



Century | Urban

**Strategic
Real Estate
Advisory Services**

Third Party Review

Presented to:

Port of San Francisco

February 12, 2026



PARAMETER RENT REVIEW

TO: Port of San Francisco
FROM: Century | Urban
SUBJECT: Third Party Review
DATE: February 12, 2026

Summary

The Port of San Francisco (“the Port”) has engaged Century | Urban to support the review and update of minimum rental rates (“Parameter Rents”) for leasing the Port’s commercial real estate portfolio. Parameter Rents reflect the rates at or above which Port staff may lease properties for up to five years without the need to obtain additional approvals. Parameter Rents are typically updated annually to keep them consistent with market conditions; however, the last Parameter Rent update occurred in Fiscal Year 2023-2024.

Analysis Qualifications

Century | Urban’s review is based on market information available at the time of this review and on information provided by Port staff. Market information included market research reports, CoStar reports, reports of completed lease transactions, and discussions with market participants, among other sources.¹ Century | Urban toured a representative selection of Port properties, selected by Port staff, to assess physical property configurations and conditions. In general, Century | Urban relied upon Port staff’s characterizations of specific buildings and their associated leasing demand and activity.

General Background

As of 2023, the latest data available, the Port’s real estate portfolio comprised 629 acres of land and 205 acres of marine structures and leasable submerged land. The leasable building or land area on this property totals 31.9 million leasable square feet, and as of June 1, 2023, 22.5 million square feet were subject to leases and contracts. Approximately 7.2 million square feet of the leasable area is ground-leased to master tenants, while approximately 15.3 million square feet is directly managed by the Port Real Estate and Development Division or the Maritime Division.

¹ All rental rates are presented in nominal, unadjusted dollars.



Since the COVID-19 pandemic, and in line with recent general commercial real estate trends in San Francisco, leasing the Port’s commercial real estate has been more challenging than in prior years. Certain desirable submarkets and product types have recovered most of their Covid-era losses, but many properties and areas still exhibit elevated vacancy and lower rent than in 2019.

Many Port properties offer tenants excellent views and attractive locations within San Francisco. However, the Port does not provide tenant improvement allowances, and, except for some small office and shed spaces, does not provide turnkey space of the type available from many private landlords. With limited exceptions, the Port does not engage brokers to lease its properties or pay leasing commissions to brokers representing tenants seeking spaces to lease. As a result, many prospective tenants or their representative brokers may not be aware of available Port properties, and many representative brokers may not present or prioritize Port spaces with their clients.

Status of Port Leasing Activity

Over the last seven fiscal years, the Port completed the fewest lease agreements in fiscal year 2025 (July 1, 2024-June 30, 2025). As shown in the chart below, the annual rent for new agreements in fiscal year 2025 was also among the lowest during this period.

Leasing Activity Summary	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Number of New Agreements	76	84	79	50	67	52	49
Square Footage	2,527,013	1,547,083	1,026,508	515,797	708,967	621,016	3,967,740
Annual Rent - New Agreements	\$2.9M	\$13.4M	\$4.7M	\$7.6M	\$6.4M	\$10.8M	\$5.5M

Source: Port of San Francisco
SF Port's fiscal year is July 1 to June 30.

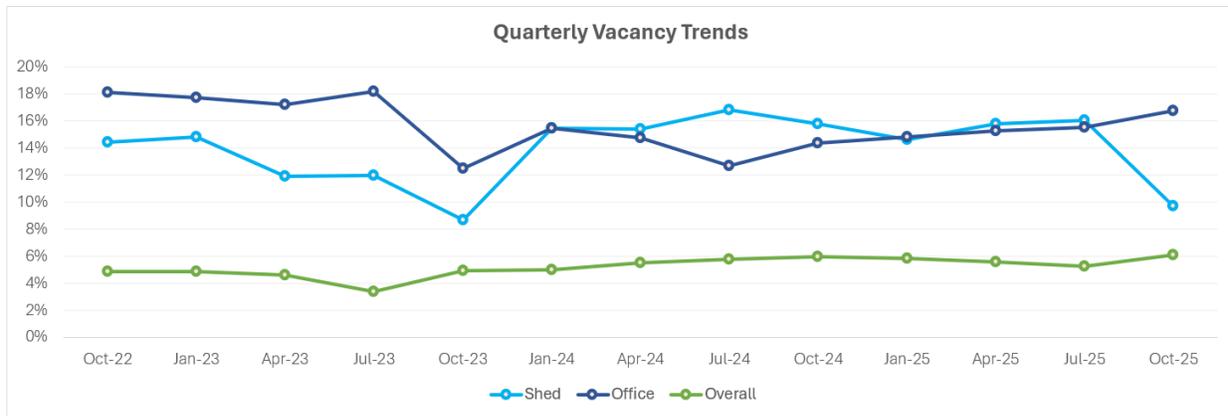
However, in July of 2025, the Port did complete at least one large new lease by square footage. This was the master lease of Pier 29 to CAST at Large, LLC for the management of over 100,000 square feet of shed space. This lease reduced the Port’s shed vacancy as of the most recent quarter, as reflected below.

