



San Francisco office market report

Q2 2025

**AVISON
YOUNG**

San Francisco office market trends

2.71 msf

Leasing momentum continues to grow, on par with pre-Covid

San Francisco's leasing activity has continued to grow for the third straight quarter. This was the market's largest total leasing volume since Q3 2019 (2.85 msf) and has continued to be driven primarily by tech and opportunistic reshuffling from established professional service tenants.

Leasing activity grew 80.4% compared to the previous quarter and is above the pre-COVID leasing average (2.66 msf) for the first time. Top leases in Q2 2025 included LinkedIn (152k sf), Coinbase (151k sf), Morrison Foerster (113k sf) and Harvey AI (93k sf).

35.8%

Direct availability sees first drop since Q3 2019

San Francisco's overall availability rate fell 140 basis points quarter-over-quarter to 35.8%.

Sublease availability has declined for eight consecutive quarters, dropping to its lowest point since Q2 2020, while direct availability saw its first decrease since Q3 2019. Pent-up office demand has finally translated into decreases in overall availability, signaling sustained momentum for the San Francisco market.

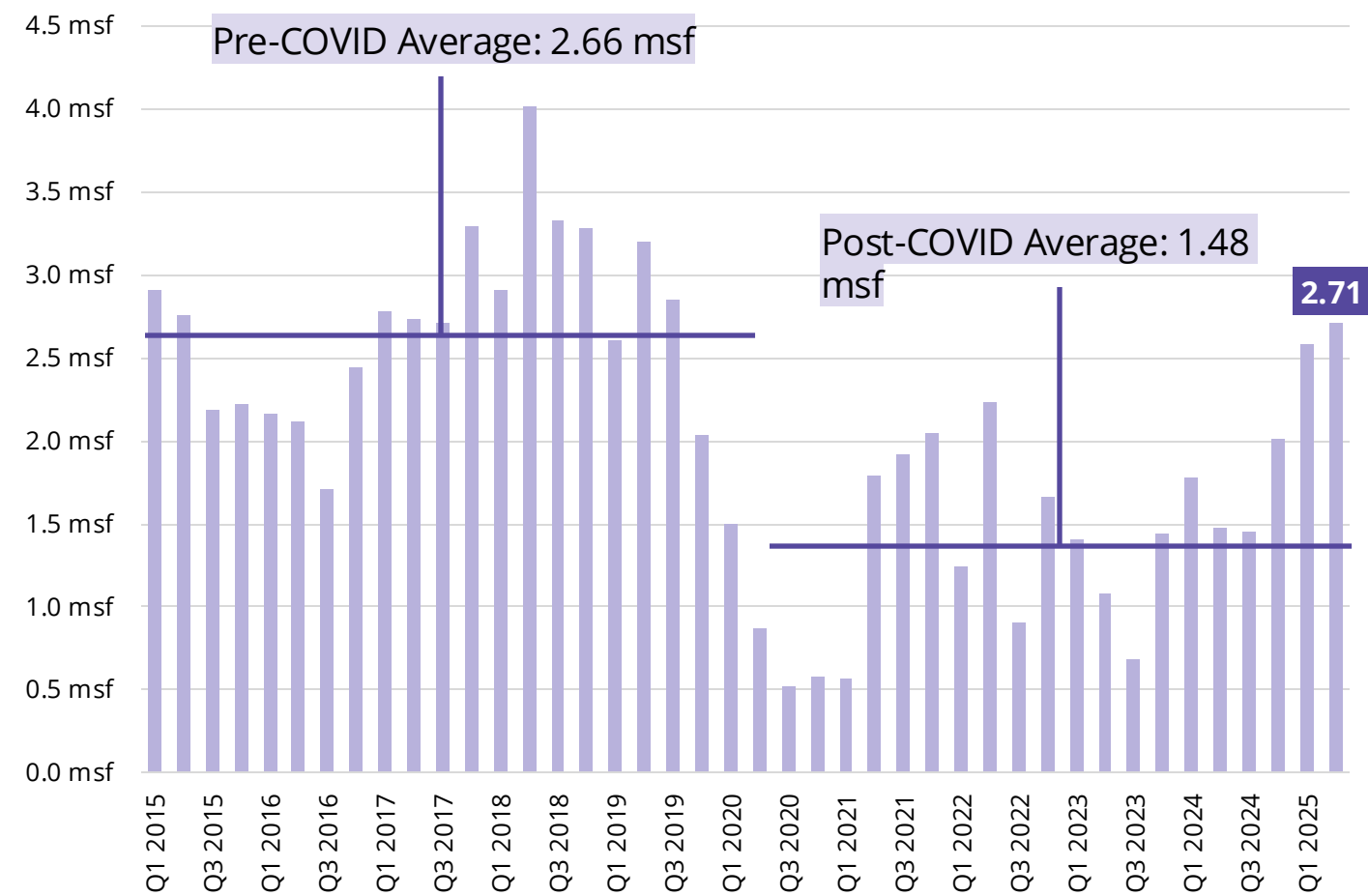
\$832M

Office sales volume increases for the first time since 2019

Lenders are forcing sales through early note sales and through the foreclosure process, causing office sales to increase for the first time since 2019. After not seeing transactions above \$100M since Q3 2019, Q2 2025 saw two with Market Center and 300 Howard both changing hands.

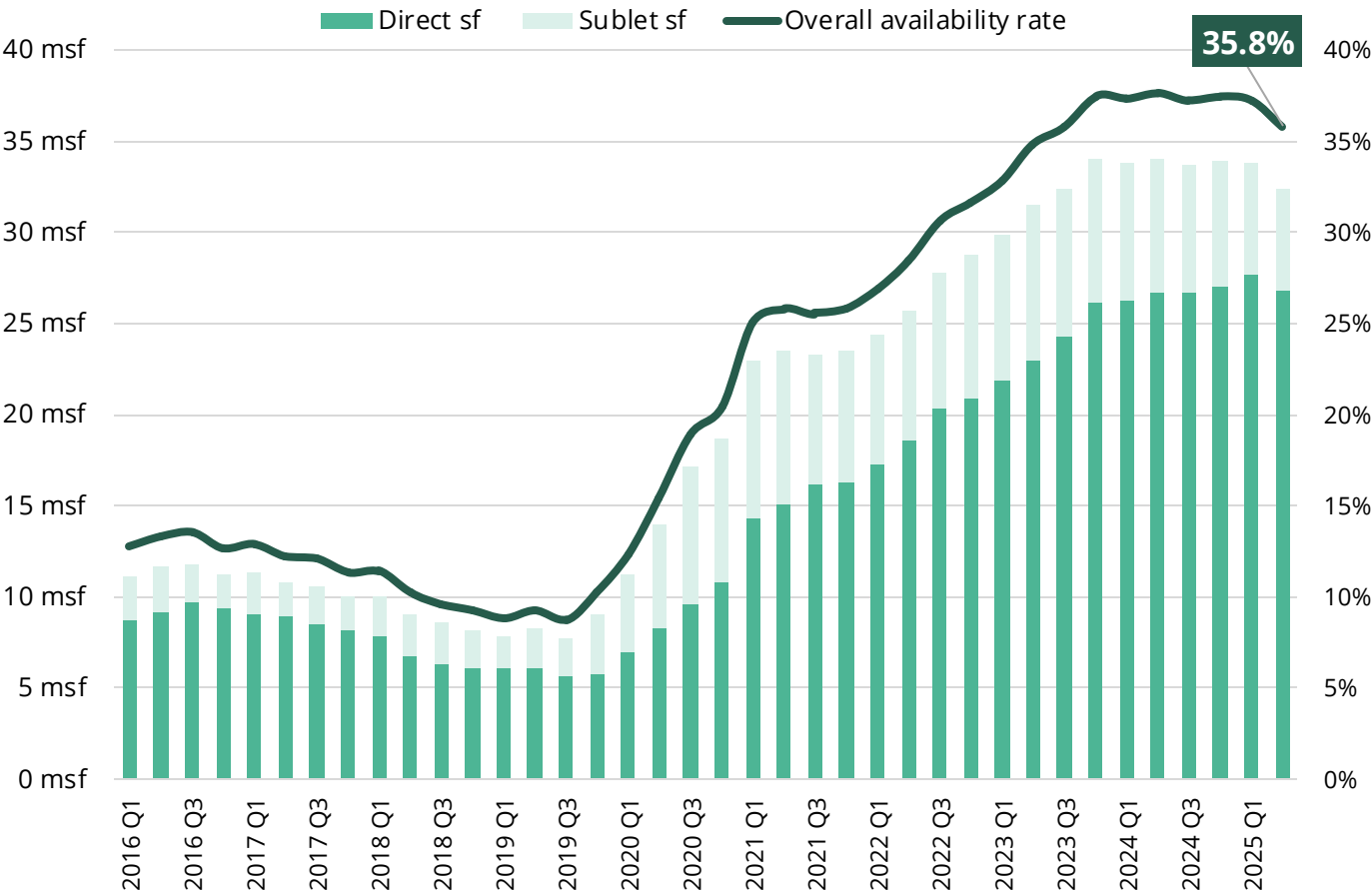
Lenders have continued to navigate an environment littered with distressed loans and stubbornly high interest rates, with many offering short-term extensions. Meanwhile, opportunistic investors remain active, showing a readiness to deploy capital for well-positioned opportunities.

