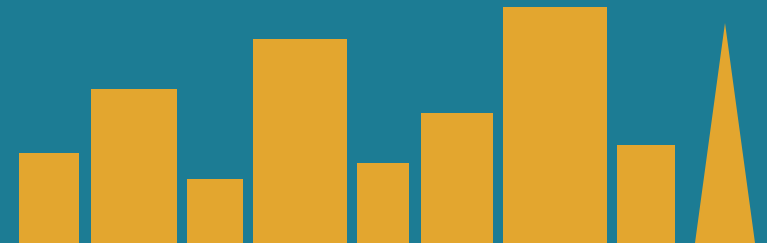


COMMERCIAL LEASING SPECIALIST | OFFICE OF SMALL BUSINESS

San Francisco Commercial Leasing Trends

*Office & Retail Market Insights, Cross-Source Data Findings,
and OSB Small Business Leasing Team Impact — FY 2025–26*

Prepared for OSB Small Business Commission — September 2026



Five Things To Note



Retail's best vacancy since 2023 — but the average hides the story

Citywide retail vacancy fell to 5.8%, yet Union Square (20%+) and thriving corridors like 24th Street tell opposite stories.



Data sources disagree — by up to 290 basis points

Office vacancy for the same quarter ranges 27.2%–30.1% depending on provider.



Small business detail is the biggest blind spot

No report tracks deal terms, TI packages, or neighborhood-level activity for the small-tenant deals that make up the majority of transactions.



Every corridor is running a different playbook

Union Square (public-private funds), Fillmore (philanthropy), Japantown (cultural district), Mission (safety-first stabilization).

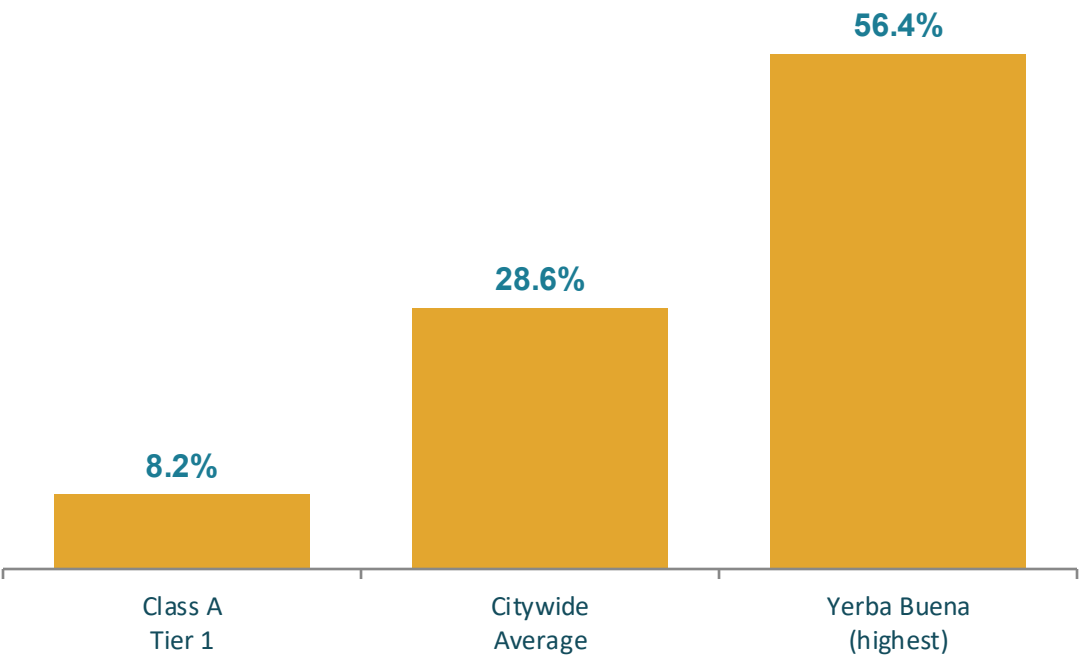


OSB is already closing the gap the market data can't see

78 lease signings this FY (+47% YoY), ~13.4% of all leasing activity, and \$20M in signed/renewed lease impact.

AI Demand Is Reshaping a Two-Tier Market

VACANCY BY BUILDING TIER (Q2 2026)



Class A/Trophy space in Mission Bay & South Financial District is nearly full while commodity Class B/C space sits at record vacancy.