Rental Rate Comparison/Disclaimer

The rental rates presented in this report represent general average asking rates for each product type as reported in data sources that track commercial real estate in San Francisco. These rates are presented as an indication of how supply and demand for various types of commercial real estate within the City have changed over time. However, the rental rates summarized in the market data described below do not correspond to any specific building tracked by the data sources, nor do they correspond to rates applicable for a specific Port property or building. Parameter Rents for Port buildings may take into account average market rental rates but should



also incorporate submarket- and building-specific factors such as demand for specific buildings, location, building and unit quality, extent of improvements, tenant type, tenant term, leasing incentives, building occupancy, and whether additional costs are borne by tenants such as building operating expenses. As a result, market rental rates described in this report should not necessarily be applied directly to or treated as comparable to rental rates at any specific Port property.



Source: Port of San Francisco

Market Conditions in San Francisco

I. Industrial

With a limited supply of industrial land and buildings, San Francisco’s industrial real estate has generally maintained low and stable vacancy rates during the last three decades for which data is available. However, in 2025, for the first time since CoStar began tracking vacancy in 1997, average vacancy rates for Class B and Class C industrial warehouses exceeded 8%, while industrial rents continued to fall and are currently as much as 25% below peak rates during the 2018-2022 period. The most challenged industrial segments have been “flex” and manufacturing space, but rates and occupancy rates for distribution and logistics space have also materially declined from prior peaks.

As of 2023, the Port directly managed approximately 1.6 million square feet of Class B and Class C industrial warehouse space. As shown in the chart above, shed vacancy at the Port has exceeded 14% for much of the last three years but recently declined to approximately 10% in the most recent quarter. This recent decline contrasts with the broader market, where vacancy rates remain above 2023 levels.

Industrial – Market Inventory, Vacancy, and Absorption

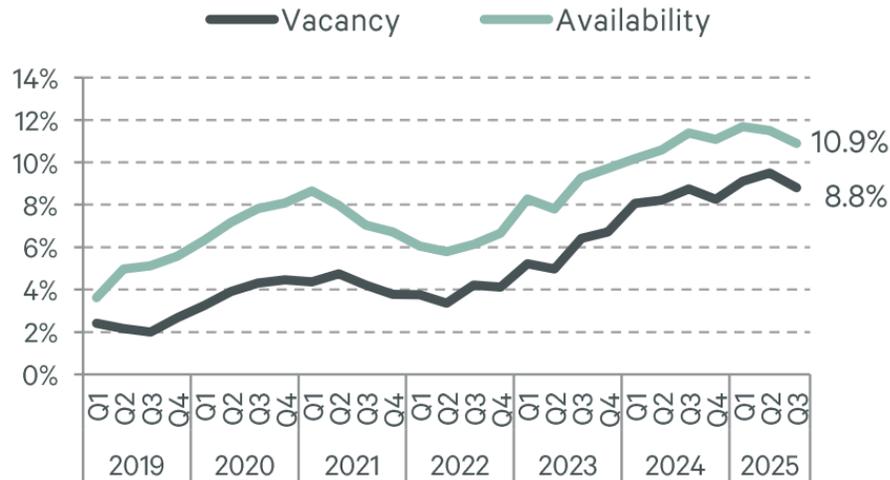


Assessments of San Francisco’s industrial market and market performance vary across data sources. For example, CBRE tracks approximately 22 million square feet of industrial real estate inventory in the City, while CoStar tracks approximately 28 million square feet of inventory. Such differences may result from whether a building is considered industrial, the minimum building size tracked by the research organization, or the available data during a given quarter.

Estimates of San Francisco’s industrial vacancy for the third quarter of 2025 range from 7.5% to 9% overall, depending on data source, with relatively higher vacancy in Class C industrial and manufacturing space.

While industrial leasing activity has held reasonably steady since 2020, overall net absorption for San Francisco’s industrial real estate has been negative during this period, and vacancy rates have increased in all classes of industrial buildings. Class B vacancy has increased from a range of 3% to 4% in 2020 to 7.5% to 9% in the second half of 2025. “Availability”, which includes space that may be occupied but is available for lease or sublease, has generally run about 2% above vacancy, indicating that the total amount of industrial space available for lease or sublease in San Francisco is 9.5% to 11%.

FIGURE 6: Vacancy & Availability



Source: CBRE Research, Q3 2025

Most data sources indicate that the upward vacancy trend and negative net absorption moderated slightly in the second half of 2025, though it is unclear if this represents a lasting

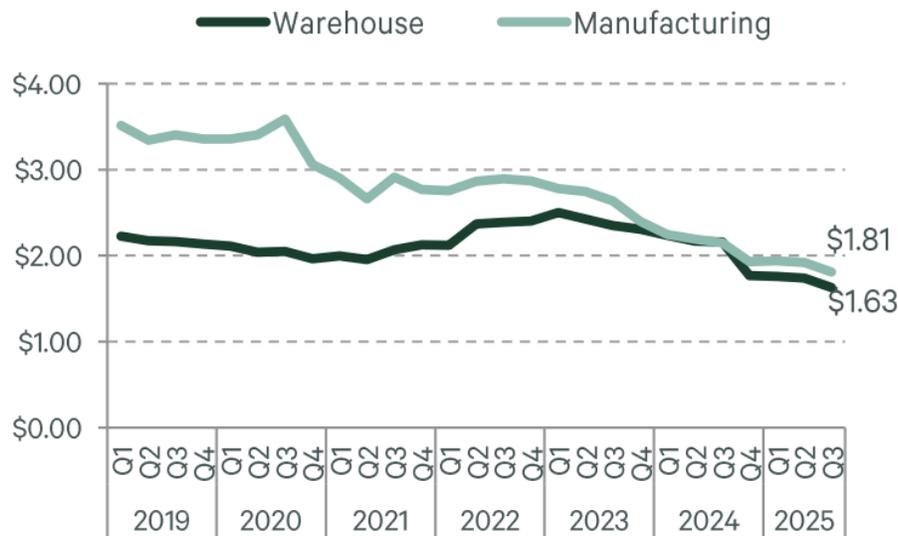


directional change or a brief moderation, similar to a brief moderation that occurred in the second half of 2024.