Leasing activity



San Francisco’s leasing activity has continued to grow for the third straight quarter. This was the market’s largest total leasing volume since Q3 2019. There has been a healthy mix of renewals, new businesses coming into the market, and relocations.

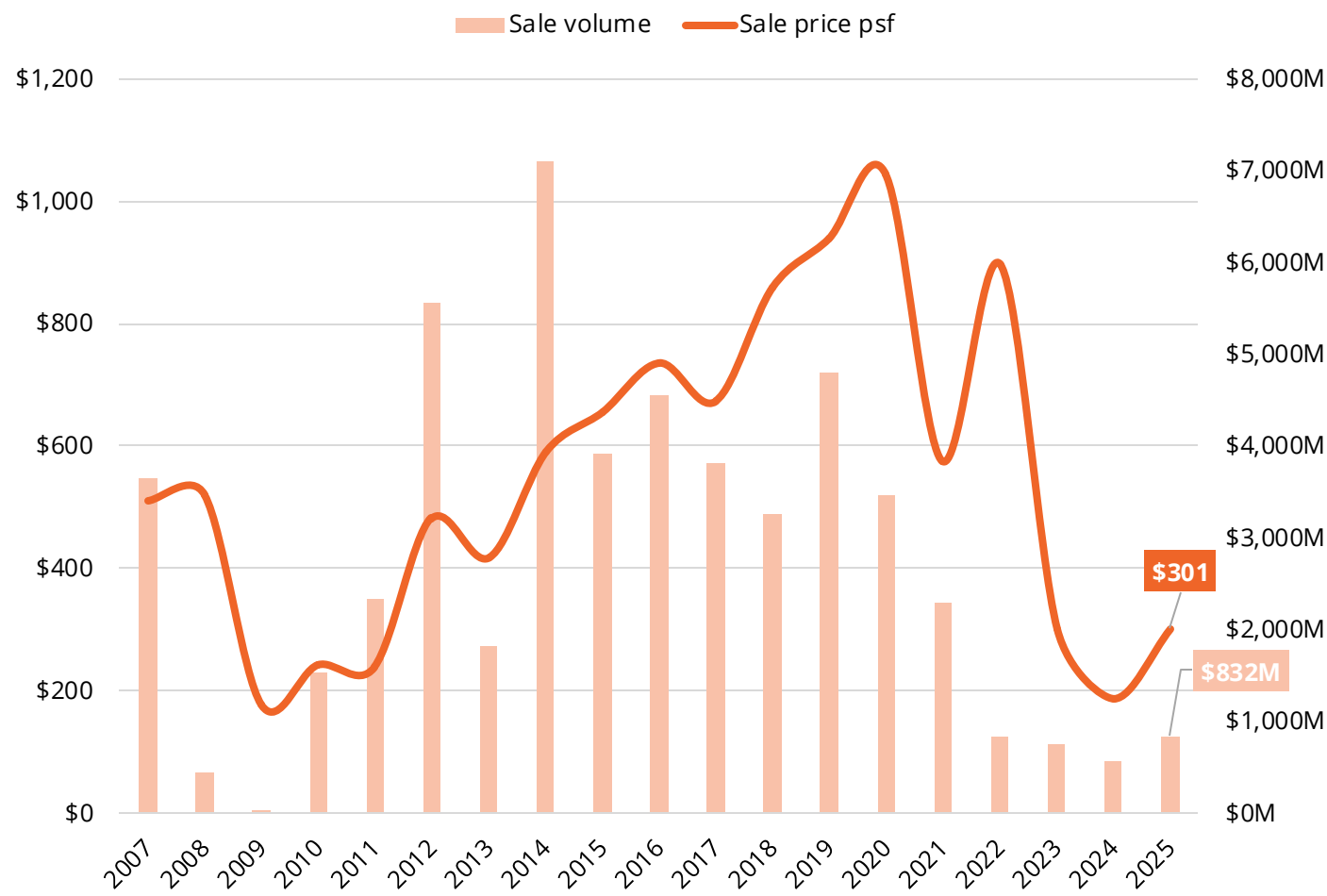
Available space



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Investment sales



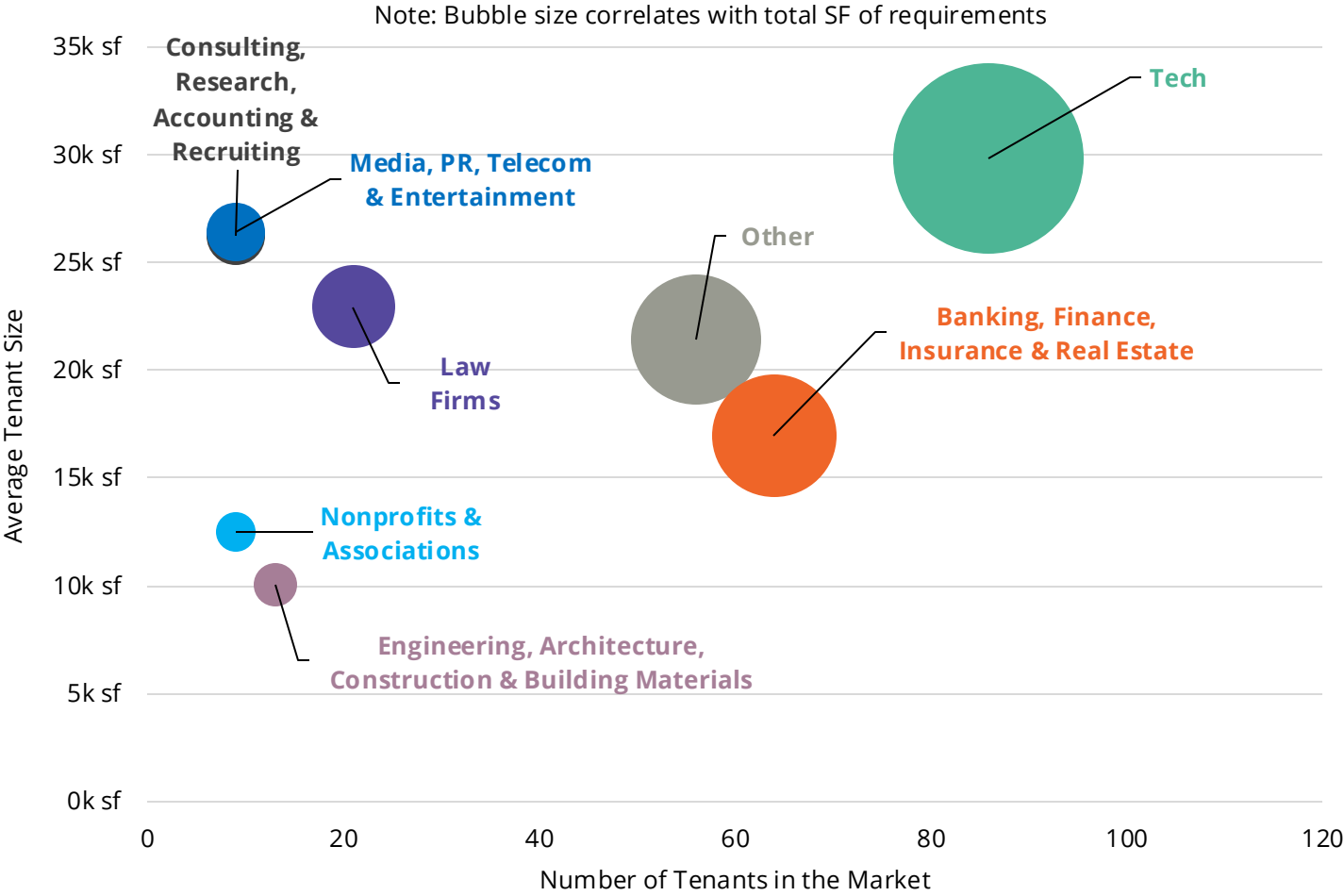
Lenders are forcing sales though early note sales and through the foreclosure process, causing office sales to increase for the first time since 2019.

