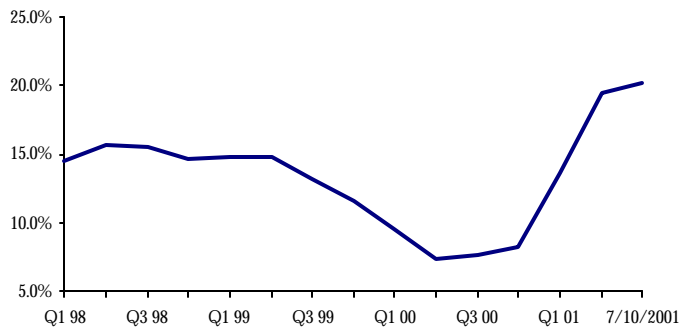


Office Market Update — July 2001

The San Francisco real estate market continues to weaken, presenting numerous opportunities for non-profits

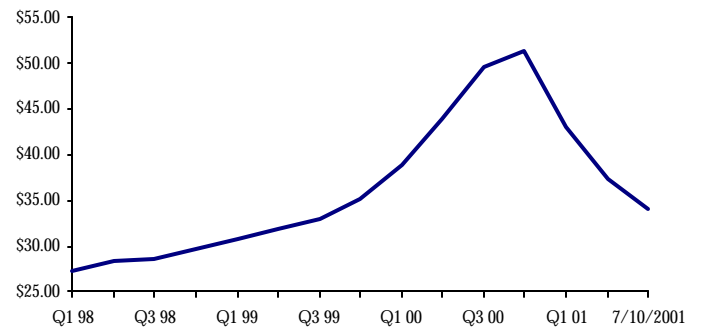
- San Francisco's vacancy rate increased to 20% as of July 10, 2001, representing approximately **12 million square feet of vacant office space**.
 - Vacancy has increased by approximately 7 million square feet since December 31, 2000.
- Average asking rents decreased approximately 34% to \$34.11 as of July 10, 2001 from \$51.33 on December 31, 2000.
- There is 5,104,597 sq. ft of office space on the market for less than \$36/sq. ft./year or \$3/sq. ft./ month.
- There is 1,841,783 sq. ft of office space on the market for less than \$24/sq. ft./year or \$2/sq. ft./month.

San Francisco County Vacancy Rate



Source: CoStar as of July 10, 2001.

San Francisco County Average Asking Rental Rate



Source: CoStar as of July 10, 2001.

- While vacancy rates for office space within all building class types approaches, and in some cases surpasses, levels witnessed before the Internet boom, asking rents remain significantly higher than levels reached before the boom. As of July 10, 2001 opportunities by business class are as follows:
 - 2.2 million sq. ft. of vacant Class C office space, average rent of \$28.49/sq. ft./year.
 - 4.9 million sq. ft. of vacant Class B office space, average rent of \$34.99/sq. ft./year.
 - 4.9 million sq. ft. of vacant Class A office space, average rent of \$45.01/sq. ft./year.
- Business services space continues to flood the SOMA market, begging the question of its long-term use
 - Approximately 50% of all business services space is available for lease (direct or sublet).
- There are approximately 45 office buildings for sale within San Francisco – 1 Class A, 23 Class B and 21 Class C (Refer to Attachment A).

Recent observations of the brokerage community indicate a continued uncertainty and deterioration in the real estate market

- “The market correction over the past six months has been very swift, but the bottom may be near as the rate of increase in vacancy continues to slow and asking lease rents move more in line with tenant expectations.”
- “The summer could be long and dry unless tenants return to the market – more than 3 million square feet of leased space is scheduled to expire in the market.”
- “For the balance of the year, meaningful choices and opportunities exist for tenants, including professional firms and service companies who once believed they might be priced out of the San Francisco market.”

For more info please contact David White, San Francisco Partnership (415) 364-1792

ATTACHMENT A

San Francisco Office Buildings for Sale by Class – July 10, 2001
(Dollars in thousands, except square foot data)

	Address	Class	Offer Price	Offer per Sq. Ft.	Rentable Building Area
1.	151 Executive Park Blvd	A	NA	NA	60,000
1.	78 1st St	B	\$4,200	\$265.29	15,832
2.	330 1st St	B	3,250	481.48	6,750
3.	141-143 8th St	B	1,650	275.46	5,990
4.	190 9th St	B	17,600	391.11	45,000
5.	135-141 10th St	B	2,950	184.38	16,000
6.	465 10th St	B	NA	NA	22,000
7.	3057 17th St	B	2,900	347.93	8,335
8.	530 Bush St	B	32,000	307.02	104,228
9.	20 California St	B	20,750	354.35	58,558
10.	52 Colin P Kelly St	B	2,000	205.19	9,747
11.	39-57 Columbia Sq St	B	4,700	278.93	16,850
12.	5 Freelon St	B	3,000	300.00	10,000
13.	234-240 Front St	B	6,500	267.49	24,300
14.	642 Harrison St	B	22,000	391.44	56,203
15.	221 Kearny St	B	4,000	408.75	9,786
16.	1023 Market St	B	1,500	170.45	8,800
17.	1540 Market St	B	8,050	185.84	43,317
18.	1829-1850 Market St	B	NA	NA	35,000
19.	1875 Mission St	B	7,000	137.25	51,000
20.	2480 Mission St	B	6,250	96.15	65,000
21.	888 Montgomery St	B	5,500	244.67	22,479
22.	1300-1302 Polk St	B	1,900	603.17	3,150
23.	260 Townsend St	B	24,000	382.78	62,700
		High	\$32,000	\$603.17	104,228
		Mean	8,652	299.00	30,479
		Median	4,700	278.93	22,000
		Low	1,500	96.15	3,150
1.	234-246 1st St	C	\$16,000	\$195.12	82,000
2.	230-236 8th St	C	2,950	151.13	19,520
3.	1417 15th St	C	2,600	317.07	8,200
4.	395-399 Florida St	C	1,195	341.43	3,500
5.	131 Franklin St	C	4,000	418.63	9,555
6.	660 Howard St	C	2,195	209.97	10,454
7.	499 Illinois St	C	NA	NA	45,907
8.	675-677 Jackson St	C	2,100	300.00	7,000
9.	229-231 Kearny St	C	1,850	309.93	5,969
10.	2419 Lombard St	C	2,650	530.00	5,000
11.	995 Market St	C	NA	NA	68,156
12.	1029-1033 Market St	C	3,800	148.73	25,550
13.	966 Mission St	C	1,695	232.19	7,300
14.	1155 Mission St	C	3,500	233.33	15,000
15.	2048-2050 Mission St	C	698	258.52	2,700
16.	5791-5799 Mission St	C	2,500	299.33	8,352
17.	1161 Post St	C	1,750	213.41	8,200
18.	300-306 Randolph St	C	2,185	145.67	15,000
19.	433 Turk St	C	1,950	209.12	9,325
20.	1000 Van Ness Ave	C	52,000	1,300.0	40,000
21.	646-654 Washington St	C	2,900	193.33	15,000
		High	\$52,000	\$1,300.00	82,000
		Mean	5,711	316.15	19,604
		Median	2,500	233.33	9,555
		Low	698	145.67	2,700

Source: CoStar as of July 10, 2001.