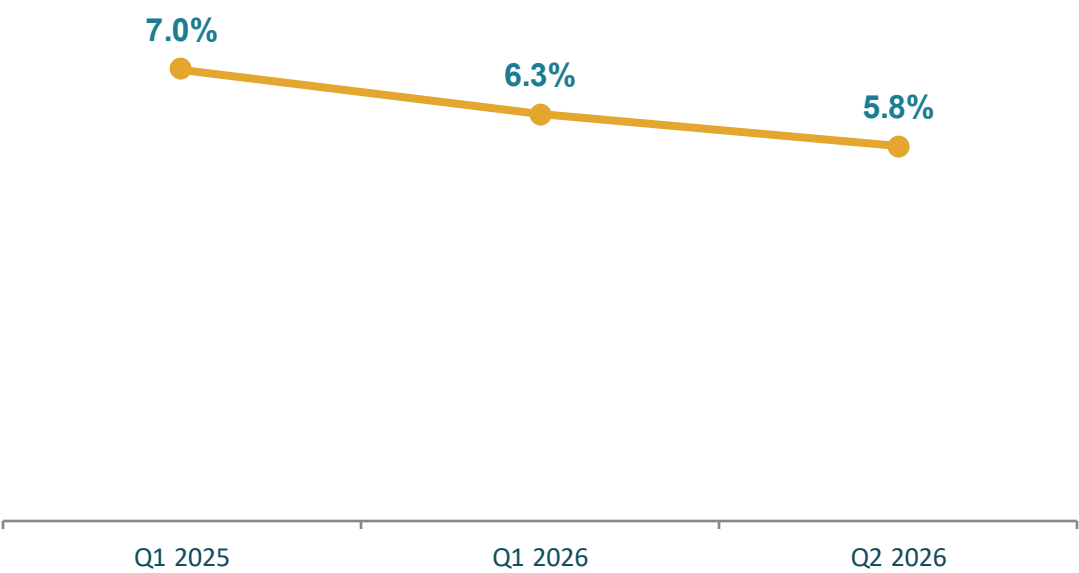
 **47%**
of all new H1 2026 office leasing driven by AI companies

 **\$106.97**
PSF asking rent for Class A Tier 1 — a 37% premium over the broader CBD

 **502K SF**
City & County of SF's own 1455 Market St. expansion — the single largest lease of the quarter

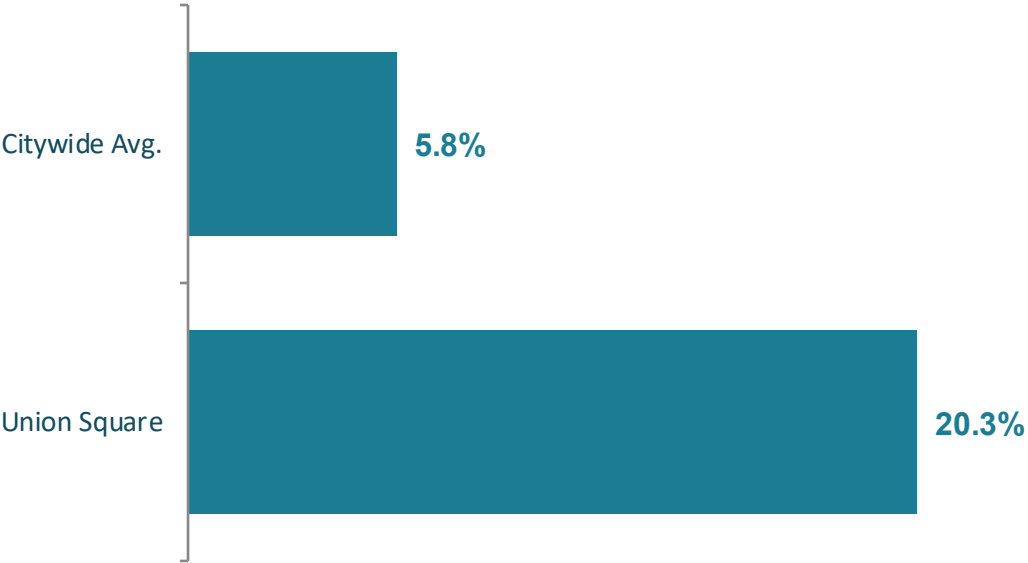
Retail's Best Vacancy Since 2023 — On Average

CITYWIDE RETAIL VACANCY TREND



Lowest reading since Q2 2023 — driven mainly by a near-frozen construction pipeline, not a broad demand surge.