After not seeing transactions above \$100M since Q3 2019, Q2 2025 saw two with Market Center (\$114M) and 300 Howard (\$108M) all changing hands.

Office market trends



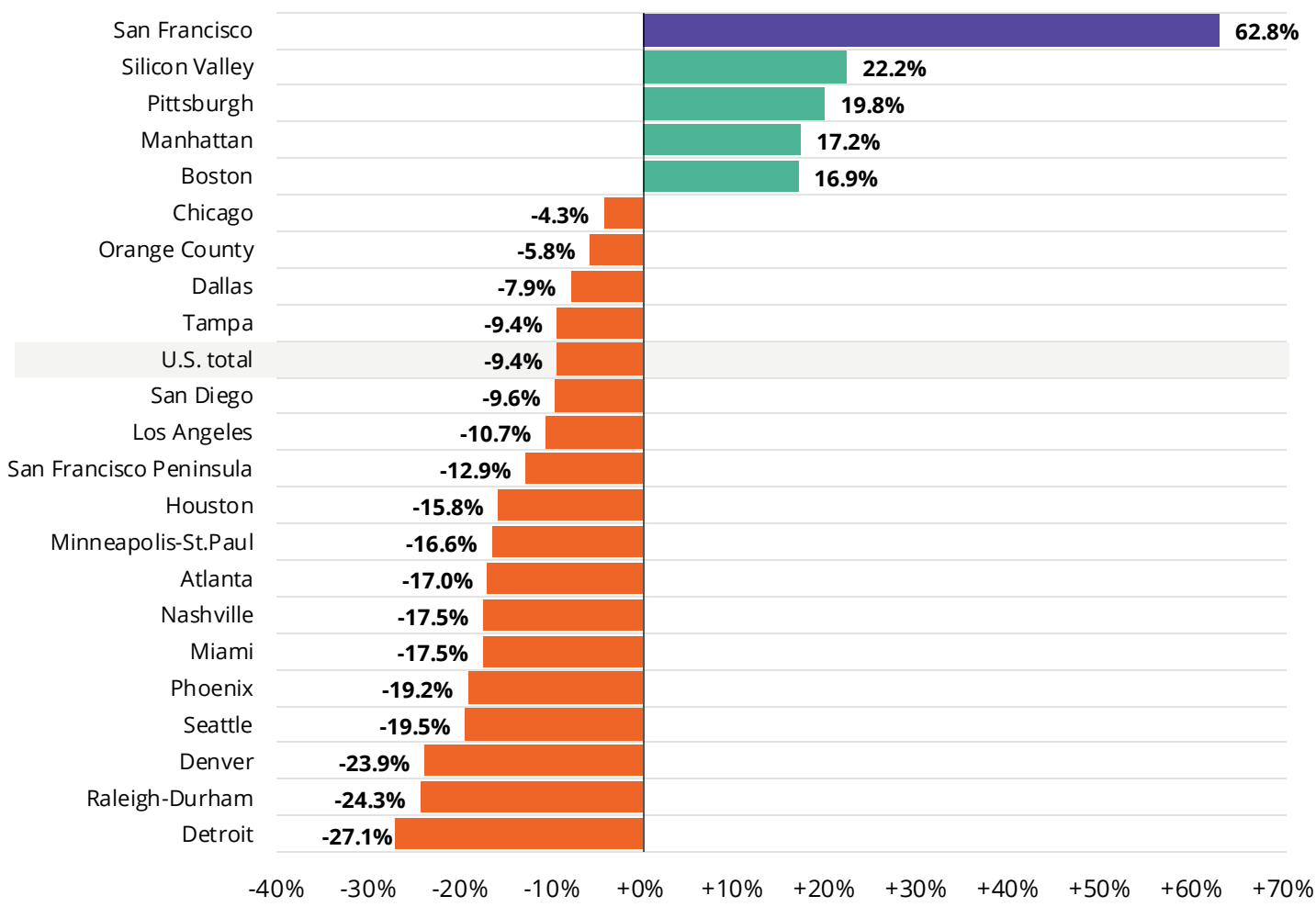
Tech leads San Francisco office demand



As of Q2 2025, San Francisco currently has over 5.5 msf of active space requirements across multiple industries.

Tech companies, which have led San Francisco’s resurgence in office leasing, currently account for 42.4% of active space requirements in the market, compared to 43.7% year-over-year. With the continued growth of AI and new-gen tech, this number is expected to grow as the year progresses.

