

REVIEW

SAN FRANCISCO OFFICE MARKET

USA 2025



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Real Estate for a changing world



2025

OFFICE MARKET
SAN FRANCISCO

KEY FIGURES

93m sqft

INVENTORY

30.1%

VACANCY RATE

\$74.3

PRIME AVERAGE ASKING RENT

\$2.7bn

TOTAL INVESTMENT

\$1.8bn

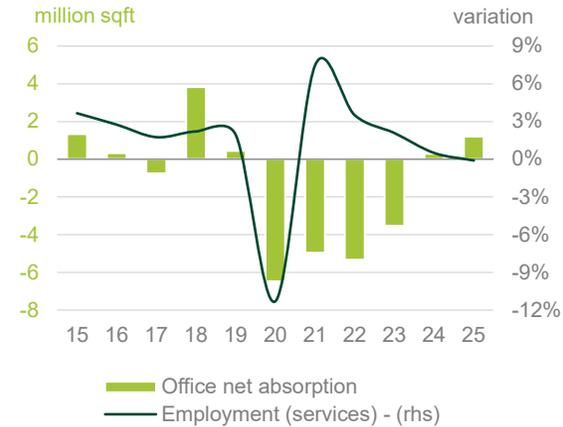
OFFICE INVESTMENT

4.40%

OFFICE PRIME CAP RATE

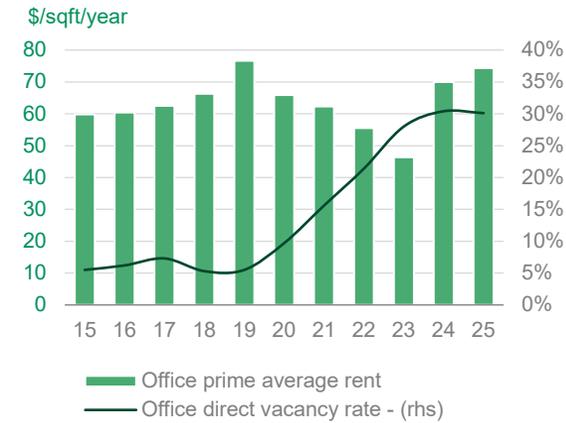
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Net Absorption / Employment



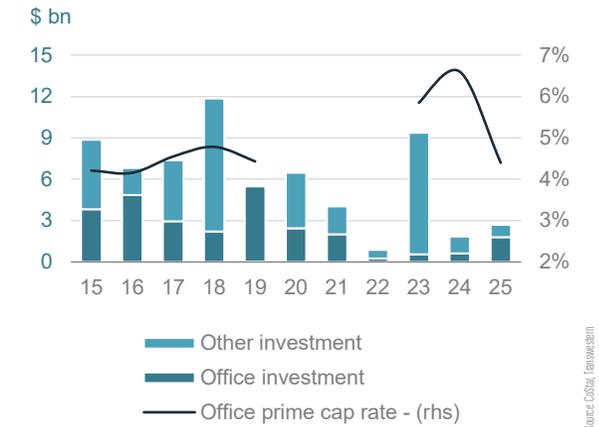
Source: Bureau of Labor Statistics, Colliers, Transwestern

Prime rent / Vacancy Rate



Source: Colliers, Transwestern

Investment / Capital Rate



Source: Colliers, Transwestern

Strongest Quarter of Positive Net Absorption since Pre-Pandemic

With a positive Q4 at 950,610 SF the fourth quarter marks only the third time the market has seen positive net absorption since the start of the pandemic in the first quarter of 2020. This also marks the highest quarterly positive net absorption since Q2 2018. This is despite a slight uptick in the San Francisco metro unemployment rate increasing by 10 basis points.

Hot Tenant Demand Encourages Lowering Vacancy Rates

For 21 consecutive quarters, San Francisco's citywide vacancy rate has rose up until Q1 2025, reaching a high of 36.7%. Transwestern was correct in believing that marked the peak as San Francisco has seen three-consecutive quarters of declining vacancy rates. Although far from historical norms, Q4 vacancy rate closed at 34.2%, marking a 2.5% decrease from historic highs. With both deal count and activity increasing this year, the combination of these factors is expected to lead to a continued reduction in vacancy rates moving forward. However, because of the drastic increase in tenant activity, rents are eager to retain their previous high standings leading to a high increase in prime spaces.

