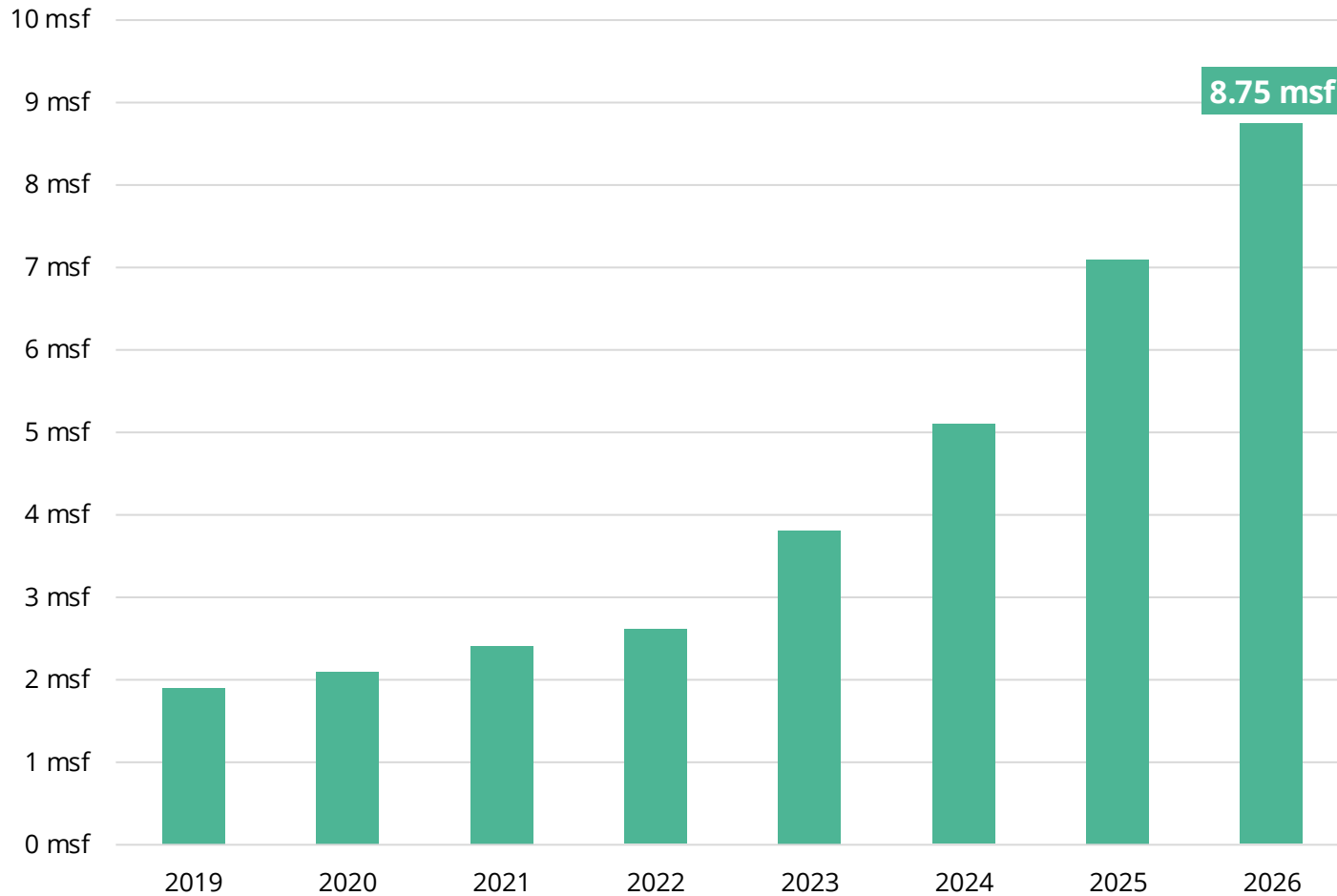
Leasing activity



San Francisco's total leasing volume ended at 3.82 msf in Q1 2026, the largest quarter of activity since Q2 2018 (4.02 msf). This also marked a 52.8% increase from Q4 2025.

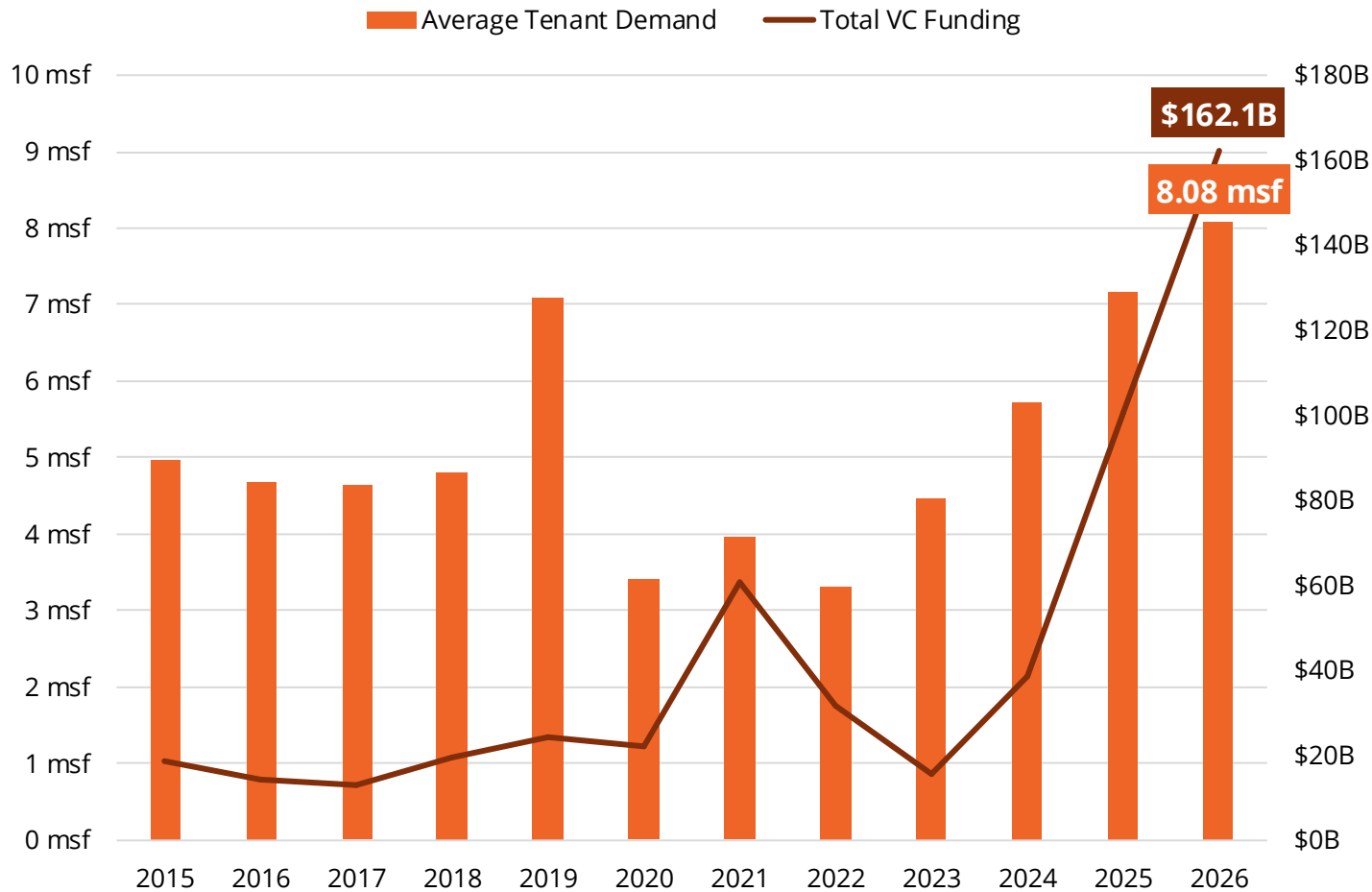
Leasing was in large part driven by AI, with Anthropic, OpenAI, and Crusoe Energy signing deals totaling 532,933 sf, 282,124 sf, and 130,234 sf, respectively.