YoY changes (%) in leasing volume by market

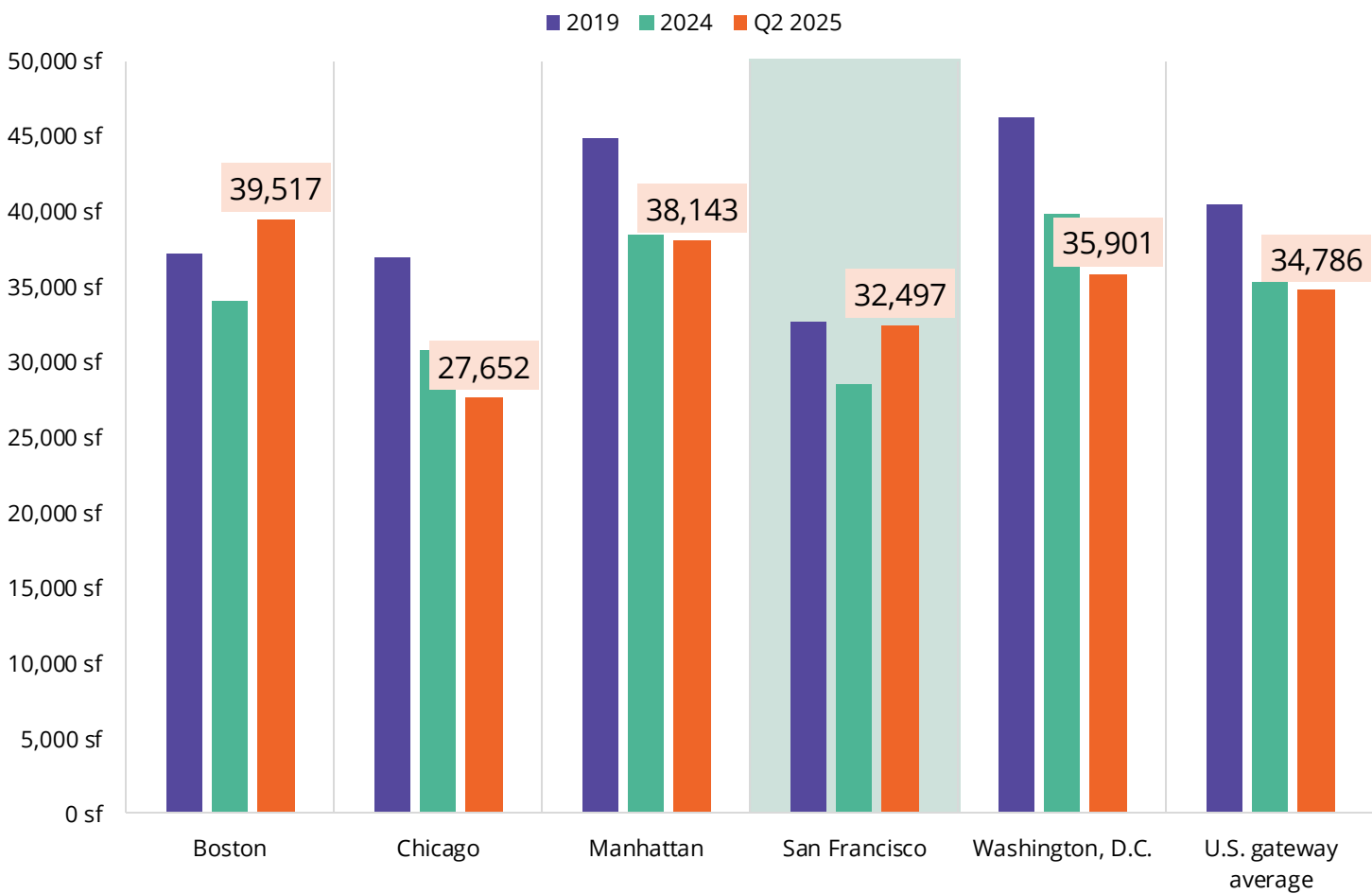


Year-over-year changes in leasing volume offer a snapshot of recent momentum—and potentially a signal of sustained recovery ahead.

San Francisco leads all markets with a staggering 62.8% annual growth, while Silicon Valley, Boston, and Manhattan have also posted solid gains.

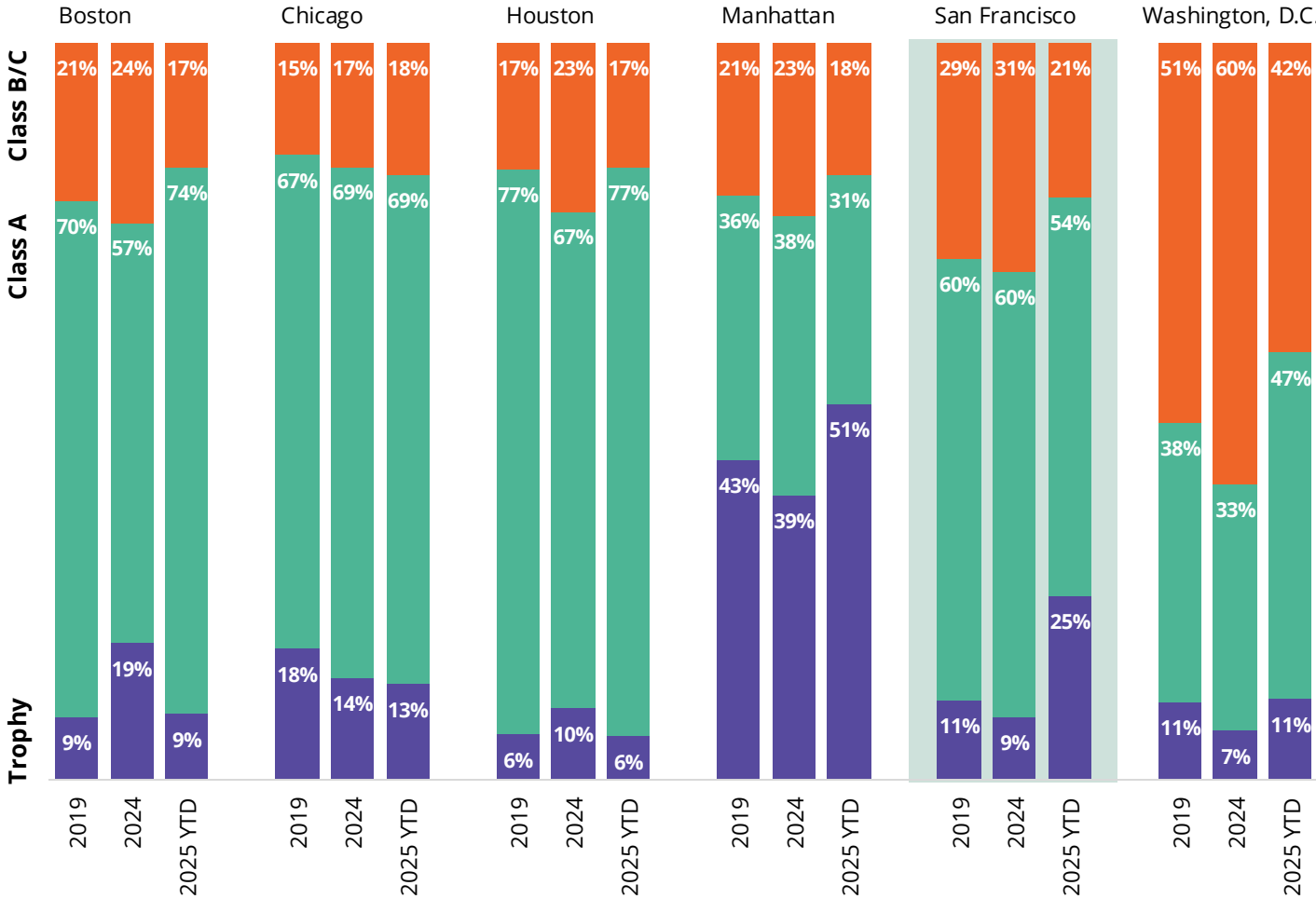
Note: Rolling 4-quarter averages
Source: Avison Young Market Intelligence, CoStar

Average office lease size by gateway markets



Through H1 2025, average lease sizes in gateway markets have shrunk. However, San Francisco has increased year-over-year and is currently on par with 2019 averages.