Investment Volume Strong to Close out 2025

2025 marks the first time since 2021 that office sales have eclipsed \$1 billion in activity, totaling \$1.79 billion on the year. Q4 totaled just over \$700 million in office sales, marking the highest quarterly number since Q1 2021. This is also well above the 5-year quarterly average of \$257 million.



2025

OFFICE MARKET
USA

Occupier Market	Inventory (million sqft)	Net Absorption (000 sqft)	Vacancy Rate (%)		Office Prime Average Rent (\$/sqft/year)		
	2025	2025	2024	2025	2024	2025	Trend
Atlanta	177	20	22.3%	22.4%	33.0	33.9	3%
Chicago	156	-1,400	21.7%	22.6%	73.1	77.4	6%
Dallas/Fort Worth	308	2,200	19.5%	18.4%	72.1	74.3	3%
Denver	164	-1,880	16.5%	18.7%	32.1	33.5	4%
Detroit	202	1,174	10.9%	11.0%	21.3	21.3	0%
Houston	206	-1,300	20.8%	21.5%	46.1	48.9	6%
Los Angeles	396	-1,700	16.6%	15.4%	45.4	44.7	-2%
Miami	52	200	11.5%	11.6%	86.7	89.7	3%
Minneapolis	83	-1,200	19.8%	21.0%	29.5	30.5	3%
New York/Manhattan	458	15,700	14.4%	13.5%	79.9	77.4	-3%
Phoenix	198	360	20.8%	17.0%	30.1	32.1	7%
San Diego	120	-400	12.5%	12.7%	36.5	38.3	5%
San Francisco	93	1,200	30.4%	30.1%	70.0	74.3	6%
Seattle	181	-1,613	16.5%	18.2%	36.5	34.5	-5%
Washington DC	145	-800	14.9%	16.0%	83.3	88.3	6%
Total 15 markets	2,939	10,561	17.9%	18.0%	51.7	53.3	2.8%

Investment Market	Total investment volume (\$ million)		Office investment volume (\$ million)		Cap rate (%)		
	2024	2025	2024	2025	2024	2025	bps
Atlanta	15,090	15,990	1,170	1,560	8.20%	8.30%	10
Chicago	770	920	590	550	NA	NA	NA
Dallas/Fort Worth	2,510	13,410	410	3,440	6.40%	6.20%	-20
Denver	3,070	7,740	730	1,260	6.00%	7.20%	120
Detroit	1,700	1,550	260	300	8.90%	8.60%	-30
Houston	9,840	14,170	1,220	1,710	11.50%	NA	NA
Los Angeles	9,460	13,080	2,150	4,140	NA	5.80%	NA
Miami	5,120	4,830	1,760	1,290	6.80%	6.90%	10
Minneapolis	5,380	5,470	860	670	7.30%	7.70%	40
New York/Manhattan	10,240	14,010	7,620	11,180	5.70%	6.50%	80
Phoenix	7,110	9,870	1,140	1,170	7.50%	7.20%	-30
San Diego	4,380	4,970	930	1,600	7.50%	6.20%	-130
San Francisco	1,850	2,700	630	1,790	6.60%	4.40%	-220
Seattle	3,000	2,440	1,210	1,110	6.40%	7.60%	120
Washington DC	1,090	1,300	790	870	8.60%	9.00%	40
Total 15 markets	80,610	112,450	21,470	32,640	7.49%	7.05%	-1

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CONTACTS



Vincent ROBION
Head of Research
vincent.robion@realestate.bnpparibas

BNP PARIBAS
REAL ESTATE

50, cours de l'Île Seguin
92100 Boulogne-Billancourt
France
Tel.: +33 (0)1 55 65 20 04
Fax: +33 (0)1 55 65 20 00
www.realestate.bnpparibas.com

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