

The Corporate Real Estate Letter

By Frank Fudem | January 2008

Frank Fudem

Senior Vice President
Corporate Real Estate Services
NAI BT Commercial

415-677-0455
ffudem@naibt.com

Vacancies: San Francisco's office vacancy rate was 10.6% at the beginning of 2007, bounced down and then up to 10.7% at mid-year, and finally ended at 10.2% at the end of 2007.

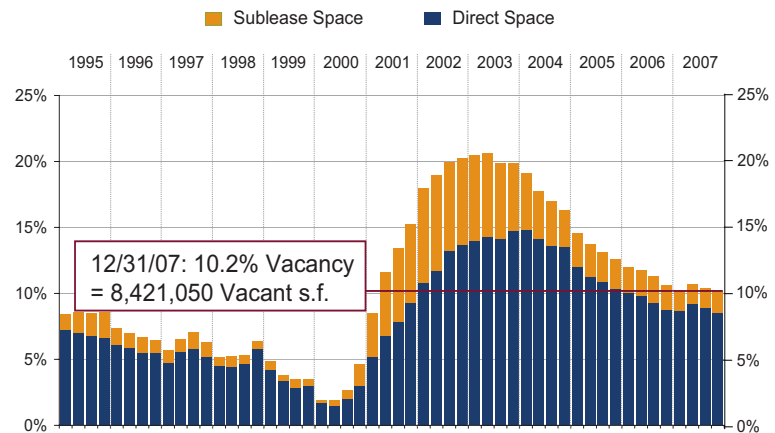
Net Absorption: A smattering of deals that closed just before year-end caused San Francisco office occupancy to increase 163,071 s.f. in Q4. Net absorption totaled 740,020 s.f. for the full year. These less-than-robust numbers indicate a slowing market, as shown below.

Rental Rates: This is a time of flux. Rents have stopped skyrocketing like they did from 2005 through the first half of 2007. Most rents have leveled off; some rents may have declined.

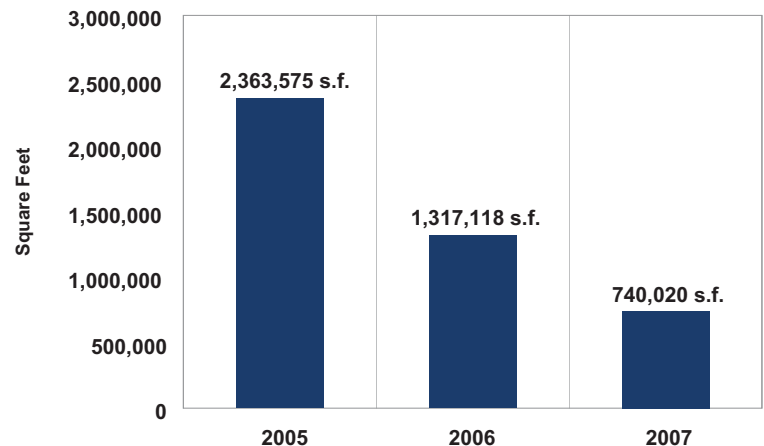
Trends: Demand for San Francisco office space is decreasing although it is still positive. Tenants and landlords are both cautious about the economy. At this writing it is nearly impossible to pick up a newspaper without seeing someone predict a recession. In addition, new supply will come on the market in 2008 and 2009, which should help foster tenant-favorable conditions. One possible exception: "tech" companies are still moving to, and expanding in San Francisco. Many of these companies are drawn toward class-B space with exposed ceilings. Such space is in short supply and high demand.

Recommendation: Rents will not increase materially until the local economy heats up, and that is not imminent. If the doomsayers are right, the economy could get worse, which would cause rents to fall. Advice to tenants: monitor this market very carefully – there is still a chance the economy could bounce back sooner than some predict – but right now it looks like rents are likely to decline. If you are able to do so I recommend postponing a real estate commitment to allow for the possibility of lower rents to come.

San Francisco Office Vacancy



Net Absorption of San Francisco Office Space (= Change in Occupancy)



Frank Fudem:

- Represents office tenants exclusively. He does not accept listings from landlords.
- Emphasizes long-term commercial relationships. Repeat clients and referrals comprise 70 % of his practice.
- Has represented office tenants in millions of square feet of successful transactions. He has probably represented more tenants in more transactions in San Francisco than any other broker.
- Would like to use his real estate expertise to help your enterprise be more successful.