DOWNTOWN vs. CITYWIDE AVERAGE



A single citywide number hides a large downtown/neighborhood divide — see corridor profiles, next.

Four Corridors, Four Different Playbooks



Union Square

20.3% vacancy

Public-private capital: expanded “Vacant to Vibrant” pop-ups + a new \$25M Downtown Business Fund.



Fillmore Street

Legacy corridor, rebuilding

Philanthropic capital: \$100M Upper Fillmore Revitalization Project buying and below-market leasing key parcels.



Japantown

Thriving, but fragile

Cultural District programming + JCBD's pandemic-era Resiliency Fund; now recruiting the next generation of owners.



Mission / Calle 24

24th St. outpacing Mission St.

Safety-first stabilization on Mission St. (vending moratorium + alternative marketplaces) paired with Calle 24 cultural programming.

OSB Leasing Team — FY 2025-26 Results

78

commercial lease signings

+47% vs. prior fiscal year

190

lease & LOI reviews completed

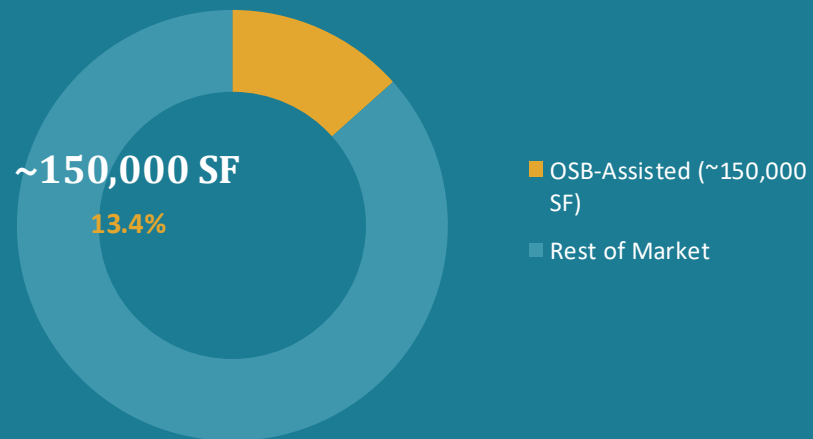
direct technical assistance

\$20M

in signed & renewed lease value

economic impact across SF

OSB'S SHARE OF CITYWIDE RETAIL LEASING ACTIVITY



OSB-assisted businesses leased roughly 150,000 of the ~1.12M SF of retail space leased citywide this fiscal year — a direct, trackable share of the market.

Since the start of this fiscal year: 17 leases signed and 11 in the pipeline.

Unlocking Space & Funding Across Departments



SF MOHCD

Expanding funding support for nonprofit ground-floor commercial space.



SF Film

Supporting businesses connected to San Francisco's growing film and production industry.

Sustainability, Outreach & Program Support



SF Environment / SFPORT

Exploring new incentives that support sustainable and green industries.



SF Library

Partnering on citywide Small Business Week programming.



SF CED

Collaborating on grant programs and corridor-level business support.

Citywide Real Estate Working Group



Citywide Partners

OEWD, PUC, MTA, PORT, Rec & Park, Administrative, Airport, and RED.

Quarterly coordination to align on shared real estate priorities and improve transparency for small business owners.

Community Partners Extend Our Reach



Merchants Associations • CBDs • CDFIs • Renaissance Center • LCCRSF • SF Chamber of Commerce • Non-profits

OSB's leasing team retains relationships with these groups to offer commercial leasing guidance and receive referrals.



Workshops & Presentations

OSB leads strategic commercial leasing conversations and offerings to partner organizations and departments through meetings, workshops, and presentations.



Referral Pipeline

Partner organizations refer entrepreneurs directly into OSB's leasing process, extending our reach well beyond city channels alone.