Leasing activity by asset class

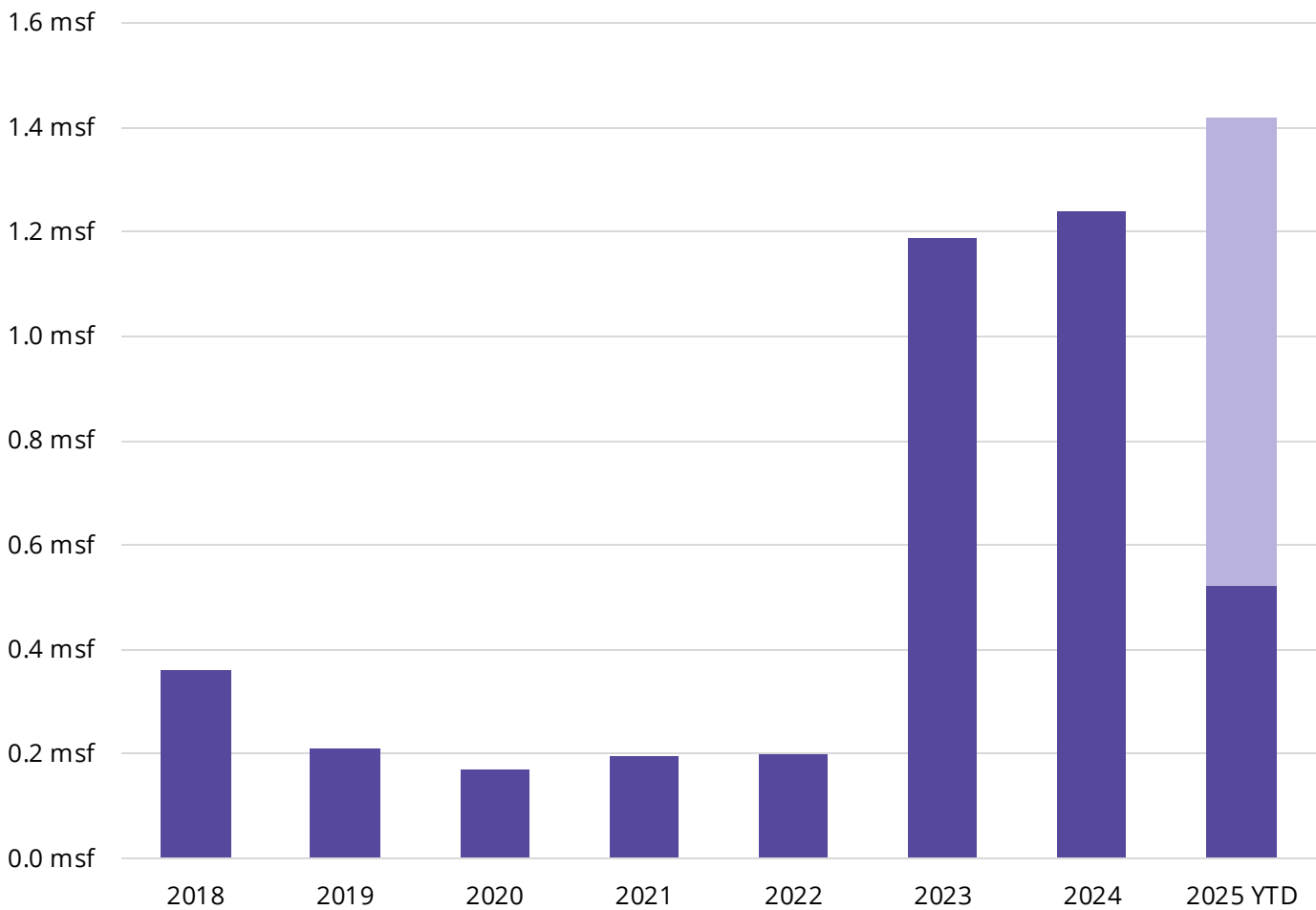


The trend of flight to quality continues throughout the country, with the share of class B/C leasing shrinking year over year in favor of trophy/class A leasing in most major markets through Q2 2025.

San Francisco has seen a substantial increase in transaction activity for Trophy assets and a decrease in Class B/C leasing with tenants seeking premium experiences at quality assets.

Chicago, Boston, Houston, Manhattan, San Francisco, Washington, D.C. Includes direct and subleases.
Source: Avison Young Market Intelligence

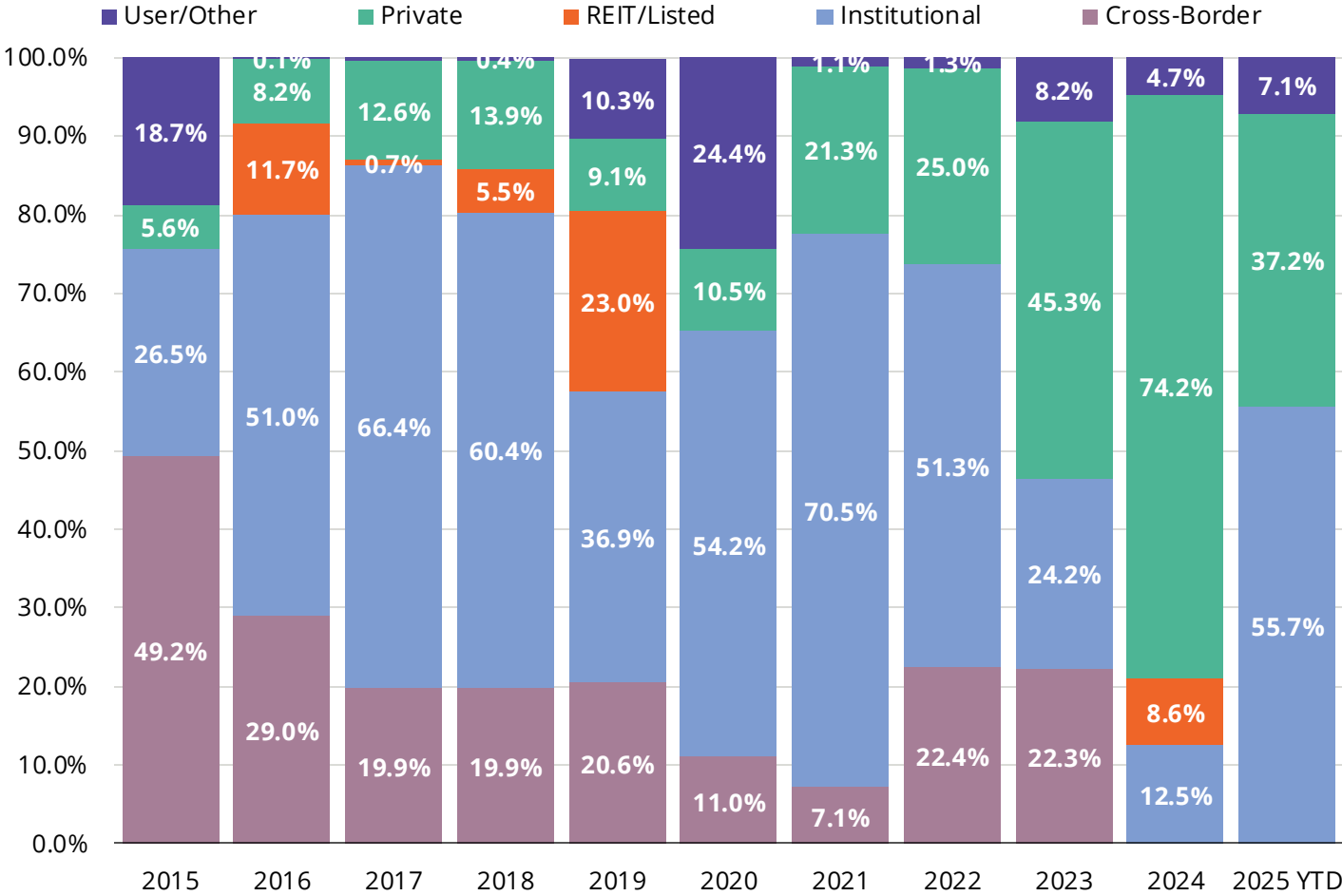
AI office leasing



San Francisco experienced a surge in AI leasing activity in 2023 and 2024, with major leases from companies like OpenAI, Anthropic, and Scale AI.