Industrial – Rental Rates

According to CBRE, average industrial rental rates for manufacturing have been in continuous decline since 2019, while rental rates for warehouse space have been in decline since 2023. CBRE estimates that the current average direct asking rate for manufacturing space as of the third quarter of 2025 is \$1.81 per square foot industrial gross, and for distribution space, is \$1.63 per square foot industrial gross. These rental rates represent, depending on the product type, a decline of over 30% in industrial rental rates since the last Parameter Rent market review report. However, it should be noted that certain Parameter Rents approved by the Port in 2023 may have been below market at that time, and thus a proportionate decrease may not be appropriate for such Parameter Rents. Also, as previously noted, the warehouse rates described below do not necessarily correspond to any specific building or space in the market or to any specific Port building or space.

FIGURE 5: Average Direct Asking Rate



Source: CBRE Research, Q3 2025

Average market asking rental rates shown for trend purposes only

Industrial – Lease Rates for Land



Lease rates for available industrial land depend on the parcel size, whether the parcel is paved, fenced, and lit, whether it includes heavy power, a building or other amenities. Given the limited number of leases and available parcels, rates for industrial land were surveyed in San Francisco, Brisbane, and South San Francisco. Current rates range between approximately \$6.00 per square foot, gross, per year for unpaved ungraded land in less infill areas to up to approximately \$22.00 per square foot gross for a fenced paved lot with a small building and heavy power in a more infill area. Landlords generally prefer, and may incentivize, leases with larger tenants that require less management than multiple leases with small tenants.

Industrial – Submarkets

Industrial rental rates and occupancy vary by submarket, with the lowest rental rates in the Bayview / Hunter’s Point submarket and the highest rental rates in the Showplace Square submarket. The data shown in the table below represent the overall San Francisco industrial market including Class A space and rental rates.

Submarket	Net Rentable Area	Vacant SF	Vacancy Rate	YTD 2025 Net Absorption	Avg Direct Asking Rate IG Monthly
Bayview / Hunter’s Point	7,523,682	882,007	11.7%	(254,918)	\$1.45
Mission Bay / China Basin	3,206,937	221,202	6.9%	53,949	\$1.91
Mission / Potrero	8,049,046	436,451	5.4%	(33,253)	\$1.86
Showplace Square	864,793	115,831	13.4%	(44,240)	\$2.33
South of Market	2,268,235	275,456	12.1%	108,408	\$1.91
San Francisco Total Market	21,912,693	1,930,947	8.8%	(170,054)	\$1.68
Warehouse	18,736,402	1,455,395	7.8%	(217,835)	\$1.63
Manufacturing	3,176,291	475,553	15.0%	47,781	\$1.81

Source: CBRE Research, Q3 2025

Industrial – New Construction

Aside from 40,000 square feet reportedly under construction at Pier 70, CBRE tracks no other industrial construction in the third quarter of 2025 and no construction completions since 2020. CoStar has not reported any industrial construction since 2021. In the fourth quarter of 2025, however, entitlements for development of Prologis’ “SF Gateway” project were approved. This project involves the construction of two industrial buildings totaling more than 1.6 million square feet on 17 acres near Kirkwood Avenue and Rankin Street.

Industrial – Leasing Terms



Leasing terms for San Francisco industrial space vary by building or land type and characteristics, location, tenant size, lease term, and other factors.

In general, highly specialized buildings, flex buildings with significant office space, or older buildings that are physically obsolete may exhibit higher vacancy and lower rents. Currently, AI, drone, and robotics companies are driving demand for smaller industrial spaces.

- **Lease Terms** - Generally, lease terms are three to five years; however, landlords with smaller spaces may lease spaces under 10,000 square feet to start-up companies for shorter terms such as one year when economically viable.
- **Rent Abatement** - Typically, 0 to 1.5 months of free rent per year of term.
- **Delivery Conditions** - Spaces are typically delivered in broom-clean condition.
- **Tenant Improvements** - For spaces under 10,000 square feet, landlords generally do not offer significant, if any, tenant improvement allowances, if the space is functional for the tenant's use. For larger spaces, tenant improvement allowances can range from \$10-\$20 per square foot, or even greater amounts depending on the use type, space quality, degree of office space in the leased unit, lease rate and lease term, among other characteristics.
- **Leasing Commissions** - Depending on the building type, landlords may pay 6% for the first five years and 3% for the second five years of any term, split between landlord and tenant brokers. For other buildings, primarily those with larger office components, landlords pay \$1.50 to \$3.00 per square foot per year and up to \$30 per square foot total to tenant representative brokers and \$0.75 up to \$1.50 per square foot per year and up to \$15 per square foot total for landlord brokers.