When you foresee a real estate need please contact:

Frank Fudem

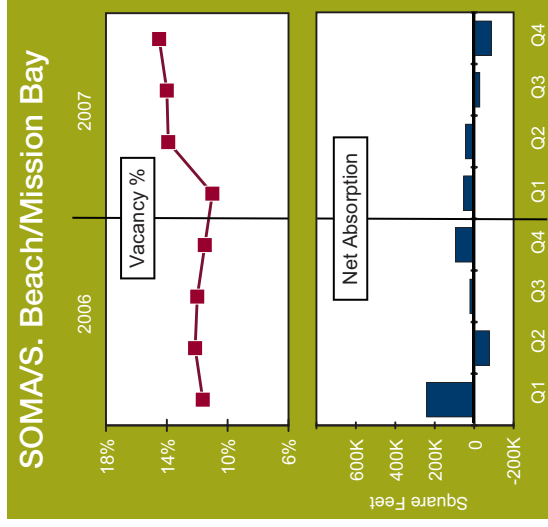
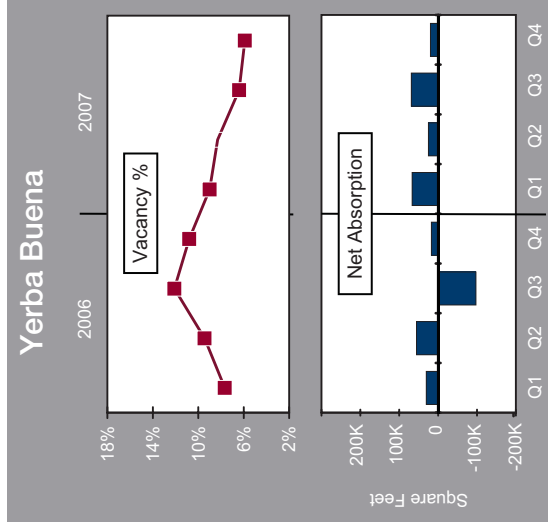
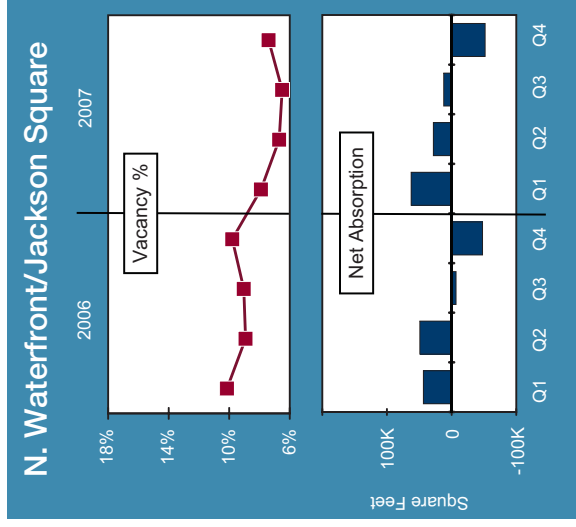
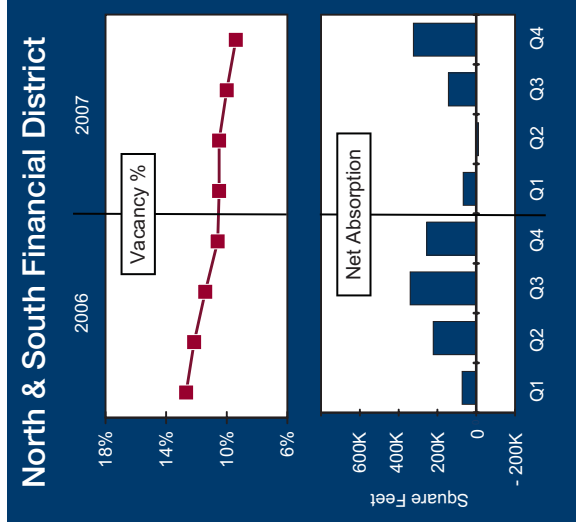
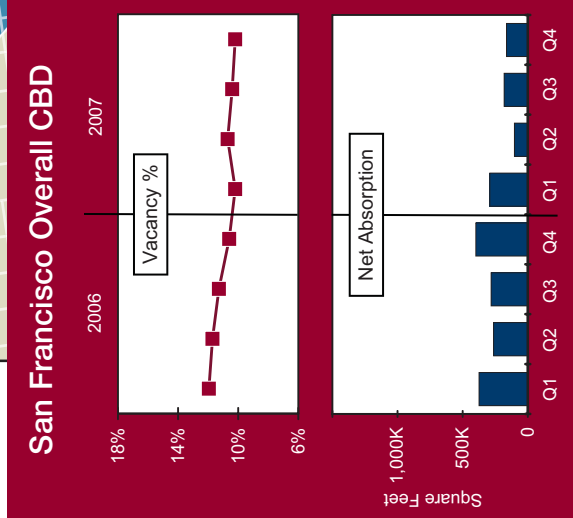
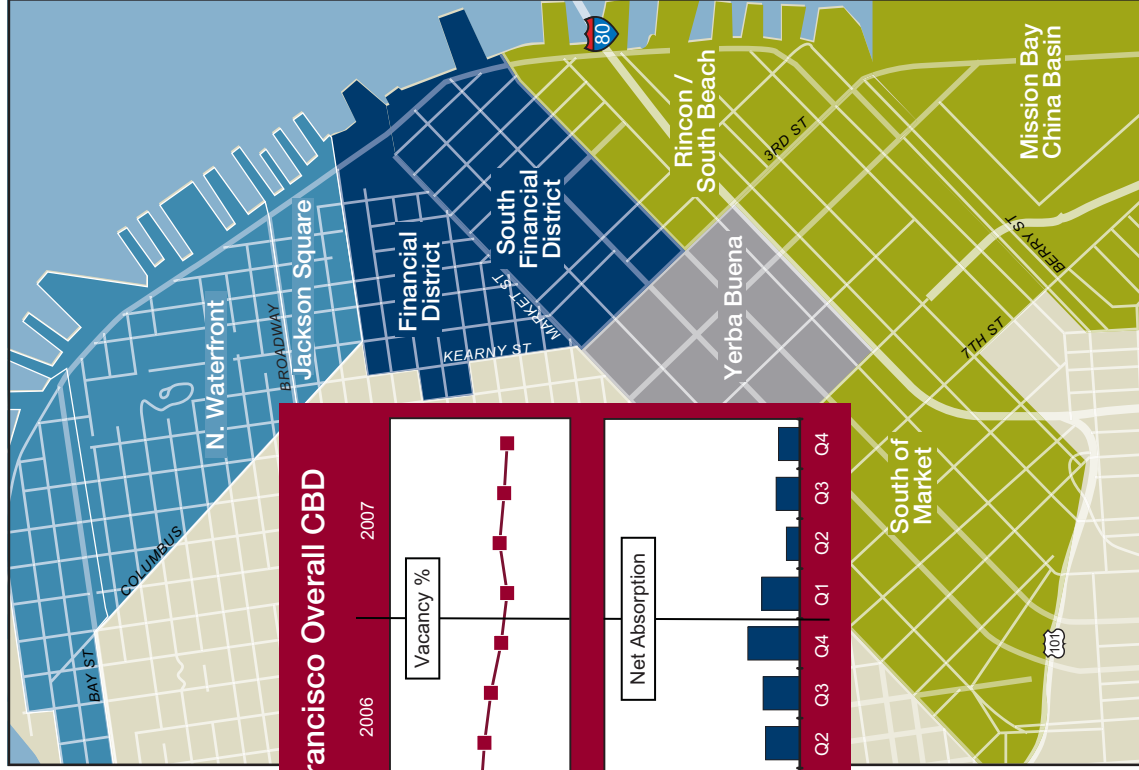
Senior Vice President

201 California Street, Suite 800 ■ San Francisco, CA 94111
415-677-0455 ■ ffudem@naibt.com

Vacancy and Net Absorption by Submarket

Net Absorption = Change in Occupancy

Frank Fudem
Senior Vice President
Corporate Real Estate Services
NAI BT Commercial
415- 677-0455
ffudem@naibt.com



Frank Fudem represents corporate tenants in office space transactions. When you foresee a real estate need please contact:

Frank Fudem
Senior Vice President
NAI BT Commercial
201 California Street, Suite 800
San Francisco, CA 94111
415- 677-0455
ffudem@naibt.com