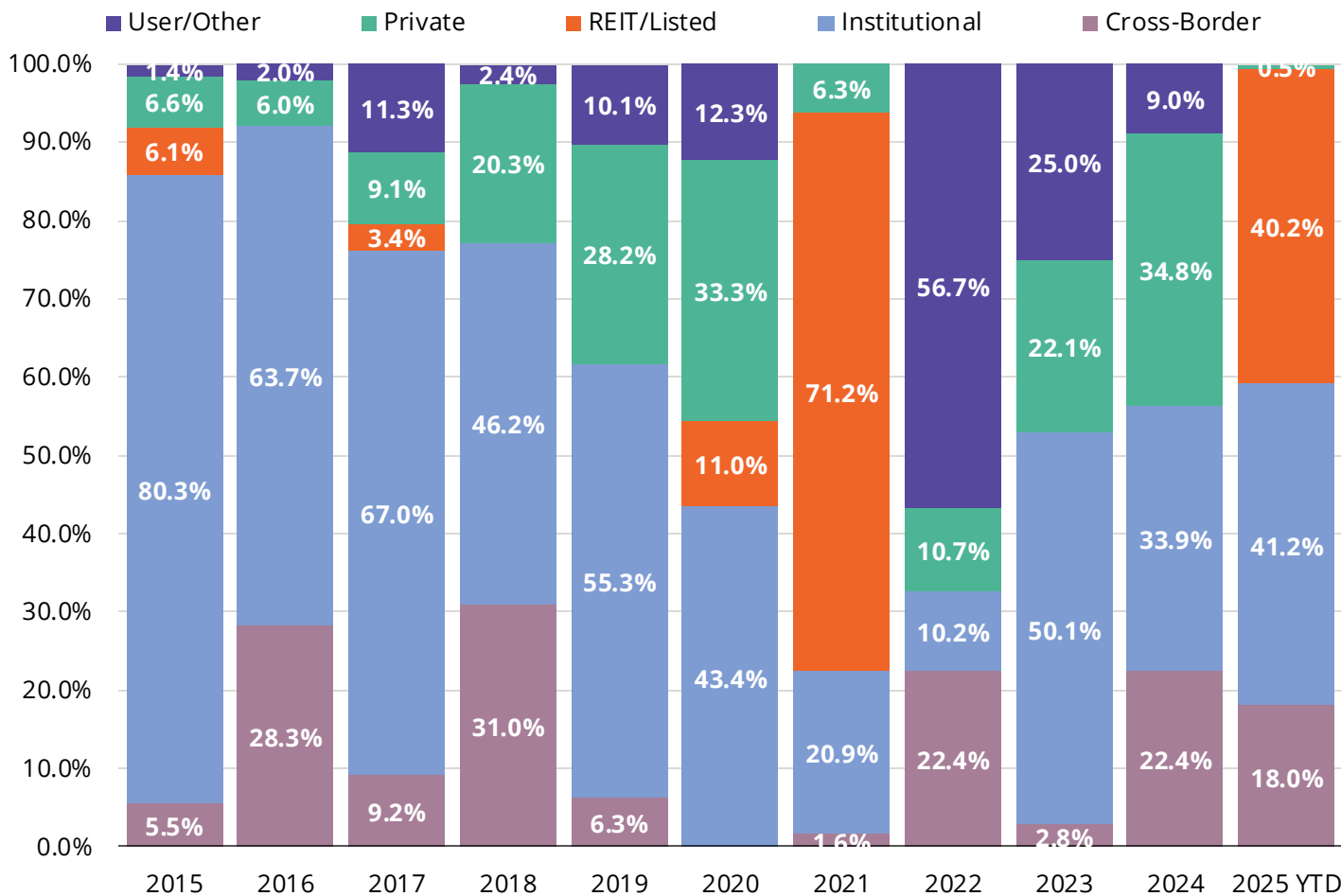
The city’s latest major AI deal from Harvey AI at 201 Third Street has continued AI leasing’s momentum in Q2 2025 and with several major tenants in the market, AI office leasing is expected to continue its growth in 2025.

Buyer composition



While overall transactions have been on a consistent decline in the post-COVID environment, H1 2025 has seen almost double the sales volume compared to 2024. Most notably, institutional buyers have re-entered the market after a muted 2023 and 2024.

Seller composition

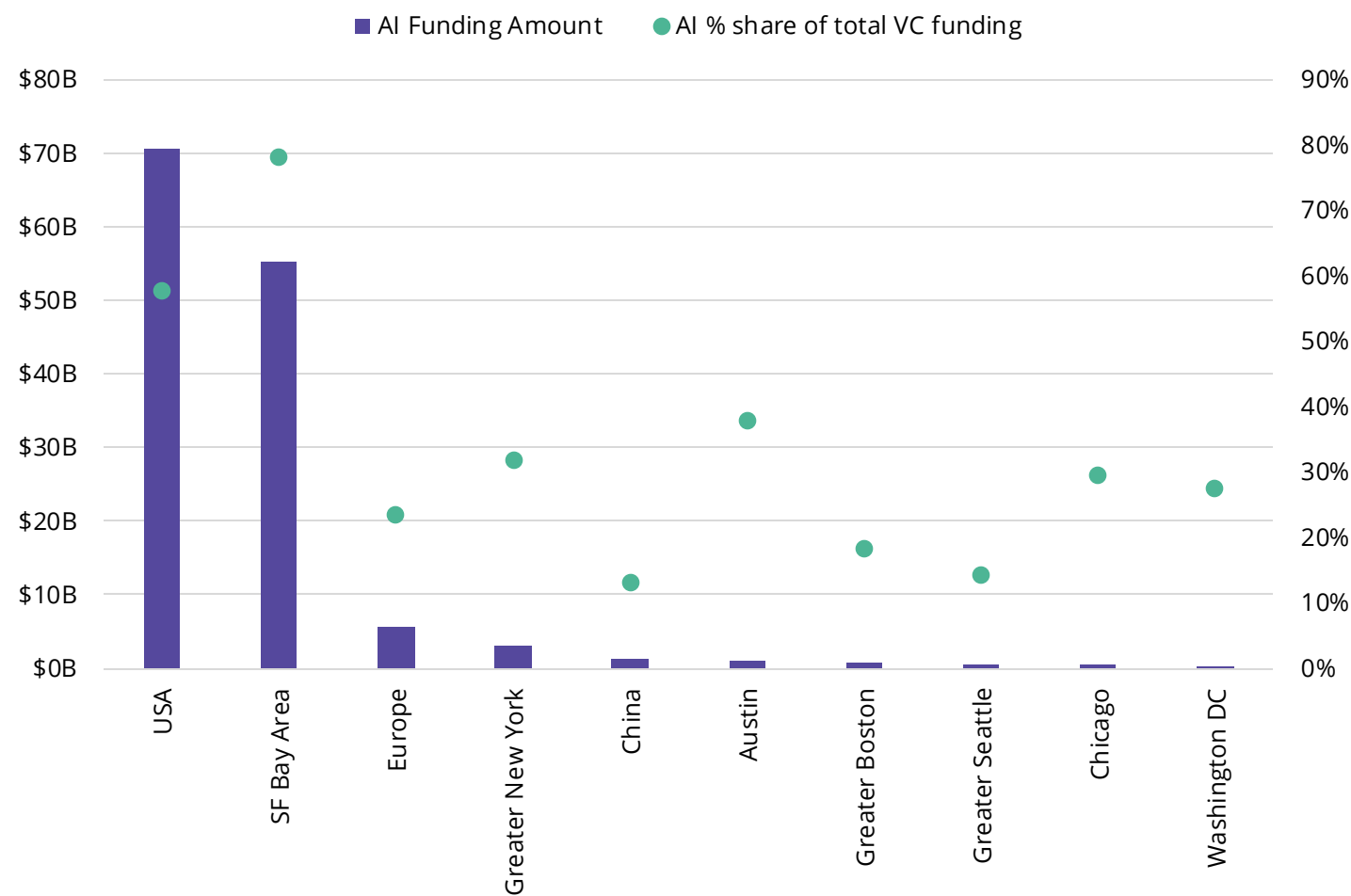


Institutional and cross-border investors have continued to sell their assets at a similar rate to previous years, while REITs have responded to ongoing economic pressures and rising interest rates by selling assets for the first time since 2021.