What We're Seeing on the Ground



Interest doesn't always mean readiness

A significant number of entrepreneurs are still seeking space, but demand for grants remain high — grant interest is stimulating activity, though it doesn't always correlate with qualified, lease-ready businesses.



Geographic preference

Small business leasing demand skews toward the central and western parts of the city for more affordable spaces.



Common industries seeking space

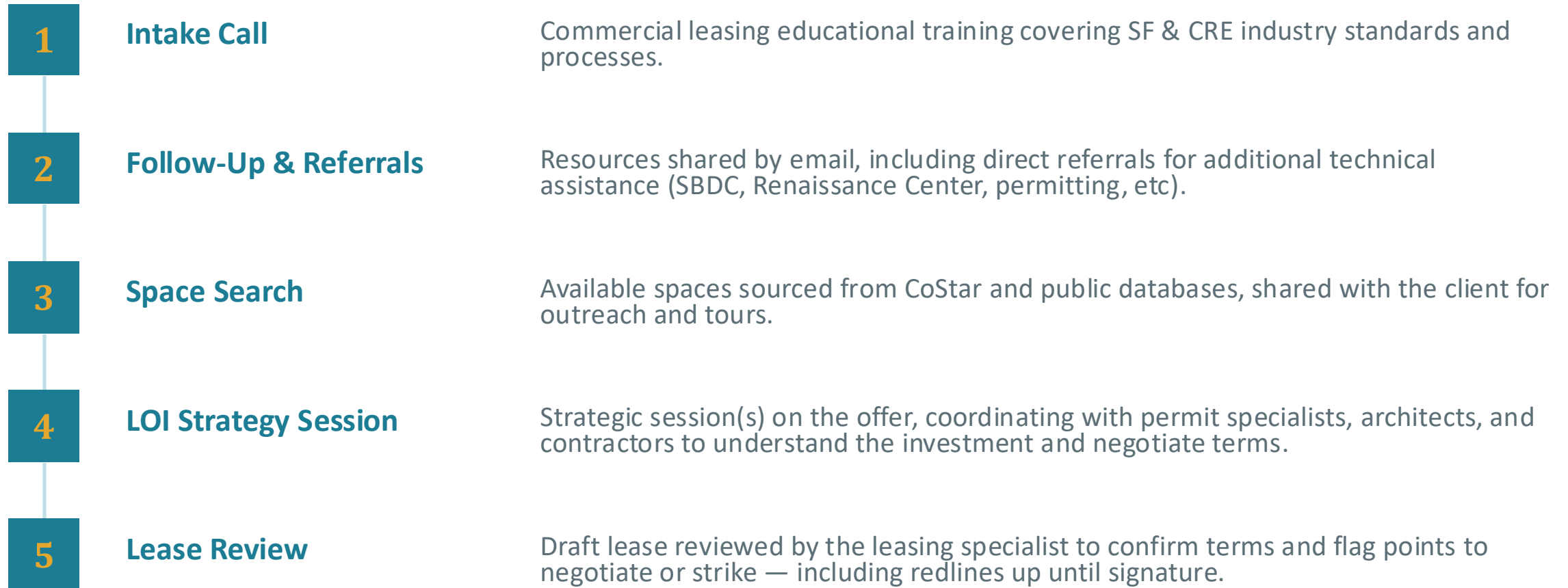
Fitness, health & wellness, community spaces (bookstores, writing studios, ceramics studios), and food & beverage remain the dominant categories.



Street conditions matter

Conditions in certain neighborhoods make it difficult for existing businesses to sustain or grow — and for vacant spaces to attract suitable tenants.

The Client Journey



Clauses That Typically Challenge Tenants



Sublease / Assignment

Some leases quietly route sublease/assignment proceeds to the property owner. OSB advises striking these terms so only the rent surplus during a sublease is split with the owner.



Personal Guarantee

Present in nearly every lease that comes through post-COVID. Some tenants can negotiate a shortened or rolling guarantee tied to on-time payment performance.



Option to Renew

Most recently seen – a one-way clause: the owner sets a Fair Market Rental Value with no room to negotiate — decline it, and the lease terminates. OSB advises against this structure.



Maintenance Responsibility

Ensuring responsibility for repairs and upkeep is clearly and reasonably assigned between tenant and property owner.

