REVIEW

SAN FRANCISCO OFFICE MARKET

USA H1 2026

TRANSWESTERN

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Real Estate for a changing world

H1 2026

OFFICE MARKET
SAN FRANCISCO

KEY FIGURES

93m sqft
INVENTORY

26.7%
VACANCY RATE

$77.7
PRIME AVERAGE ASKING RENT

$1.8bn
TOTAL INVESTMENT

$1.1bn
OFFICE INVESTMENT

5.30%
OFFICE PRIME CAP RATE

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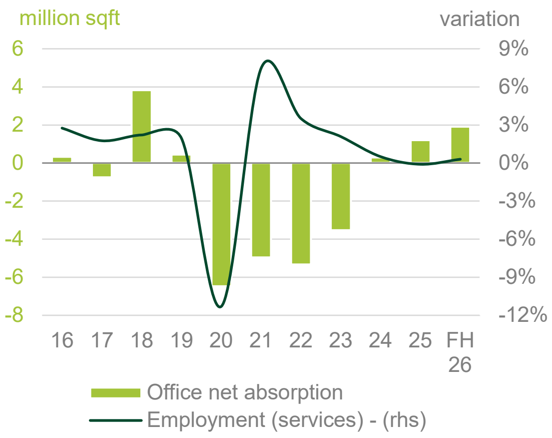
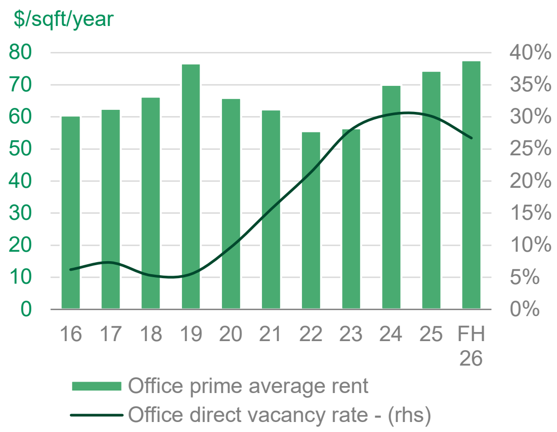
Net Absorption / Employment



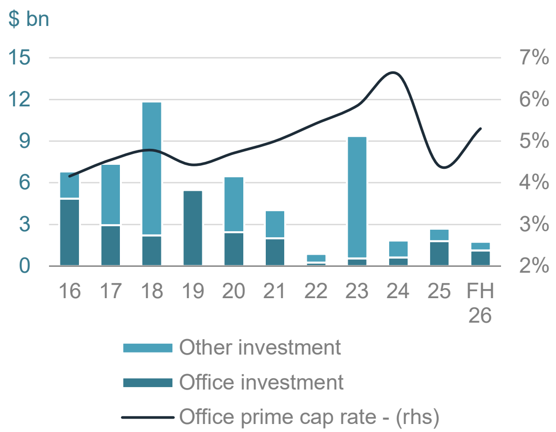
Source: Bureau of Labor Statistics, CoStar, Transwestern

Prime rent / Vacancy Rate



Source: CoStar, Transwestern

Investment / Capital Rate



Source: CoStar, Transwestern

Positive Absorption Continues Momentum in SF

San Francisco recorded nearly 2 million SF of positive absorption during the first half of 2026, the highest mark of occupancy growth to start a year since pre-pandemic. Since vacancy peaked at 36.7% in Q1 2025, the market has regained 3M SF of occupancy. There have been four-consecutive quarters of positive absorption, a streak that hasn't been achieved since 2018. AI leasing remained the primary driver of office demand, with a growing portion of that activity concentrated in mid-block-sized spaces. No longer reliant on a small number of headline deals, San Francisco's office market has evolved into a hub for diverse AI companies expanding their footprints across multiple submarkets.