Economic trends



AI VC funding by region (H1 2025)

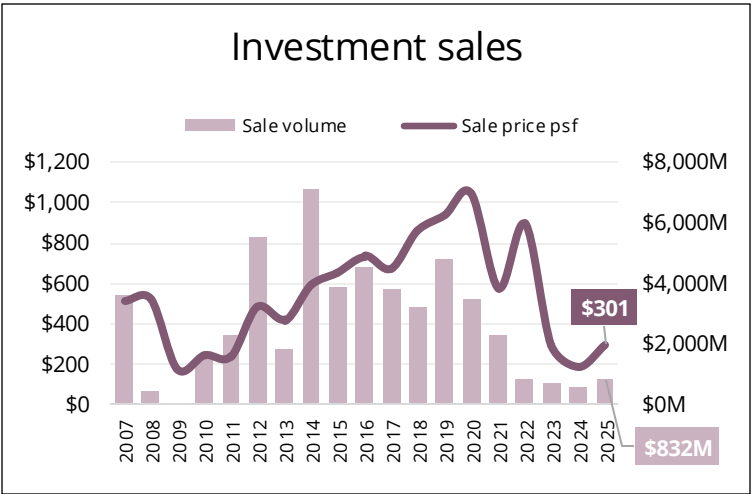
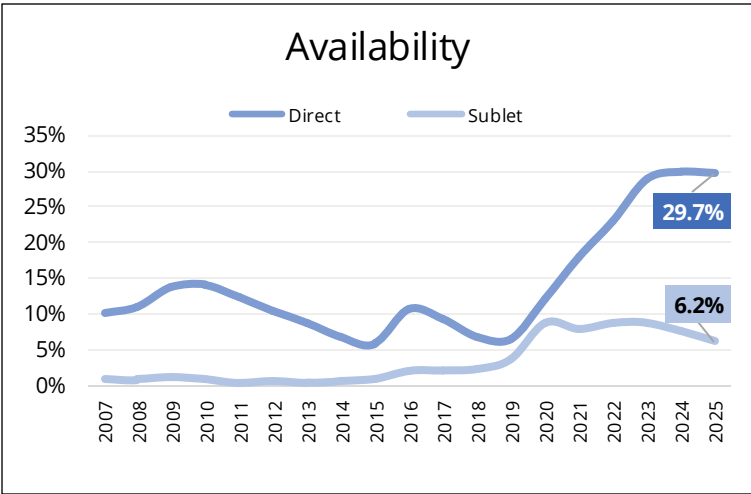
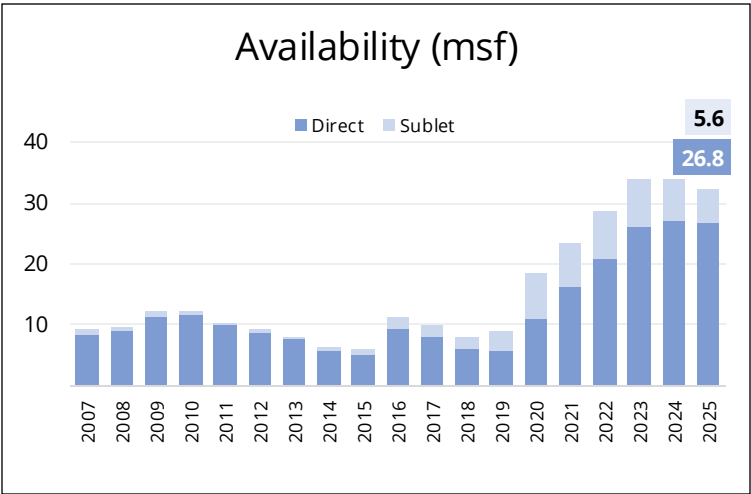
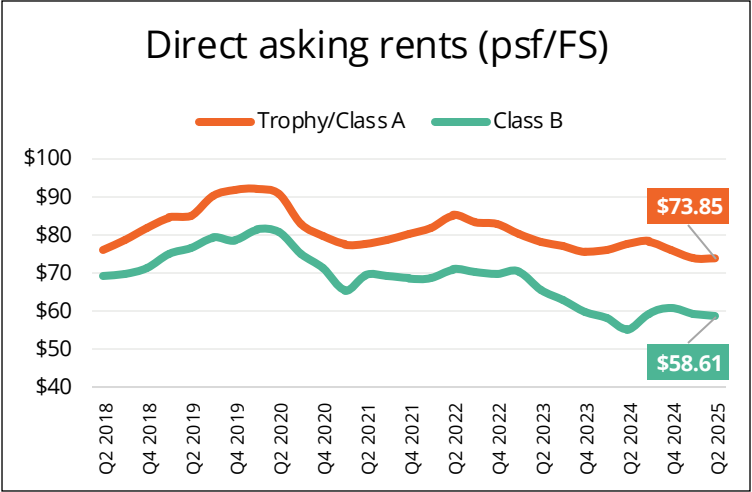
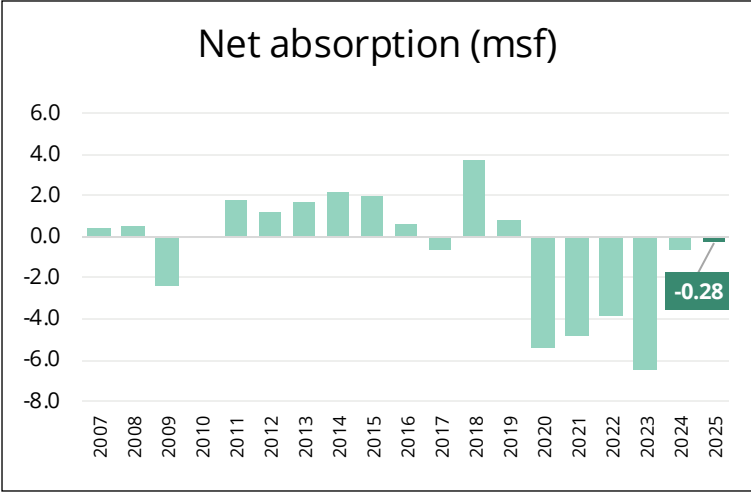
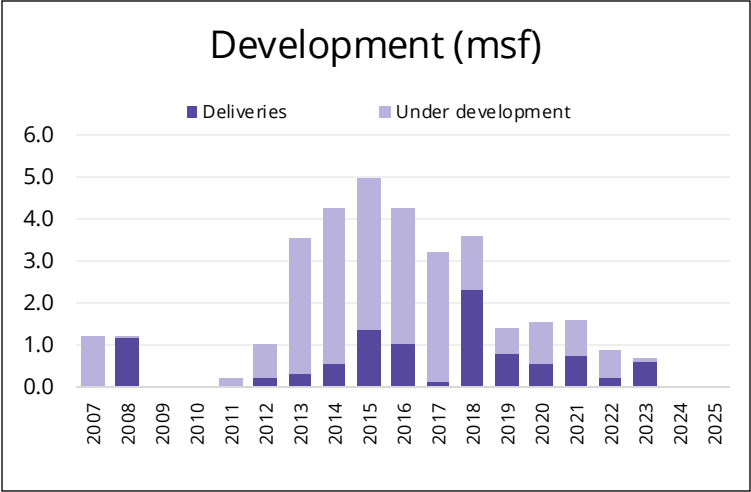


The San Francisco Bay Area has received 78.2% of the nation’s total AI VC funding in the first half of 2025 and continues to reinforce its status as the AI capital of the world. With the amount of capital being deployed, AI companies have already expanded their office footprints and are likely to continue grow exponentially.