Industrial - Recommended Leasing Incentives

Given more difficult market conditions in the industrial market compared with the past, the Port may face challenges maintaining its occupancy due to increased competition and reduced demand. Currently, the Port provides the following leasing incentives for shed space:

- For buildings with at least a three-year lease term:
 - ½ month free rent for each lease year
 - Ramp up lease rates at 70%, 80% and 100% of Parameter Rent
- For land transactions with minimum premises of 43,560 square feet and a minimum term of 36 months, a 5% discount

The following 2025/2026 revised leasing incentives are provided for the Port's consideration:



- For any building space that has not been leased in 9 months or with greater than 30% vacancy, provide up to 1/2 month of free rent per lease year.
- For any open land that has not been leased in 9 months, provide up to one month of free rent per lease year.
- Consider engaging a leasing broker to represent any buildings or spaces of significant size or value.

Industrial - Telecom

The Port's industrial portfolio includes telecom leases. Market data over time was not available to assess the 2023 Parameter Rents for telecom leases. To the extent that Port sites are highly occupied and in demand, it is recommended that the Port increase rents accordingly.



II. Office

Before the COVID-19 Pandemic, San Francisco's office market experienced strong demand, achieving low vacancy rates, and historically high rental rates. However, since 2020, San Francisco's office market has experienced substantially higher vacancy due to remote work and hoteling trends, as well as company relocations. CoStar's San Francisco office vacancy rates are at their highest levels since CoStar began tracking vacancy data in 1997.

While Port property includes multiple Class A office buildings, these buildings are located on property master-leased and managed by third parties. Port staff directly manage 330,000 square feet of office space, which comprises approximately 180,000 square feet in seven Class B buildings and approximately 150,000 square feet in seventeen Class C buildings. Vacancy at the Port's directly managed office buildings currently exceeds 16% and has been increasing since 2024.

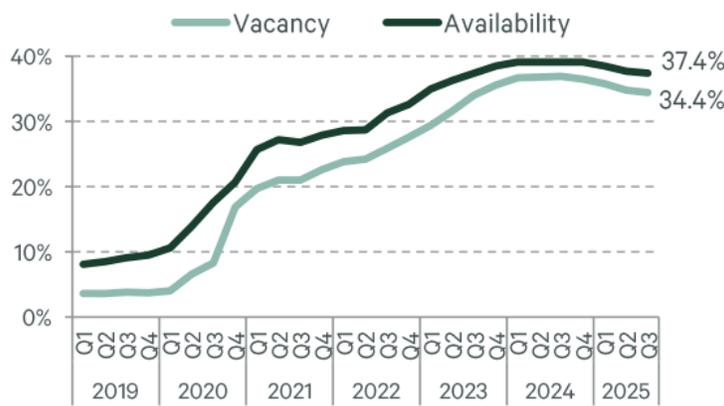
Office - Market Inventory, Vacancy, Absorption

Data sources tracking the San Francisco office market estimate the market inventory at approximately 90 to 105 million square feet of office space. Of this inventory, approximately 62 to 67 million square feet are classified as Class A space, 25 to 35 million square feet as Class B office space, and 6 to 7 million square feet as Class C office space. Current vacancy estimates for the City's overall office market range from 24% to 35%, with most sources reporting 30% to 35% overall office vacancy in the market. Reported vacancy rates vary by submarket and by product type, with several sources reporting similar Class A and Class B vacancy of approximately 30% to 35% and Class C vacancy of approximately 20% to 25%. Availability rates, which include space that is economically occupied but available for sublease, are generally higher than vacancy rates by approximately 2% to 4%.



Before the COVID-19 pandemic, vacancy rates fell as low as 5%, but negative net absorption from 2020-2024 caused a dramatic increase in vacant space. Depending on source, net absorption in 2025 through the third quarter ranges from approximately negative 900,000 square feet to positive 1.3 million square feet. The difference and range is likely due to how new large leases in specific buildings are tracked. Most sources suggest that gross leasing activity in San Francisco has exceeded 7 million square feet through the third quarter of 2025, which according to CoStar, is similar to the leasing activity level during the same period in 2019. In addition, vacancy and availability rates have begun to flatten and even dip slightly from peaks in 2024.