Hot Tenant Demand Encourages Lowering Vacancy Rates

Leasing activity continued to ramp up in the first half of 2026 as 3.6 million SF was transacted during Q2 – bringing the 2026 first half total to nearly 7 million SF, the strongest first half on record. This activity continues to drive direct vacancy down, dropping 130 bps year-over-year and nearly 4% since the peak in 2024. This is giving the landlords greater pricing power, especially in the much-demanded prime spaces as rates have risen over $3 year-over-year.

Investment Volume Strong to Start 2026

Office investment sales eclipsed $1 billion during the first half of 2026, with much of that volume taking place during Q1. This was led by a 4-property sale at 600 Montgomery Street for $600 million ($1,165/sf). Although deals slowed during Q2, a significant number of additional properties are currently under contract signaling a strong pipeline heading into the second half of the year. Other (non-office) investment deals are trending to put up similar numbers seen over the previous 2 years.

Occupier Market	Inventory (million sqft)	Net Absorption (000 sqft)	Vacancy Rate (%)		Office Prime Average Rent ($/sqft/year)		
	Q2 2026	H1 2026	2025	Q2 2026	2025	Q2 2026	Trend
Atlanta	176	800	22.4%	21.1%	33.9	33.4	-2%
Chicago	155	-100	22.6%	23.2%	77.4	72.8	-6%
Dallas/Fort Worth	306	1,800	18.4%	18.2%	74.3	75.3	1%
Denver	164	200	18.7%	21.2%	33.5	35.6	6%
Detroit	202	-129	10.4%	10.1%	21.3	21.6	2%
Houston	204	500	20.8%	21.4%	48.9	42.6	-13%
Los Angeles	371	500	15.4%	15.3%	44.7	45.0	1%
Miami	52	160	11.6%	11.4%	89.7	89.7	0%
Minneapolis	68	-600	21.0%	29.4%	30.5	31.1	2%
New York/Manhattan	452	3,900	13.5%	12.8%	77.4	78.1	1%
Phoenix	98	-200	17.0%	16.7%	32.1	31.8	-1%
San Diego	125	-100	12.7%	14.0%	38.3	41.2	8%
San Francisco	93	1,900	30.1%	26.7%	74.3	77.7	5%
Seattle	183	686	15.9%	15.5%	34.5	35.9	4%
Washington DC	143	-400	16.0%	16.7%	88.3	88.2	0%
Total 15 markets	**2,791**	**8,917**	**17.8%**	**18.2%**	**53.3**	**53.3**	**0.5%**

Investment Market	Total investment volume ($ million)		Office investment volume ($ million)		Cap rate (%)		
	2025	H1 2026	2025	H1 2026	2025	Q2 2026	bps
Atlanta	15,990	5,400	1,560	1,210	8.30%	8.82%	52
Chicago	920	920	550	720	NA	NA	NA
Dallas/Fort Worth	13,410	2,970	3,440	780	6.20%	6.30%	10
Denver	7,740	3,660	1,260	560	7.20%	8.40%	120
Detroit	1,550	880	300	290	8.60%	7.40%	-120
Houston	14,170	6,490	1,710	1,550	NA	11.25%	NA
Los Angeles	13,080	5,360	4,140	2,130	NA	6.80%	NA
Miami	4,830	5,670	1,290	1,300	6.90%	6.50%	-40
Minneapolis	5,470	2,150	670	210	7.70%	13.00%	530
New York/Manhattan	14,010	5,660	11,660	4,390	6.30%	6.10%	-20
Phoenix	9,870	8,220	1,170	970	7.20%	7.00%	-20
San Diego	4,970	3,440	1,600	650	6.20%	7.20%	100
San Francisco	2,700	1,760	1,790	1,120	4.40%	5.30%	90
Seattle	2,440	1,000	1,110	290	7.60%	8.80%	120
Washington DC	1,300	830	870	760	9.00%	9.00%	0
Total 15 markets	**112,450**	**54,410**	**33,120**	**16,930**	**7.13%**	**7.99%**	**69**

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