AI office footprints continue to grow



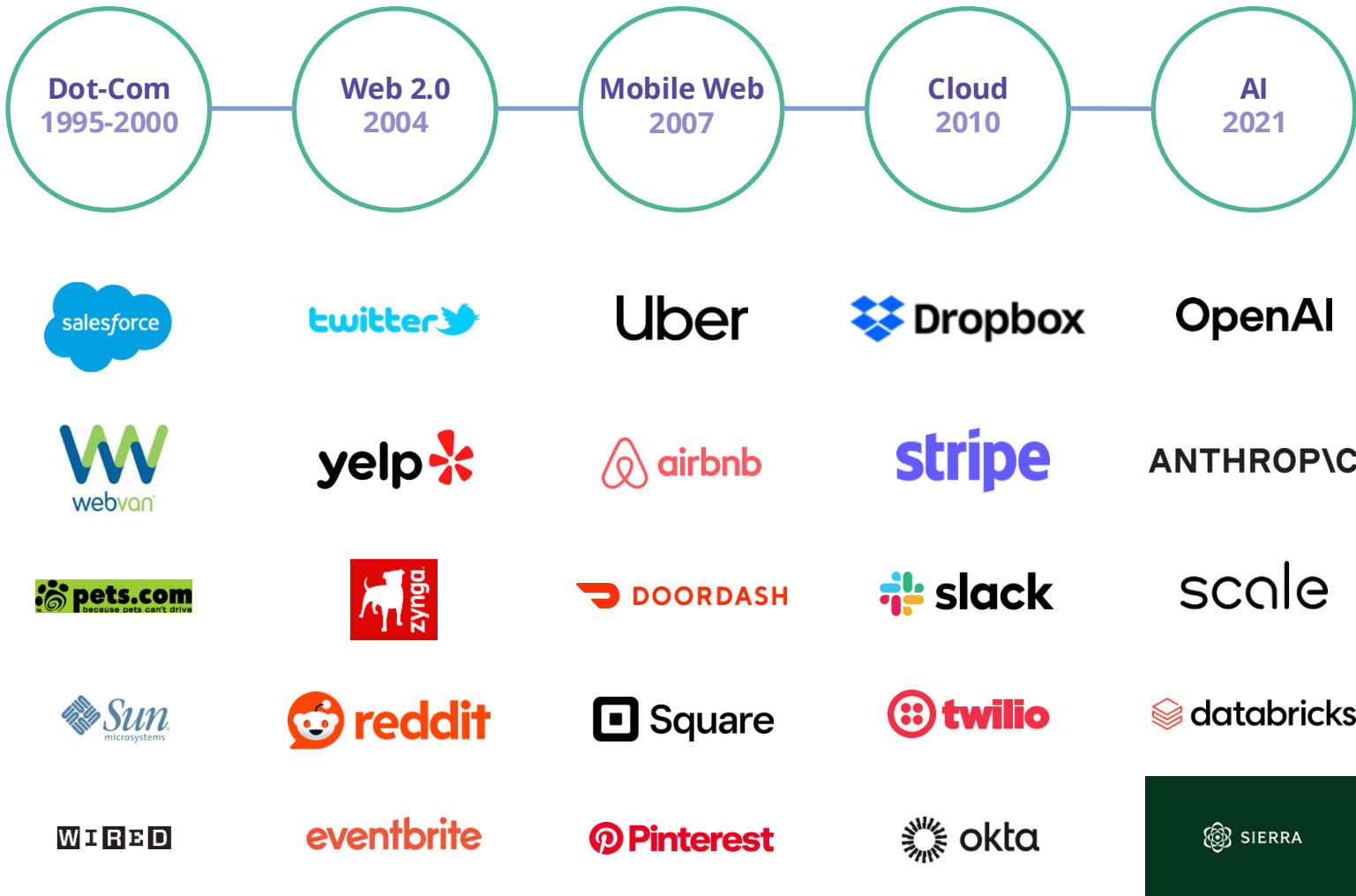
As San Francisco's office recovery continues, it has been undeniably driven by AI companies reigniting demand and leasing large swathes of space, totaling 8.75 msf in Q1 2026. This now accounts for 13.4% of the market's total occupied space.

Office demand surges with VC funding



The surge in total VC funding has heavily contributed to the overall increase in office demand for active and pending tenants in the market. Historically, increases in VC funding have led to an increase in office demand within 12-18 months. As VC funding continues to grow exponentially in San Francisco, office demand is expected to follow.

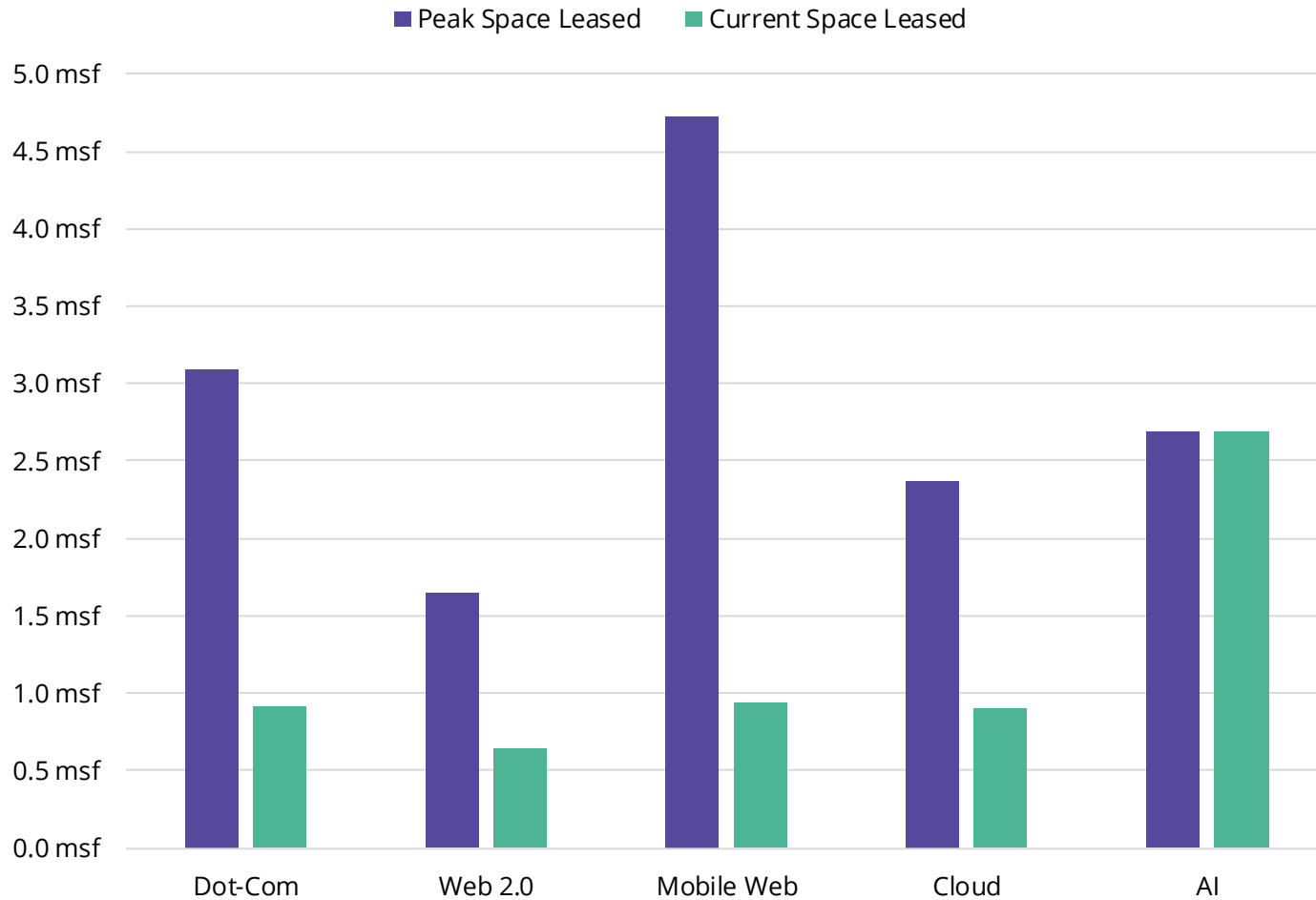
Top San Francisco tech companies by era



Often cited for its boom-bust cycles, San Francisco has been at the epicenter of multiple eras of technological innovations.