FIGURE 6: Vacancy & Availability



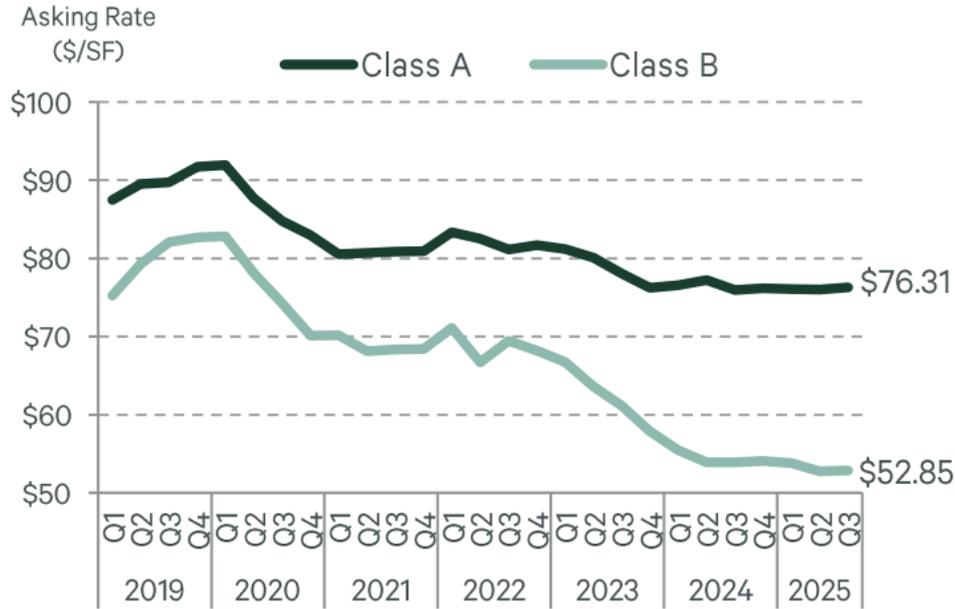
Source: CBRE Research, Q3 2025

Office - Rental Rates

Rental rates vary substantially by building class and location, but overall, rates have fallen since 2019. Average Class A asking rental rates have declined from the low \$90s per square foot full-service gross to the mid \$70s per square foot full-service gross, a reduction of over 15%. Average asking rental rates for Class B building have declined more substantially than Class A rental rates, from the low \$80s per square foot full-service gross to the low \$50s per square foot gross, a reduction of over 35%. Notably, according to CBRE, Class B rental rates have declined over 20% since the last Parameter Rent update occurred in 2023. However, it should be noted that certain Parameter Rents approved by the Port in 2023 may have been below market at that time, and thus a proportionate decrease may not be appropriate for such Parameter Rents. Also, as previously noted, the office rental rates described below do not necessarily correspond to any specific building or space in the market or to any specific Port building or space.



FIGURE 5: Lease Rates



Source: CBRE Research, Q3 2025

Average market asking rental rates shown for trend purposes only

Office - Submarkets

Rental rates and vacancy vary substantially by submarket. The data in the table below reflects the overall San Francisco market of which Class A space and rental rates are predominant. Thus, while indicative of relative submarket rental rates, the rates listed below are not directly applicable to the Port’s office properties.

Submarket	Net Rentable Area	Total Vacancy	Total Availability	YTD 2025 Net Absorption	Avg Direct Asking Rate FSG
North Financial District	27,544,934	31.9%	36.2%	336,743	\$72.34
South Financial District	25,711,337	31.6%	35.1%	502,038	\$74.92
North Waterfront/Jackson Square	6,261,119	28.4%	30.3%	32,600	\$65.79
South of Market	8,992,258	38.4%	42.9%	259,807	\$62.71
Yerba Buena	4,139,423	64.8%	64.8%	(199,580)	\$65.41
South of Market West	3,708,298	58.6%	58.6%	132,838	\$45.01
Mission Bay/China Basin	5,272,203	31.4%	31.4%	122,225	\$87.21



Potrero Hill	2,501,774	30.7%	31.5%	137,322	\$48.22
Civic Center / Van Ness	1,830,078	26.7%	26.7%	(1,053)	\$50.77
Union Square	3,886,075	26.2%	27.5%	21,290	\$52.37
San Francisco Office Market	89,847,499	24.4%	37.4%	1,344,230	\$68.96

Source: CBRE Research, Q3 2025

Office - New Construction

As of the third quarter of 2025, no office projects in San Francisco are under construction.

Office - Leasing Terms

Leasing terms for office space in San Francisco vary by location, building type, building amenities, tenant type, tenant credit, lease term, and many other factors. The terms below reflect common approaches that landlords in the market are offering to attract tenants.

Given the historically high vacancy, tenants and tenant representation brokers have many options for office space. As a result, lease terms have become much more favorable to tenants. In some cases, landlords are building out spaces and leasing to tenants at a net economic loss during the initial lease in the hopes of achieving a return on their investment from future leases. Some landlords are also providing significant economic incentives both to tenants and their brokers to compete for limited demand.

- **Lease Terms** - Landlords are more commonly accepting lease terms as low as 3 years, while still targeting 5-to-10-year terms.
- **Rent Abatement** - Typically, 1.0 to 1.5 months of free rent per year of lease term.
- **Delivery Conditions** - A built-out ready-to-use space is among the most important incentives that landlords are offering tenants. A large portion of current office demand is being generated by new technology companies not interested in or able to wait months for a space build-out. These companies are instead selecting spaces that are move-in-ready. This is especially important for smaller tenants.
- **Tenant Improvement Allowances** - To attract tenants to buildings with significant vacancy, larger landlords are offering up to \$10 and in some cases \$20 per square foot per lease year. This level of tenant improvement allowance reflects not only the fierce competition for new tenants but also current build-out costs in San Francisco.
- **Leasing Commissions** - Larger landlords are paying \$1.50 to \$3.00 per square foot per year and up to \$30 per square total to tenant representation brokers and \$0.75 up to \$1.50 per square foot per year and up to \$15 per square total for landlord brokers. Commission



rates have increased substantially since 2019. Higher brokerage fees are common in all classes of office buildings.

- **Security Deposits** - In general, landlords are still able to obtain reasonable security deposits.
- **Amenities** - To attract tenants, larger buildings are offering a variety of amenities including conference centers, lounges, fitness centers, bike rooms, showers, and lockers.
- **Other Incentives** - The most aggressive landlords are offering financial and other incentives for brokers and tenants to tour available spaces.
- **Subleasing** - Sublease space is typically leased at lower rents than landlord-controlled space. However, as time goes by, available sublease space is being absorbed. According to CBRE, such space is currently at approximately 60% of peak availability in early 2023.

Many of these marketing and leasing approaches are more applicable to Class A buildings with higher rents and larger footprints than the Class B and C buildings directly managed by the Port. However, the significant investments that landlords are making to generate occupancy are evidence of the need for creative and thoughtful approaches to compete for tenancy in the current high-vacancy environment.