Supporting Existing Businesses



The leasing team assists existing businesses navigating challenges with their property owner — performing a full analysis of the lease to understand legal rights and strategically advise steps to remediate the situation.

This includes understanding the charges allowed by the lease, processes with maintenance and responsibilities of the space, and procedures with notifications and notices.



The missing piece: legal & mediation services

Legal and mediation services that once existed are gone. Without the ability to mediate or legally advise, tenants are seeing more challenges resolving their issues without being taken advantage of.

Exciting Businesses in the Pipeline



Family Entertainment Concept

A large family entertainment space seeking to locate near Mid-Market. With only 5 locations nationwide, an SF opening is a particularly exciting prospect.

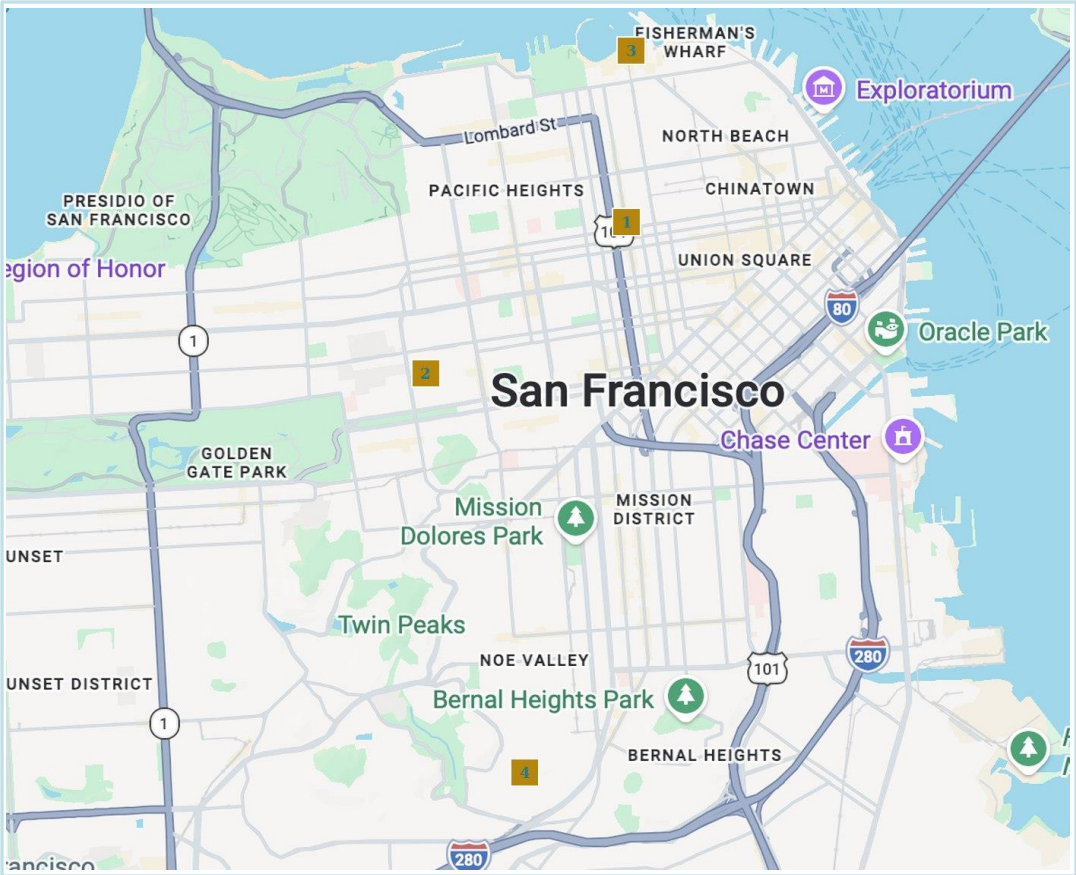


TV/Film Equipment Rental Company

A large TV/film equipment rental company. Their SF lease signals more upcoming activity in the TV and film industry — contributing to broader economic growth.

Many more exciting small businesses are in the pipeline, searching for a home within San Francisco.

Recent Openings We're Excited About



Numbered pins correspond to the list at right.