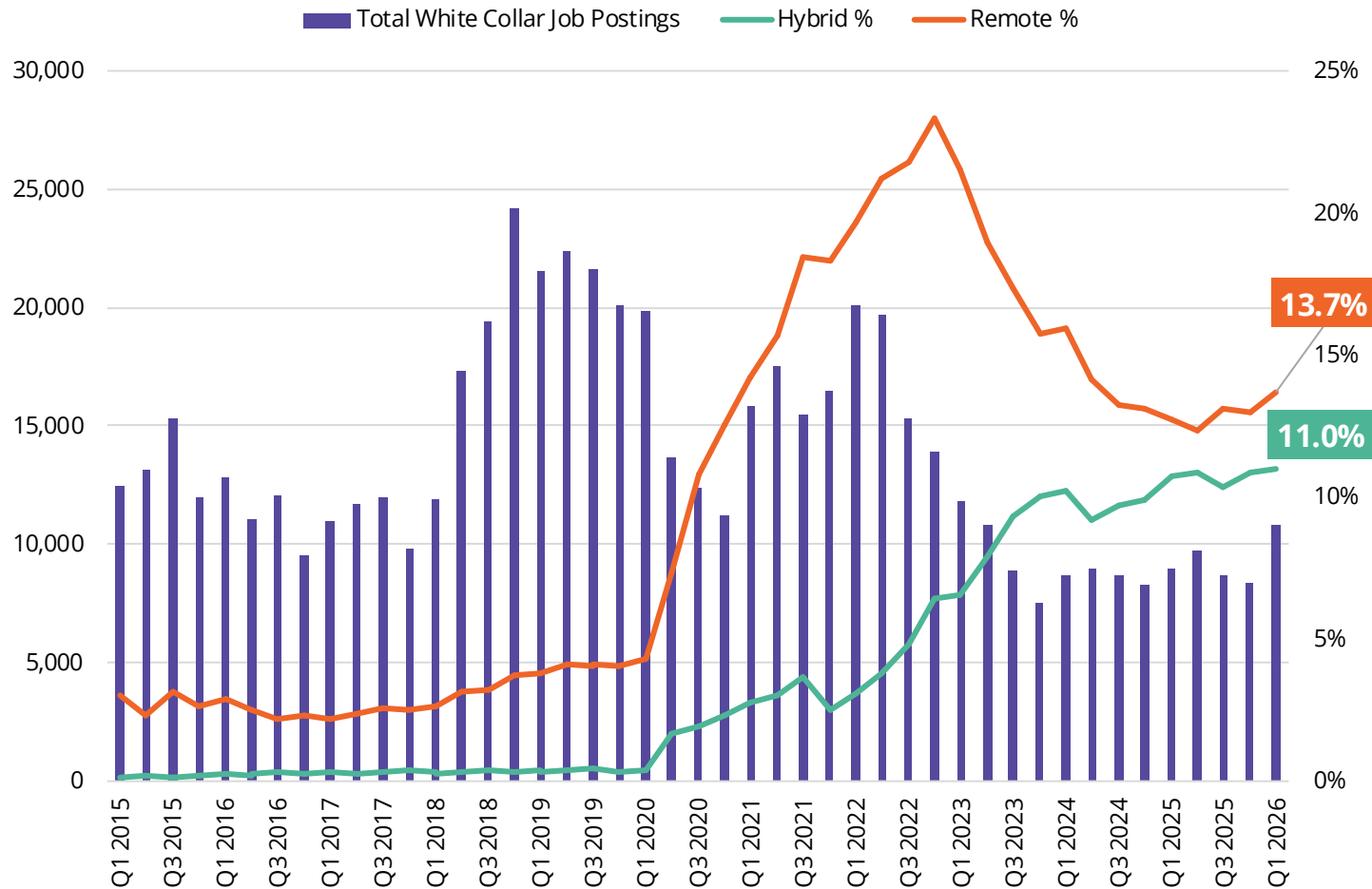
While some may not be household names today, these companies were once dominant forces with revolutionary ideas.

Top tech office footprints by era



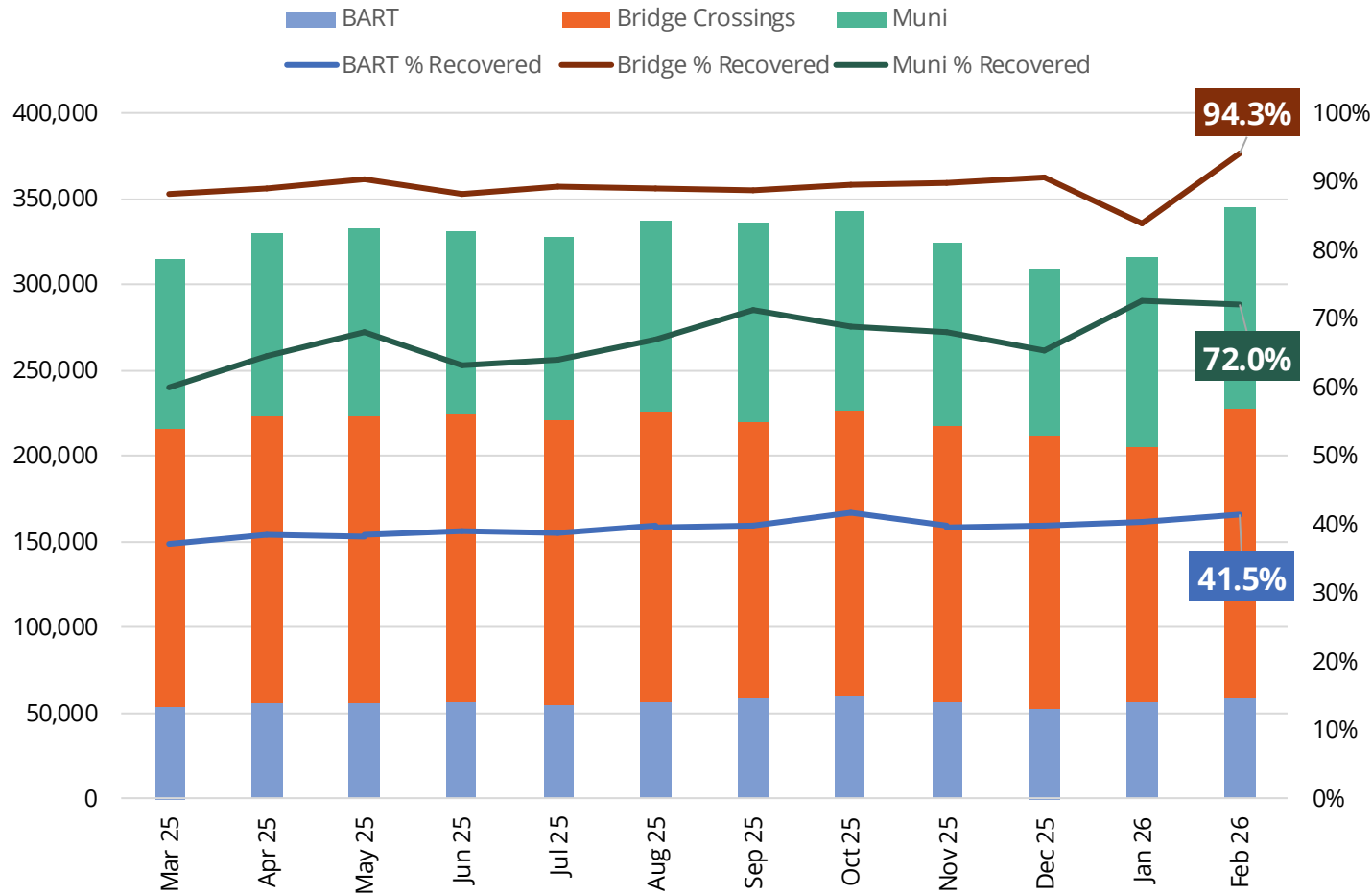
Throughout each technological era, innovative companies pursued aggressive leasing strategies to match boisterous growth. Yet as each wave gave way to the next, these companies now occupy a fraction of the space compared to their peak office footprints. Now, as AI defines the current era, the question remains: will history repeat itself, or will this time be different?