Office - Recommended Leasing Incentives

Class B and C office properties continue to face challenging leasing conditions, which may make it difficult for the Port to maintain its occupancy. Currently, the Port provides the following leasing incentives for office leases:

- For three-year leases:
 - ½ month free rent for each lease year based on monthly rent to be paid during that year
 - Ramp up lease rates at 70%, 80% and 100% of parameter rate as escalated annually
 - A termination right for a fee equal to 1- month current rent multiplied by the number of years remaining on the lease (rounded to the nearest month) plus unamortized leasing incentives (defined as the total dollar value of the incentives divided by the months of the term multiplied by the remaining months of the term), plus reimbursement of Port costs for processing the termination.
- For four-year or five-year leases:
 - ½ month free rent for each lease year
 - Ramp up of lease rates at 70%, 80%, 90%, and 100% of Parameter Rent
 - The same termination right as for three-year leases
- Tenant improvement allowances for floor and wall coverings if those amounts do not result in net effective rent over the term of the lease below Minimum Net Effective Rental Rates (the net effective rent over the lease term including amortized rent credits for



flooring and wall coverings) listed in the Rental Rate Schedule. Allowances for paint (amended June 8, 2010 by Resolution 37-10) up to a maximum of \$3.50 per square foot, and floor covering up to a maximum of \$5.00 per square foot (amended July 10, 2012 by Resolution 12-52) are allowable when: 1) new paint and/or floor covering is necessary to lease space in full-service office buildings; and 2) Port staff is unable to perform such work prior to the proposed lease commencement date. These allowances are considered "landlord's work"; therefore, such work is not included in calculating the minimum Initial Lease Rental Rates (the gross rental rate for the first year of the lease).

The following 2025/2026 revised leasing incentives are provided for the Port's consideration:

- If a building is under 50% occupied before a new lease is signed, up to 1.5 months of rent abatement per year of lease term.
- If the building is between 50% and 85% occupied before a new lease is signed, up to 1 month of rent abatement per year of lease term.
- Consider engaging a leasing broker to represent any buildings or spaces of any significant size or value.



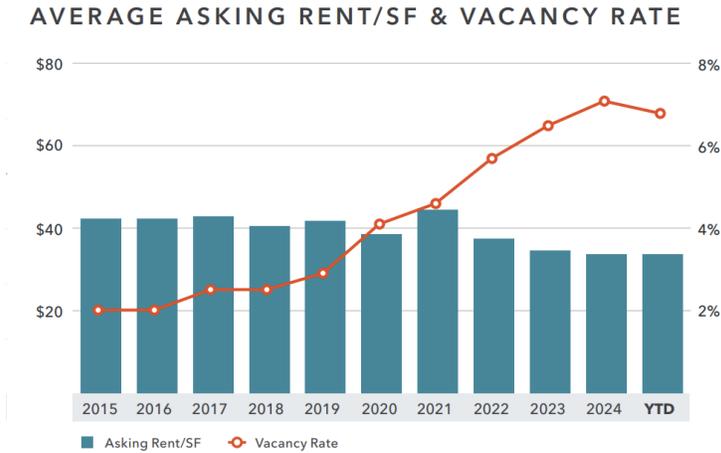
III. Retail

The data indicate improvements in San Francisco's retail landscape in 2025 as compared to 2024 and the recent post-Covid environment. According to Cushman and Wakefield's Retail Q3 2025 Marketbeat report, as of the third quarter of 2025, San Francisco's unemployment remained just below 4.0%, while median income climbed 3.6% year over year, and retail sales increased 4.3% year over year. Meanwhile, the San Francisco Travel Association reports that visitor spending in 2024 increased to \$9.66 billion from \$9.33 billion in 2023, \$7.76 billion in 2022, \$3.69 billion in 2021, \$2.85 billion in 2020, and \$10.29 billion in pre-pandemic 2019. According to the Maven retail brokerage's Fall Newsletter, conventions at the Moscone Center are expected to exceed 30 in 2025 versus 22 in 2024. This newsletter also reports that BART ridership at Embarcadero Station was up over 12% in September 2025 compared to September 2024, and the number of flights arriving at SFO increased 10.7% year over year.

Retail leasing and tenancy have evolved with the rise of e-commerce, which has decreased demand from many traditional retail tenants, such as apparel merchants, bookstores, electronics shops, and music retailers. Much of retail leasing now centers around service- and experience-based tenants including restaurants, cafes and bars, fitness studios, salons, medical clinics, dental offices, entertainment venues, and specialty wellness tenants with products not easily sold online. Consequently, multi-tenant retail venues have transitioned from a location for shopping to a blend of consumer destinations including shopping, services, food, and leisure with a tenant mix that maintains or promotes foot-traffic.

Retail - Vacancy, Leasing, and Rental Rates

San Francisco's retail vacancy rate is estimated to be approximately 6.75% to 7.25%. After five years of negative net absorption from 2020 to 2024, Kidder Matthews reports positive absorption of approximately 170,000 square feet in the first three quarters of 2025. Kidder Matthews also reports over 500,000 square feet of gross leasing activity in San Francisco in 2025 through the third quarter with total 2025 leasing activity on track to exceed 2023 and 2024. However, overall retail asking rental rates in San Francisco have been in decline since 2021. In the third quarter of 2025, Kidder Matthews reports average asking rental rates of \$33.65 per square foot triple net, an approximately \$10 per square foot decline in rates since 2021, and a decrease of approximately \$3 per square foot from the first quarter of 2023 when reported average asking rents were \$36.45 per square foot. This represents an approximately 7.7% decrease in average asking rates since the last Parameter Rent report.