- 1

Le Mil's Coffee

1330 Polk Street

SPACE SEARCH • PERMIT SUPPORT

 - Extensive leasing support with space search and multiple space LOI negotiations.
 - Permit support through the office team.
- 2

Sol Bakery

1696 Hayes Street

LOI • LEASE REVIEW

 - Leasing support through LOI and lease review.
- 3

Bunny Cafe SF

1327 Columbus Ave

LOI • LEASE NEGOTIATION

 - Detailed LOI and leasing support.
 - In-depth lease language review and negotiation suggestions to protect the tenant's interests.
- 4

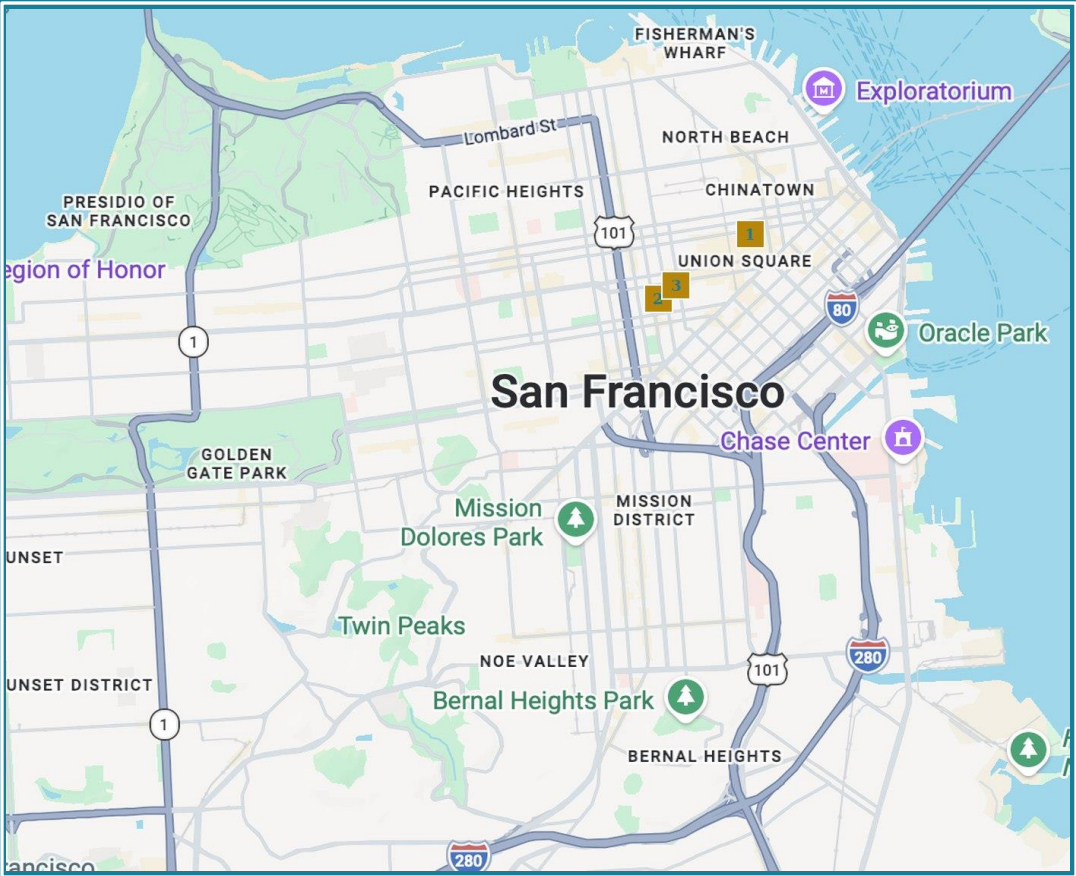
Crescendo Music Studios

683 Chenery Street

SPACE SEARCH • PERMIT SUPPORT

 - Space search, LOI/leasing support, and permitting support.

Openings Partnered With Grants



Numbered pins correspond to the list at right.