Hybrid and remote job postings



Remote white collar job postings in San Francisco have largely trended downwards and now sit at 13.7% in Q1 2026, compared to the peak of 23.4% in Q4 2022. Hybrid job postings have remained flat since Q1 2025 and currently sit at 11.0% of total white collar job postings. Overall white-collar job postings have grown 20.6% year-over-year.

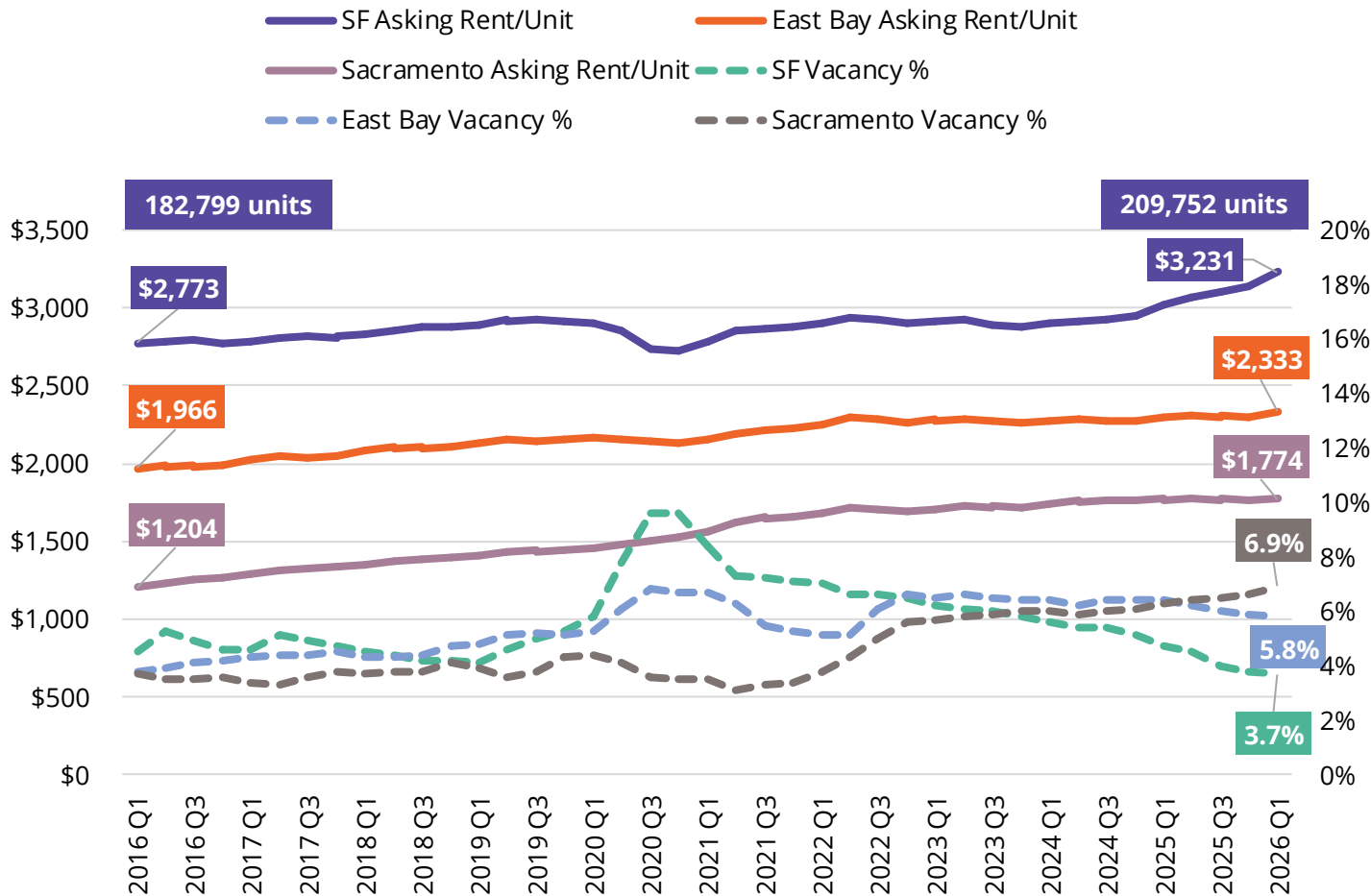
San Francisco transit recovery compared to 2019



Bridge crossings into San Francisco have rebounded strongly to 94.3% of pre-pandemic levels and Muni has recovered to 72.0%, yet BART continues to lag significantly at just 41.5%, a persistent drag on the broader office market recovery. With mounting structural and safety challenges undermining ridership confidence, the pipeline of East Bay commuters remains a critical and unresolved piece of the return-to-office equation.

Note: Average weekday commuters. Recovery % compared to 2019.
 Source: Avison Young Market Intelligence, BART, BATA, SFMTA, Golden Gate Bridge Highway & Transportation District

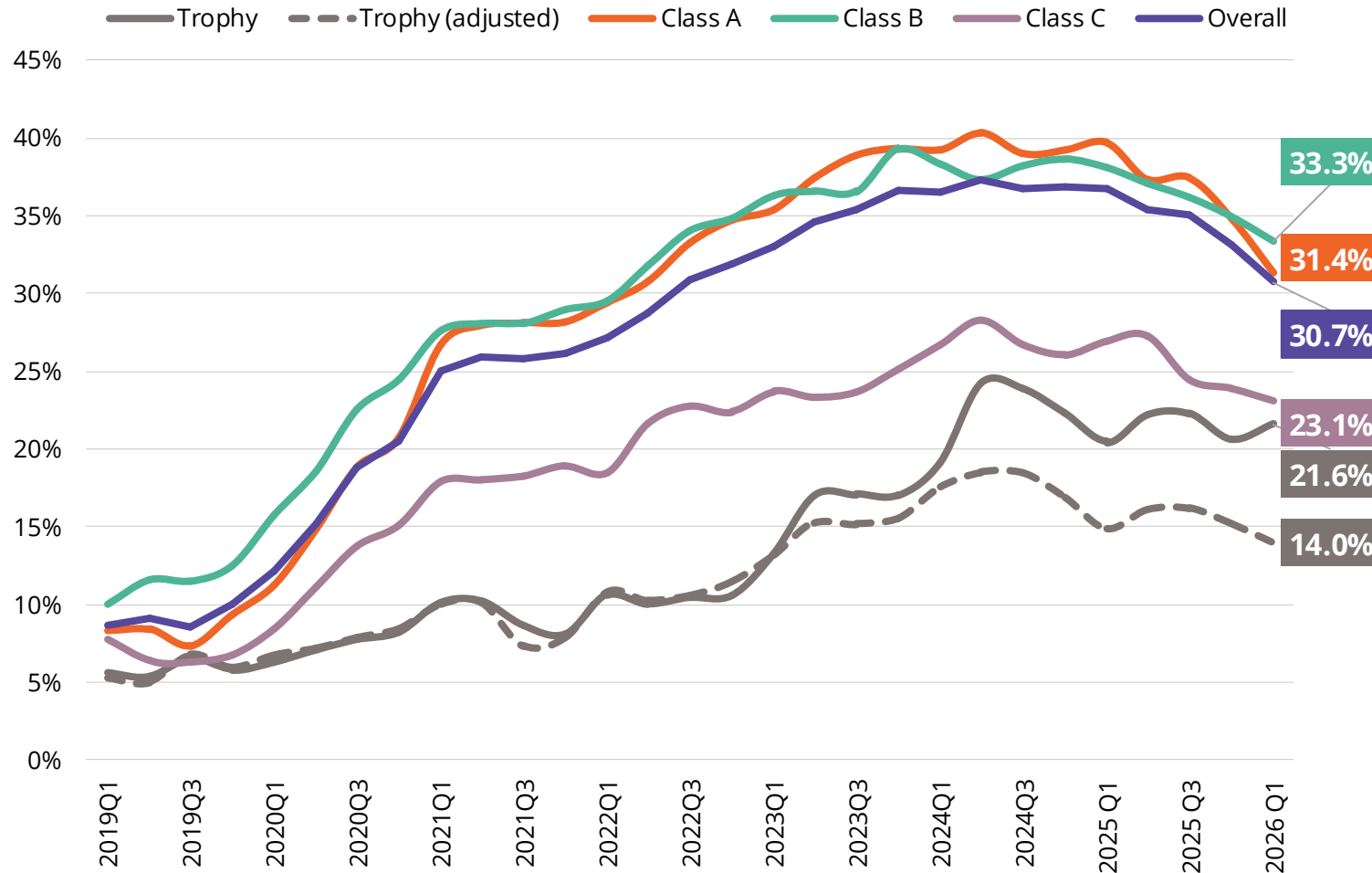
Elevated housing demand weighs on workforce