Source: Kidder Matthews 2025 Q3 San Francisco Retail Report
Average market asking rental rates shown for trend purposes only

Retail – Submarkets

According to Maven Retail’s Fall 2025 report, 9 of San Francisco’s 13 retail submarkets have improved their occupancies since 2024. The strongest submarkets by occupancy are Chestnut Street, Sacramento Street, 24th Street, Fillmore Street, Laurel Village, Hayes Street, and West Portal, all of which have vacancy rates below 5%. Other retail submarkets continue to sustain significant post-Covid vacancy and leasing challenges. According to Co-Star, in the third quarter of 2025, retail vacancy in Fisherman’s Wharf exceeded 14%, compared to under 2.5% in the third quarter of 2019, while the retail vacancy in Union Square exceeded 15%, compared with approximately 2.6% in the third quarter of 2019.

Restaurants

Overall, restaurant activity in San Francisco is improving. However, landlords continue to face challenges attracting new restaurants unless they have attractive locations, are willing to fund significant tenant improvements, or deliver a turnkey space.

According to Open Table, the number of restaurant diners between 2024 and 2025 increased between 13% and 25% year-over-year, depending on the month. The non-profit Downtown San Francisco reports food-and-beverage businesses represent 47% of the 425 ground floor tenants in the Financial District as of the second quarter of 2025, and that 16 new businesses, including 9 restaurants, opened between January 1, 2024, and April 15, 2024 in the Financial District. In addition, monthly visitor count to downtown San Francisco has been increasing steadily since Covid lows. While visitor counts have not reached the high of 3 million per month recorded in 2019, visitor counts in 2025 exceed 2 million per month regularly.



MONTHLY VISIT COUNT

Monthly visit counts to the DSFP Survey Area exceed both early and late pandemic levels. In December 2024, visitor numbers reached 63% of those recorded in December 2019. From 2022 through 2024, visits have stabilized, reflecting consistent activity in the area.



Source: Placer.ai

Source: Downtown SF (<https://downtownsf.org/doing-business/visitor-activity-report>)

Taxable income from “Food and Drinking Places” as measured by the State of California also indicates continuous improvement from 2020 through the end of 2024.



Source: <https://cdtfa.ca.gov/dataportal/dataset.htm?url=TaxSalesAllCounties>



A survey of available restaurant spaces near the Port's areas of operations indicated that asking rents vary widely depending on the location, restaurant build-out, and other factors. Most surveyed locations listed rents in a range of \$30 to \$50 per square foot, triple net.

Retail - Leasing Terms

Leasing terms for retail vary by location, tenant type, tenant credit, lease term, and other factors. For most restaurants, location is extremely important, and landlords without a strong location may have challenges attracting tenants without a significant investment in the restaurant build-out. However, in the most desirable retail submarkets such as Chestnut Street, Union Street, and Fillmore, landlords are generally able to find tenants and sign leases. In the Port's retail submarkets, including the North Embarcadero and Embarcadero near the Financial District, conditions are mixed, with some positive leasing activity and considerable vacancy.

- **Lease Terms** - Non-food tenant leases are typically 5 to 10 years, with smaller tenants generally signing 5-year lease terms and larger tenants signing 10+ year lease terms. Similarly, smaller food concepts may seek a 5-year lease while larger food concepts may seek lease terms of 10 or more years.
- **Rent Structure** - For certain restaurant leases, especially leases for more difficult to lease spaces, or where a landlord is seeking to minimize its upfront investment, a lease structure may utilize a significant amount of percentage rent, or in certain cases, may consist entirely of percentage rent for a portion of the lease term. In general, high percentage rent lease structures are not preferred as the landlord's income becomes dependent on restaurant performance; however, landlords struggling to lease space may provide for various levels of percentage rent as a leasing incentive.
- **Rent Abatement** - Rent abatement varies significantly depending on submarket and concept. In general, landlords provide free rent through a tenant's permitting and build-out process, usually 3-6 months, but this may be longer or shorter depending on the location, tenant type, and lease term.
- **Delivery Conditions and Tenant Improvement Allowances** - Delivery conditions and tenant improvement allowances vary depending on location, existing build-out, tenant type, and lease term, among other factors. More attractive spaces may complete leases with spaces on an as-is basis, while large landlords with difficult-to-lease spaces may provide a tenant allowance for restaurants of up to \$200 per square foot or even a turnkey build-out. Often, such landlord contributions are made when a restaurant is an amenity in a larger building or complex. Most landlord contributions to restaurants in San Francisco fall between these extremes with tenant improvement allowances of \$50 to \$100 per square foot. General retail tenant improvement allowances vary substantially depending on the tenant credit, lease term, rent, space condition, and other factors.



- **Leasing Commissions** - Brokerage commissions for retail are based on a percentage of lease rent, excluding expense reimbursements, and split between the landlord and tenant's representatives. Generally, the percentage is 6% for the first 5 years of the lease term (3% to the landlord broker and 3% to the tenant representative broker), 3% for the second five years (1.5% to the landlord broker and 1.5% to the tenant representative broker) with further reductions for lease terms greater than 10 years. Recently, some brokers representing desirable tenants have pushed for larger commissions of up to 5% for the first five years for the tenant representation broker, though this has not become common practice.
- **Other Leasing Activity** - In addition to typical leasing activities, such as engaging a broker and listing available space online, landlords are also using social media, events, and other non-traditional marketing methods to attract attention to their spaces.