Appendix



San Francisco office market indicators



San Francisco office market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (QTD)	Net absorption sf (YTD)	Direct asking rent FS
Financial District	28,543,338	0	0	28.6%	2.9%	31.5%	(46,830)	51,163	\$69.03
South Financial District	27,571,541	0	0	26.3%	4.7%	31.0%	(17,243)	29,702	\$74.58
CBD Total	56,114,879	0	0	27.5%	3.8%	31.2%	(64,073)	80,865	\$71.82
Chinatown/Nob Hill/Russian Hill	105,570	0	0	11.4%	0.0%	11.4%	0	6,000	n/a
Jackson Square	1,909,445	0	0	21.2%	1.7%	22.9%	41,730	64,559	\$59.41
MidMarket	4,590,608	0	0	34.4%	7.8%	42.2%	171,654	(54,667)	\$44.36
Mission	931,327	0	0	29.5%	1.1%	30.6%	3,238	17,590	\$61.37
Mission Bay	2,419,521	0	0	25.7%	0.0%	25.7%	165,335	(117,531)	\$75.66
Outer San Francisco	807,057	0	0	3.9%	0.4%	4.3%	100	18,990	n/a
Potrero Hill	1,031,825	0	0	28.8%	4.0%	32.8%	(16,821)	9,078	\$66.75
Rincon Hill/South Beach	5,771,694	0	0	21.2%	10.7%	31.9%	18,627	(220,669)	\$65.08
Showplace Square	3,589,444	0	0	24.5%	7.5%	32.0%	61,040	(37,988)	\$59.53
South of Market	668,141	0	0	33.7%	6.7%	40.4%	(13,328)	(5,326)	\$51.61
Union Square	4,075,865	0	0	30.6%	1.6%	32.2%	(47,321)	(46,577)	\$49.29
Van Ness Corridor	1,562,299	0	0	21.9%	0.1%	21.9%	(6,059)	(35,148)	\$30.95
Waterfront/North Beach	3,128,728	0	0	29.2%	4.4%	33.6%	37,208	63,064	\$67.08
Yerba Buena	3,679,119	0	0	44.2%	8.7%	53.0%	64,471	(22,608)	\$72.97
Non-CBD Total	34,270,643	0	0	28.2%	5.5%	33.8%	479,874	(361,233)	\$62.80
Market total	90,385,522	0	0	27.8%	4.5%	32.2%	415,801	(280,368)	\$68.75

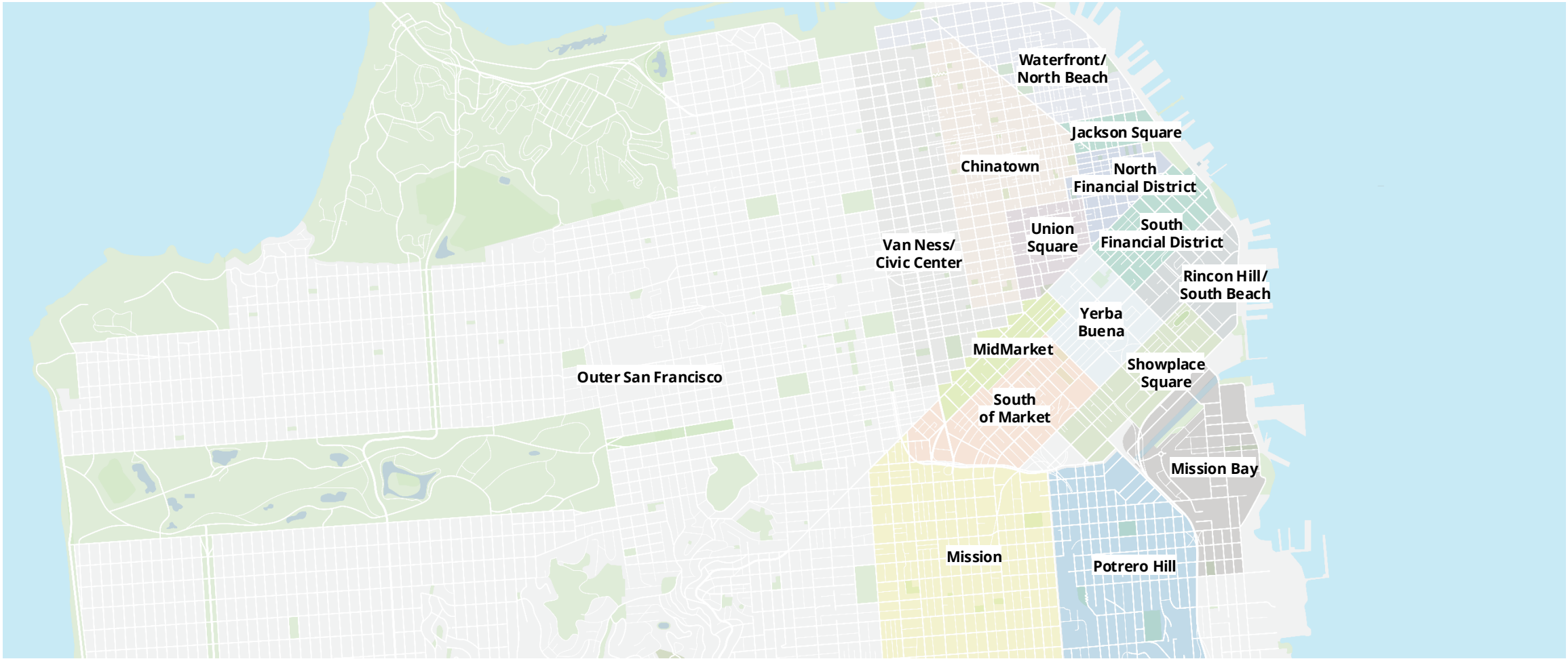
The charts and statistics in this report are composed by Class A, B, and C, non-owner-occupied office buildings 20,000 sf and above in the submarkets listed above.

San Francisco office market stats by class

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (QTD)	Net absorption sf (YTD)	Direct asking rent FS
Trophy	8,544,318	0	0	20.3%	5.2%	25.5%	(299,708)	(174,660)	\$102.37
Class A	48,041,335	0	0	27.9%	4.7%	32.5%	656,866	318,076	\$70.41
Class B	30,445,442	0	0	30.4%	4.1%	34.5%	77,041	(396,458)	\$58.61
Class C	3,354,427	0	0	21.1%	2.6%	23.7%	(18,398)	(27,326)	\$42.03
Market total	90,385,522	0	0	27.8%	4.5%	32.2%	415,801	(280,368)	\$68.75

The charts and statistics in this report are composed by Class A, B, and C, non-owner-occupied office buildings 20,000 sf and above in the submarkets listed above.

San Francisco submarket map



New

2025

Outlook

MID-YEAR

**The second half of 2025 is coming into focus.
What does it mean for the office market?**

Our top Market Intelligence experts break it down – sector by sector – so you can move into the second half of 2025 with clarity and confidence.



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2025 MID-YEAR OUTLOOK

Office



Viewpoints

U.S. | Spring 2025

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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

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