San Francisco’s housing remains tight due to the AI boom. Since the start of 2024, the city has seen rents increase by 11.3%, while the East Bay and Sacramento have marginally increased at 2.5% and 1.7%, respectively.

Furthermore, San Francisco’s vacancy has dropped to 3.7%, magnifying the need for additional housing to accommodate the city’s workforce. Total units in Q1 2026 totaled 209,752, while Q1 2016 totaled 182,799.

Availability by asset class

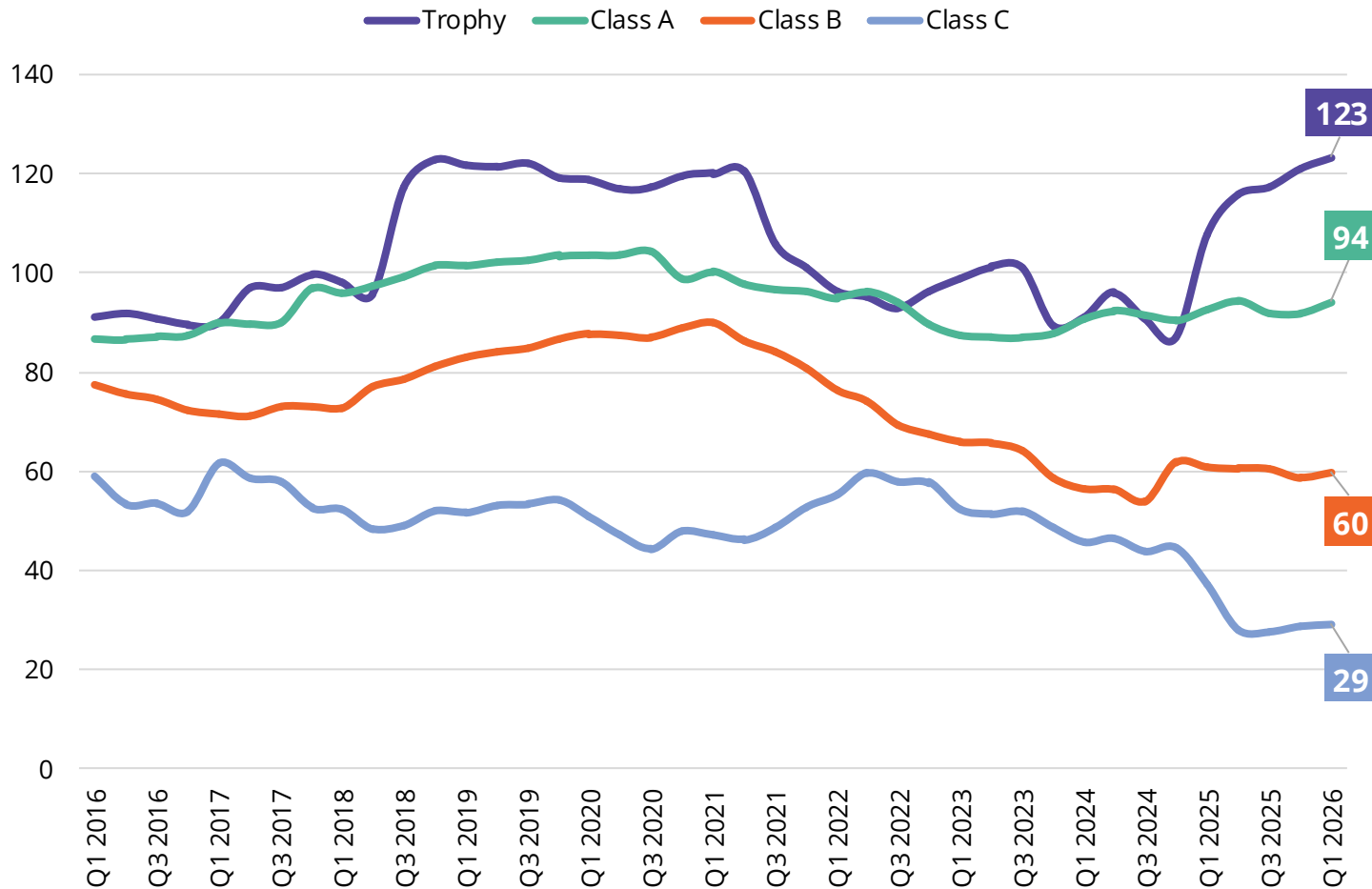


Office availability rates dropped across all classes quarter-over-quarter except for Trophy. Class A, B and C assets saw decreases of 10.1%, 4.8% and 3.4%, respectively.

High-profile exits from One Market have inflated overall Trophy availability. However, further amenitization is currently underway.