The following 2025/2026 leasing incentives are provided for the Port's consideration:

- For restaurant leases with terms of at least 3 years, rent abatement of up to the lesser of 6 months or the estimated amount of time to open.
- Additionally, for restaurants with leases longer than 3 years and which are making material capital contributions to improve the building or building infrastructure, consider amortizing the cost of capital contributions over the lease term, and reducing the rent by the resulting amortization amount.
- For general retail, up to 1 month of free rent per year of lease term.
- Consider engaging a leasing broker to represent any buildings or spaces of any significant size or value.

IV. Parking

Overall, San Francisco parking revenues have substantially recovered from Covid-era lows. One gauge of parking facility performance is City parking tax revenues, which levied on paid off-street parking revenues including garages, lots, valet operations or other paid parking operations. In the 2023-2024 fiscal year, San Francisco's parking tax revenues reached \$86.2 million, slightly higher than the \$86.0 million amount received in the 2018-2019 fiscal year. Total parking tax revenue in fiscal year 2024-2025 was slightly weaker at \$81.3 million. Fiscal year 2025-2026 budgeted parking tax revenue is \$88.8 million. The City's Office of the Controller Budget Analysis Division published a Revenue Letter on June 10, 2024, discussing these trends, which noted:

"As employees have returned to the office and tourism in the City has rebounded, parking tax revenue has increased. Although high levels of remote work are



expected to persist, those making the commute have shifted more of their trips from public transit to automobile, which supports parking tax revenue. The budgeted amount for FY 2024-25 is approximately at pre-pandemic levels.”

Non-public garage revenues in the Port’s submarkets also indicate revenue levels from 2023 and 2025 year to date, which are consistent with pre-pandemic revenue levels.



Source: SFGov.org

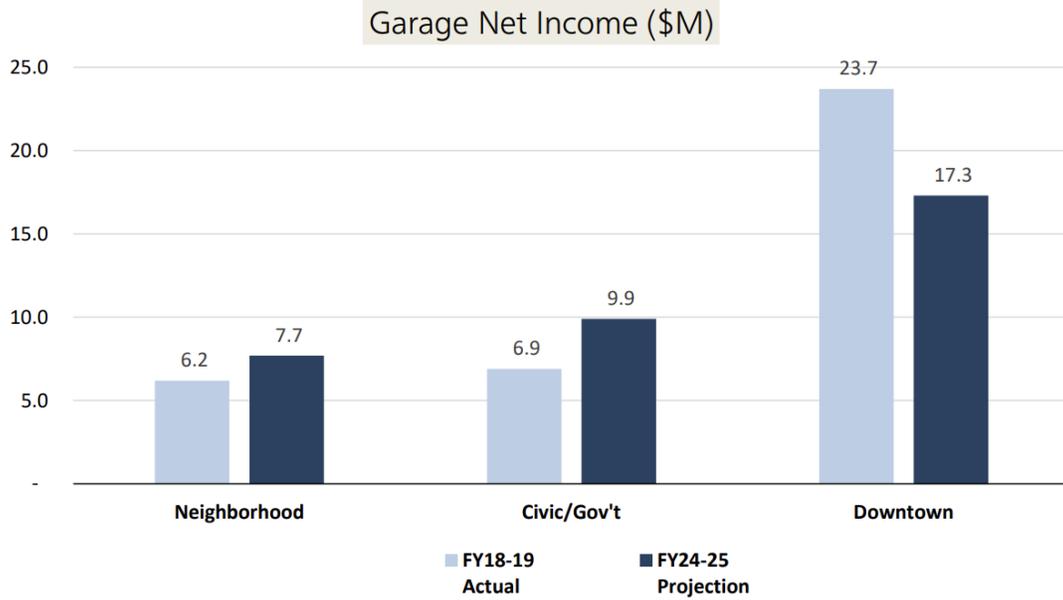
However, not all San Francisco parking facilities are performing at pre-Covid levels. The San Francisco Municipal Transportation Agency (“SFMTA”) reports that although neighborhood and Civic Center garages have exceeded previous peaks, some garages, including those located Downtown, are under-performing 2018-2019 levels. In particular, the large 5th and Mission and Sutter-Stockton garages have not recovered, resulting in significant overall revenue declines for SFMTA. The significant decline in the 5th and Mission garage may be due to changes at the foreclosed San Francisco Centre mall, which has been vacating its tenants in preparation for a sale. SFMTA is evaluating alternative uses for its garages including fleet storage, valet parking and re-development.



Off-Street Parking

Trends

Positive financial trends at neighborhood and Civic Center garages outweighed by significantly reduced utilization at the downtown garages, which are much larger.





21 non-Port garages were also surveyed within ½ mile of the waterfront, yielding the following results. The highest priced garages were located near either the Financial District or Fisherman’s Wharf.

Parking Garage Rates	Daily	Monthly
Number of Garages Surveyed	21	21
Low Rate	\$14.25	\$300.00
High Rate	\$40.00	\$500.00
Median Rate	\$19.00	\$360.00
Mean Rate	\$22.05	\$375.00

For industrial truck parking in the Port’s areas of operations, options are significantly more limited. One facility in the South Waterfront offers fenced truck parking for \$40 (daily), \$280 (weekly), and \$750 (monthly); notably, however, this site is substantially smaller, more developed, and more secure than the Port’s truck parking offerings. Other paved and unpaved land sites in San Francisco, Brisbane and South San Francisco that permit truck parking rent from \$6.00 to \$21.00 per square foot per year.