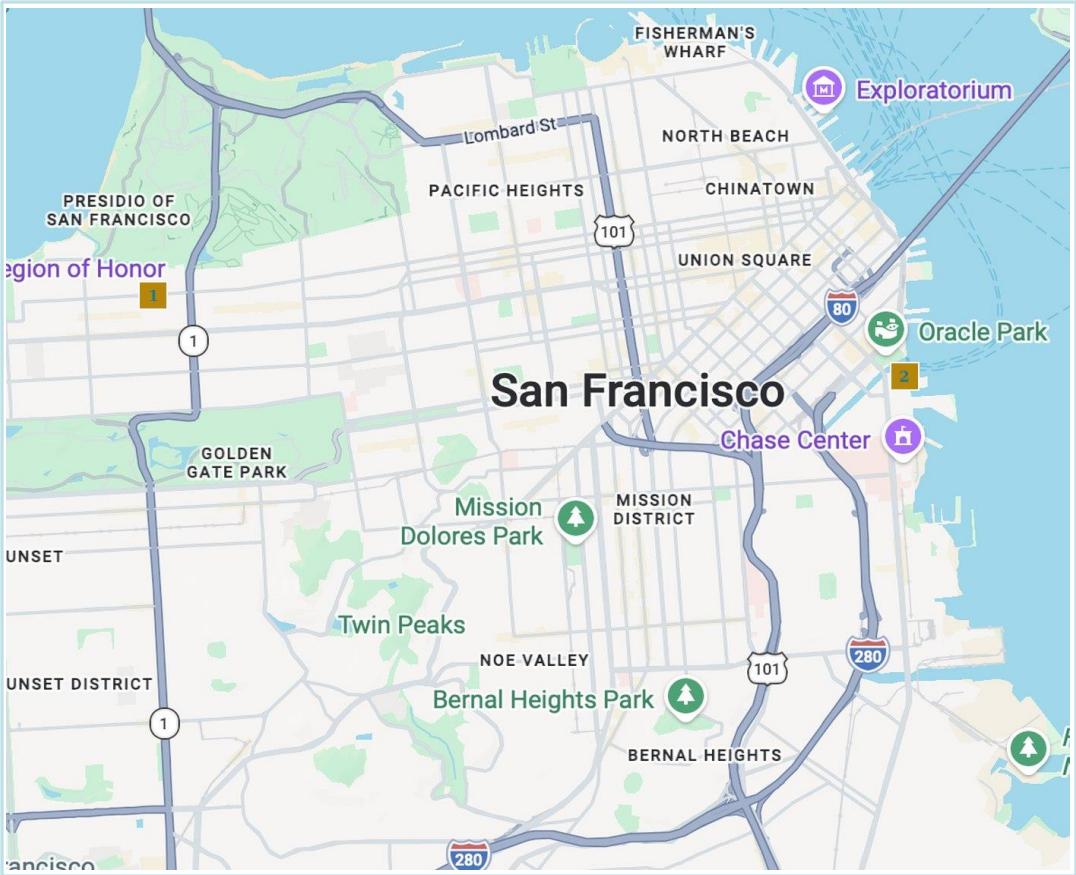
- 1

McMullen (Union Square Flagship)
135 Maiden Lane
LOI • RADIUS CLAUSE NEGOTIATION
 - Strategic LOI and leasing review and support.
 - Radius clauses modified and struck due to an existing location in Pacific Heights.
- 2

Niebla
374 Golden Gate Ave
SPACE SEARCH • LOI • LEASE NEGOTIATION
 - Leasing services including space search, LOI, and lease negotiation support.
- 3

Sheba Store
318 Turk Street
SPACE SEARCH • LOI • LEASE NEGOTIATION
 - Space search, LOI, and lease negotiation support.

Upcoming Openings to Watch



Numbered pins correspond to the list at right.

- 1

Arballo And Object

1551 Clement Street

MULTI-YEAR LEASE SUPPORT

 - Multiple years of space search, LOI negotiation, and lease reviews.
 - A cafe featuring teas sourced from Japan alongside vintage and curated clothing.
- 2

Baatein

Mission Rock

LOI • LEASE NEGOTIATION

 - In-depth LOI and lease negotiation and review support.
 - An elevated Indian dining experience.

Where This Leaves Us

- 1 The market data confirms real momentum — but citywide averages consistently mask which corridors and which businesses actually benefit.
- 2 OSB's leasing team is already generating the small-tenant detail the commercial reports can't: 78 signings, \$20M in impact, and a 13.4% share of citywide retail leasing this fiscal year.
- 3 Deepening our department partnerships — and closing gaps like CDBG eligibility and legal/mediation support — is the clearest path to scaling that impact further.

Thank you — questions welcome