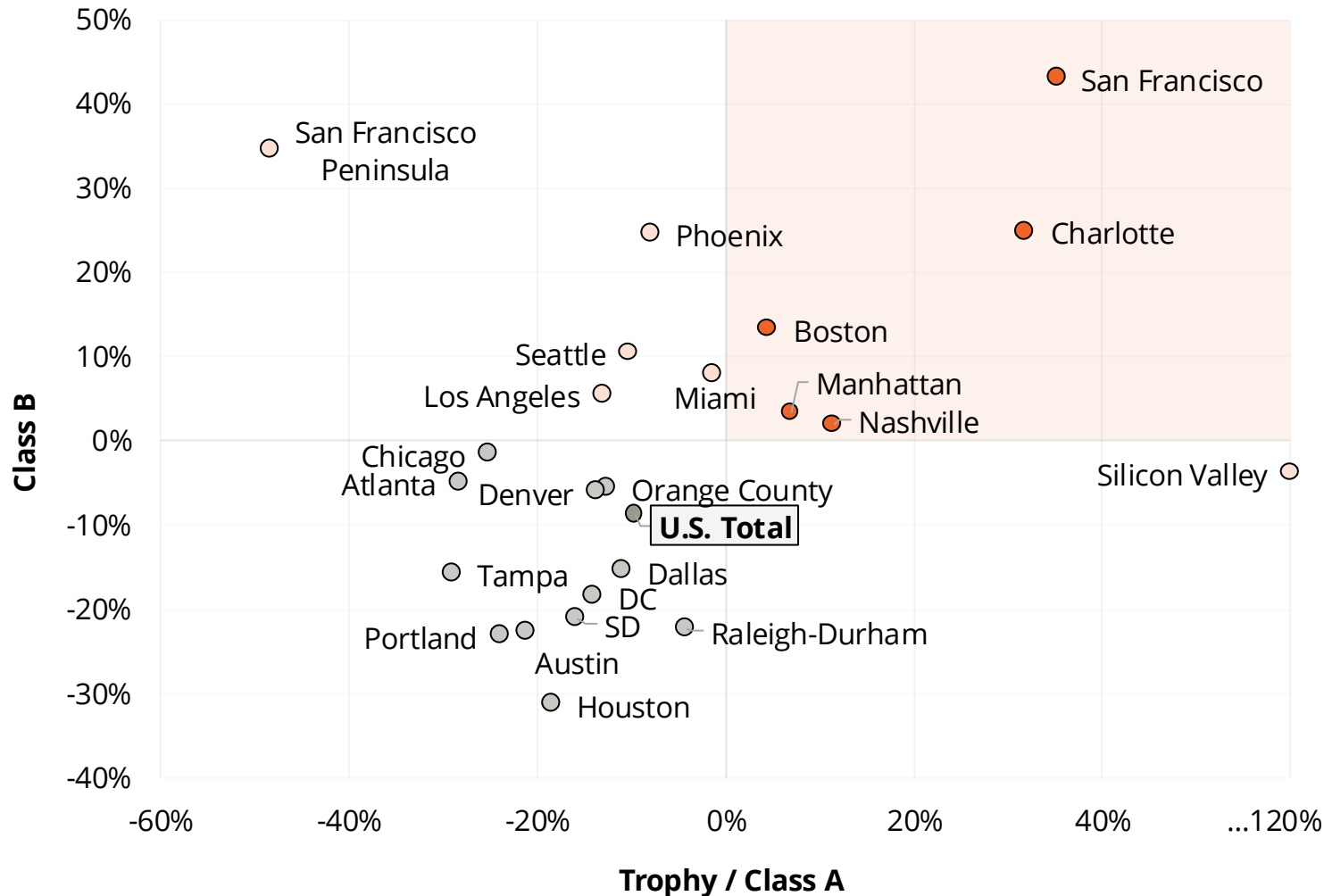
As premium space continues to diminish in supply, tenants are increasingly transacting on commodity space.

Lease term lengths months by asset class



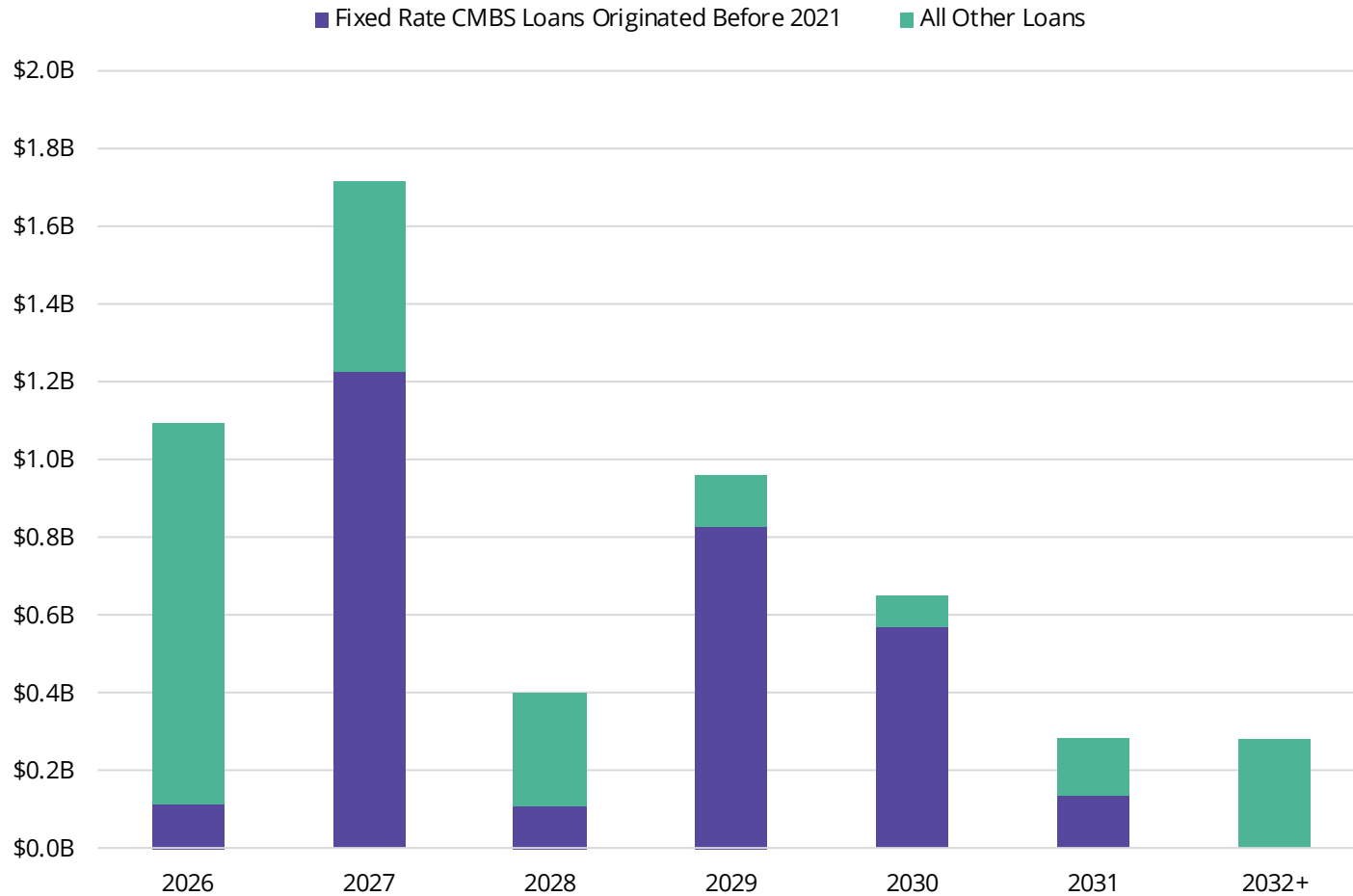
Lease terms for Trophy assets have largely recovered to pre-pandemic norms, while Class A assets continue to report on fundamentally stable term lengths. However, Class B and Class C space have largely catered to tenants seeking flexible lease terms and have yet to recover to pre-pandemic norms.

Year-over-year leasing growth by market



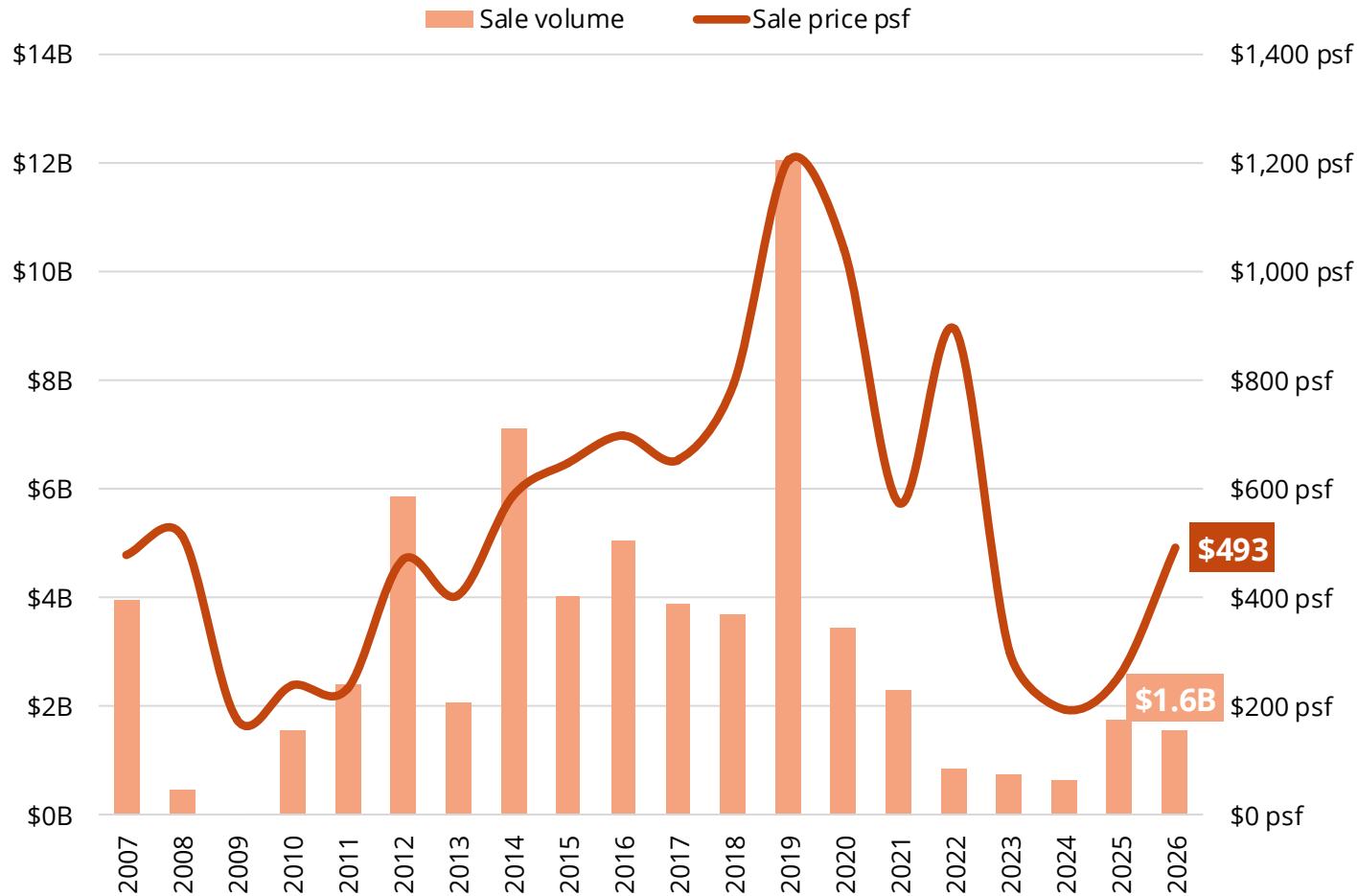
While U.S. leasing velocity is negative year-over-year (YoY), San Francisco continues to exhibit incredibly strong momentum compared to the rest of the country across all asset types. YoY leasing for Trophy/Class A assets saw a 35% increase, while Class B grew 43%.

Upcoming loan maturities



There are currently \$112.4M in outstanding fixed-rate CMBS loans that originated before 2021 (and the following interest rate spike) coming due in 2026, and another \$1.23B in 2027. Increased sales activity is expected as San Francisco’s “extend and pretend” era comes to a close.

Sales volume

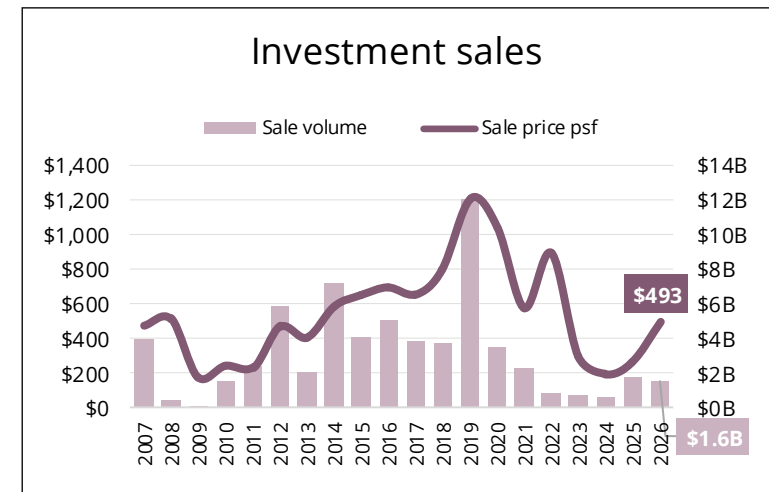
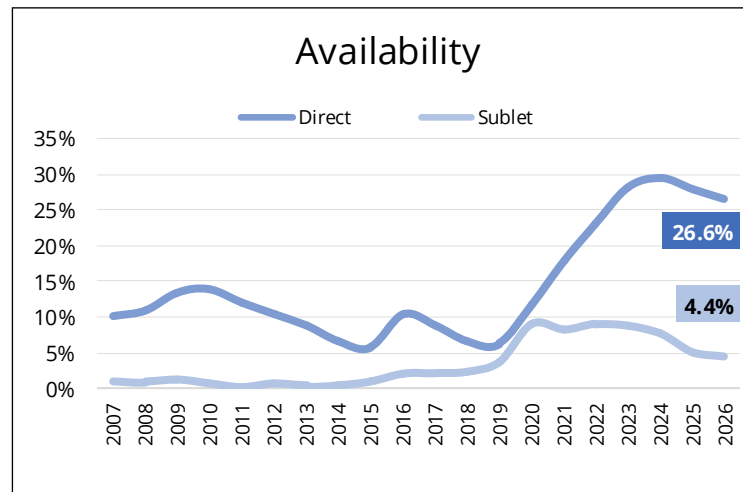
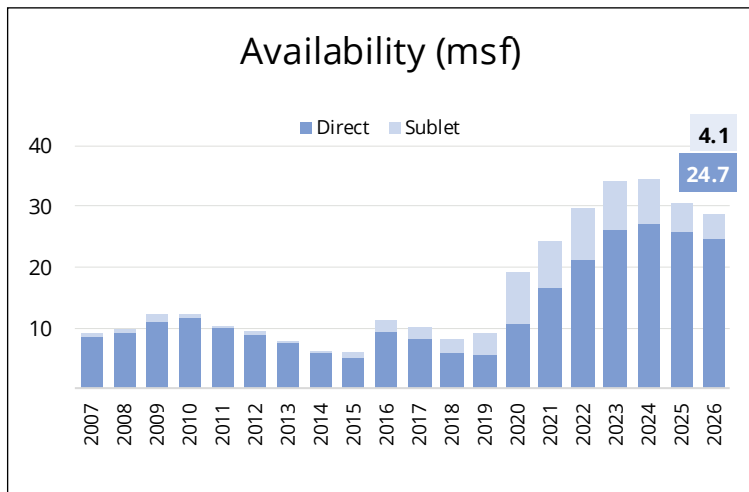
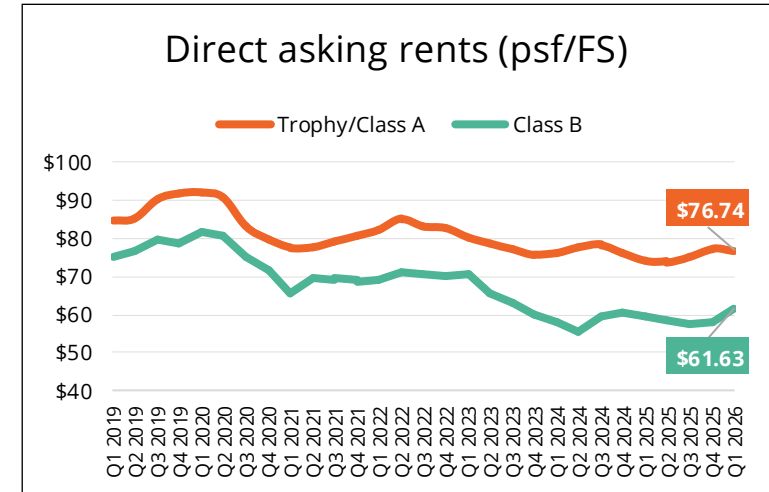
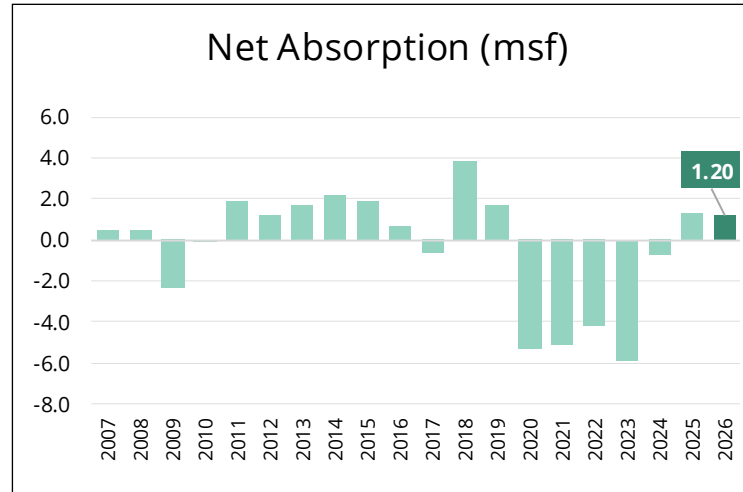
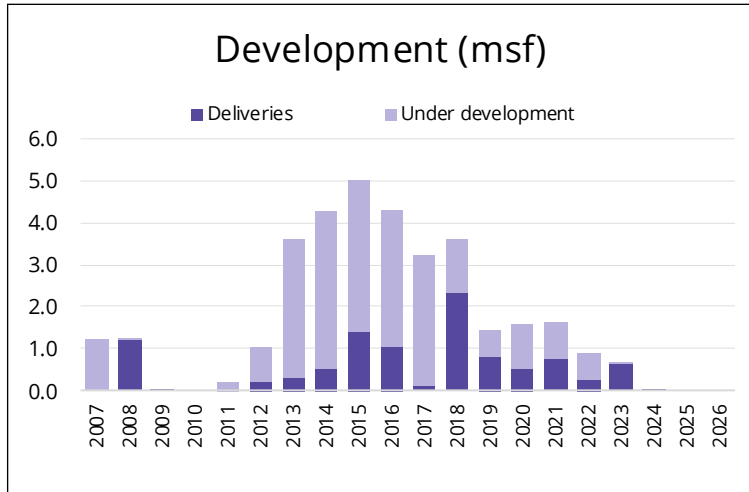


San Francisco's total sales volume in Q1 2026 totaled almost \$1.6B with several high-profile transactions occurring. Most notably, 600 Montgomery St was purchased by Yoda PLC for \$600M, while several distressed assets including 45 Fremont St, 415 Natoma St and 123 Mission St all transacted for a combined \$730.6M.

Appendix



San Francisco office market indicators



San Francisco office market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Anthropic	300 Howard St, 342 Howard St, 400 Howard St	South Financial District	Jan/Mar 2026	532,933	New	Direct
OpenAI	1800 Owens St	Mission Bay	Feb 2026	222,411	New	Sublease
Crusoe Energy Systems	225 Bush St	Financial District	Feb 2026	130,234	New	Direct
Atlassian	350 Bush St	Financial District	Feb 2026	127,123	Renewal	Direct
Charles Schwab	425 Market St	South Financial District	Feb 2026	115,014	New	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Yoda PLC	600 Montgomery St	Mar 2026	763,000	\$600,000,000	\$786.37	Deutsche Finance, SHVO, BVK
Madison Capital	45 Fremont St	Feb 2026	692,000	\$237,600,000	\$387.00	Shorenstein, Blackstone
Meridian Group, Fenway Capital Advisors	415 Natoma St – 5M	Mar 2026	649,376	\$393,000,000	\$605.20	Brookfield Asset Management
Prudential, Madison Capital	123 Mission St	Mar 2026	362,061	\$100,000,000	\$276.20	Juul
Yoda PLC	505 Sansome St	Mar 2026	191,142	\$60,000,000	\$314.00	Deutsche Finance, SHVO, BVK

San Francisco office market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (QTD)	Net absorption sf (YTD)	Annual direct asking rent psf FS
Financial District	29,544,725	0	0	28.0%	2.0%	29.9%	(110,524)	(110,524)	\$70.09
South Financial District	27,579,070	0	0	24.6%	3.2%	27.8%	830,800	830,800	\$80.06
CBD Total	57,123,795	0	0	26.3%	2.6%	28.9%	720,276	720,276	\$74.70
Chinatown/Nob Hill/Russian Hill	226,846	0	0	5.3%	0.0%	5.3%	0	0	n/a
Jackson Square	1,977,134	0	0	25.0%	1.7%	26.7%	(25,301)	(25,301)	\$61.70
MidMarket	4,486,903	0	0	40.1%	18.4%	52.0%	4,413	4,413	\$52.87
Mission	920,448	0	0	12.0%	0.0%	12.0%	77,237	77,237	n/a
Mission Bay	3,354,165	0	0	9.6%	0.8%	10.4%	270,682	270,682	\$78.31
Outer San Francisco	803,469	0	0	4.1%	0.4%	4.4%	(2,030)	(2,030)	n/a
Potrero Hill	1,088,231	0	0	26.8%	0.0%	26.8%	46,614	46,614	\$67.58
Rincon Hill/South Beach	5,810,290	0	0	23.4%	13.9%	36.7%	(10,279)	(10,279)	\$72.68
Showplace Square	3,762,065	0	0	27.6%	11.5%	39.1%	(6,245)	(6,245)	\$65.03
South of Market	514,092	0	0	15.1%	13.6%	23.9%	42,242	42,242	\$51.80
Union Square	4,092,810	0	0	28.4%	1.2%	29.6%	(39,963)	(39,963)	\$55.91
Van Ness Corridor	1,657,942	0	0	15.5%	0.3%	15.8%	59,239	59,239	\$33.29
Waterfront/North Beach	3,179,088	0	0	27.9%	2.1%	30.0%	50,437	50,437	\$71.36
Yerba Buena	3,604,507	0	0	49.1%	9.0%	57.7%	11,346	11,346	\$73.40
Non-CBD Total	35,477,990	0	0	27.1%	7.5%	33.5%	478,392	478,392	\$65.99
Market total	92,601,785	0	0	26.6%	4.4%	30.7%	1,198,668	1,198,668	\$71.78

San Francisco office market stats by class

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Trophy	9,306,968	0	0	16.9%	4.1%	21.0%	(249,219)	(249,219)	\$103.24
Class A	49,148,492	0	0	28.6%	3.5%	31.4%	1,141,187	1,141,187	\$72.79
Class B	30,494,102	0	0	27.4%	6.1%	33.3%	301,310	301,310	\$61.63
Class C	3,652,223	0	0	19.2%	4.2%	23.3%	5,390	5,390	\$42.29
Market total	92,601,785	0	0	26.6%	4.4%	30.7%	1,198,668	1,198,668	\$71.78

Office insights

glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

New

OUTLOOK

2026

A new year, a fresh outlook.

As 2026 unfolds, there's a real sense of potential in the U.S. What does it mean for the office sector?

Our top Market Intelligence experts break it down – sector by sector – so you can start the year with confidence.



Explore now



OUTLOOK 2026

Office

For more market insights and
information visit **avisonyoung.com**

Louis Thibault

Manager, Market Intelligence - Office
West Region
Louis.Thibault@avisonyoung.com

Jordan Fletcher

Market Intelligence Analyst
Northern California
Jordan.Fletcher@avisonyoung.com

Ross Robinson

Principal & Managing Director
San Francisco
Ross.Robinson@avisonyoung.com
CA Lic #01414104

© 2026. Avison Young. Information contained in this report was obtained from sources deemed reliable and, while thought to be correct, have not been verified. Avison Young does not guarantee the accuracy or completeness of the information presented, nor assumes any responsibility or liability for any errors or omissions therein. All opinions expressed and data provided herein are subject to change without notice. This report cannot be reproduced, in part or in full, in any format, without the prior written consent of Avison Young.

