

From opportunistic to institutional

How AI firms have matured as office occupiers in San Francisco and New York

Artificial intelligence (AI) has moved from emerging disruptor to a major force in the office market. In the first half of 2026, AI companies leased 2.9 million square feet (msf) in San Francisco and 1.7 msf in Manhattan. San Francisco further cemented its position as the global leader in AI tenant footprint, while Manhattan recorded more AI leasing in six months than in the preceding two years combined. That scale has changed how they lease office space. What began as opportunistic take-up of discounted sublease space has become direct, long-term commitment to Class A buildings. This report tracks the shift across leasing volume, submarket concentration, the sublease-to-direct mix, building quality and lease economics—and the indicators pointing to more demand ahead.

2020-2022

Scattered, small, opportunistic

2023-2024

Larger subleases at deep discounts

2025-H1 2026

Direct, Class A, institutional terms



COMPSTAK

savills

AI LEASING VOLUME, H1 2026

2.9 msf

San Francisco

1.7 msf

Manhattan

AI SHARE OF NEW* LEASING ACTIVITY, H1 2026

31.3% ↗

San Francisco

(29.7% in 2020)

8.2% ↗

Manhattan

(0.7% in 2020)

*Does not include renewal or restructure leasing activity

Five things to know

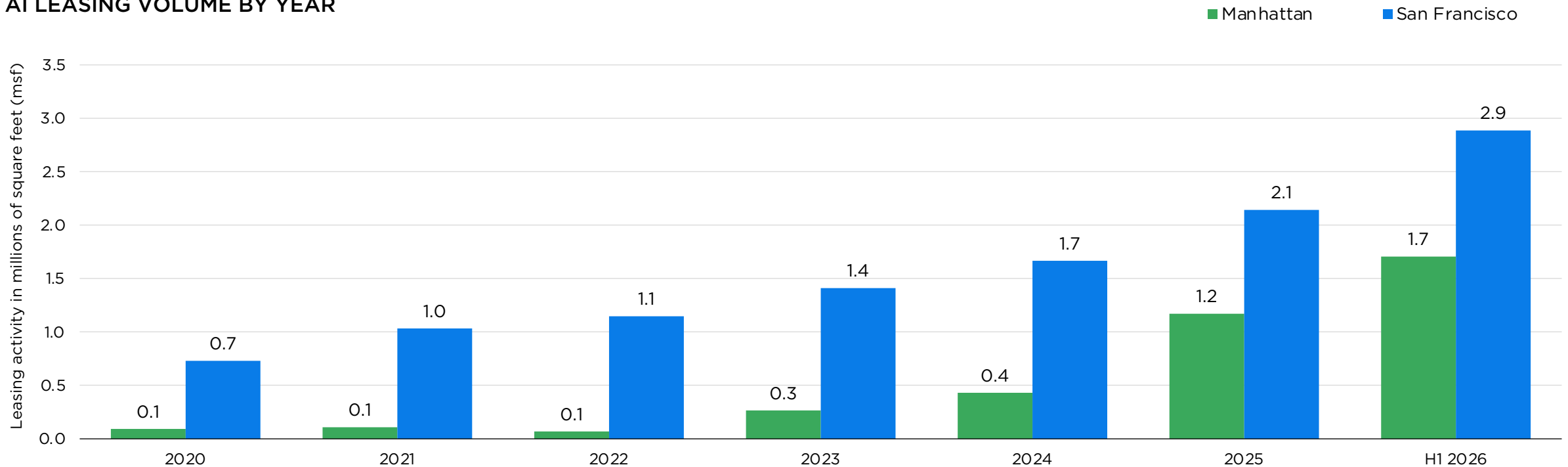
	AI SHARE OF NEW LEASING 	AI LEASING VOLUME 	KEY SUBMARKET AVAILABILITY 	SUBLEASE SHARE OF AI LEASING TRANSACTIONS 	AVERAGE AI LEASE TERM 
MANHATTAN	8.2% H1 2026 0.7% 2020	1.7 msf H1 2026 More than 2024-2025 combined	Park Avenue South 15.2% Q2 2026 26.4% Q4 2023	17.5% 2025-H1 2026 42.3% 2020-2024	90.9 months in H1 2026 49.0 months in 2020
SAN FRANCISCO	31.3% H1 2026 29.7% 2020	2.9 msf H1 2026 More than any prior full year	Mission Bay/ Showplace Square 17.6% Q2 2026 36.8% Q4 2023	23.0% 2025-H1 2026 44.9% 2020-2024	58.6 months in H1 2026 46.3 months in 2020

What started in San Francisco is now a two-market story

San Francisco remains the larger AI office market, with leasing activity from the sector rising from 728,000 square feet (sf) in 2020 to 2.9 msf in the first half of 2026 alone. Manhattan has emerged quickly behind it, reaching 1.7 msf in H1 2026.

Market share tells the same story at two different stages. AI accounted for 31.3% of new leasing in San Francisco in H1 2026, close to its 2023 peak but on substantially higher volume. Manhattan is earlier in the curve and climbing fast, with AI share rising from 0.7% in 2020 to 8.2% in H1 2026.

AI LEASING VOLUME BY YEAR



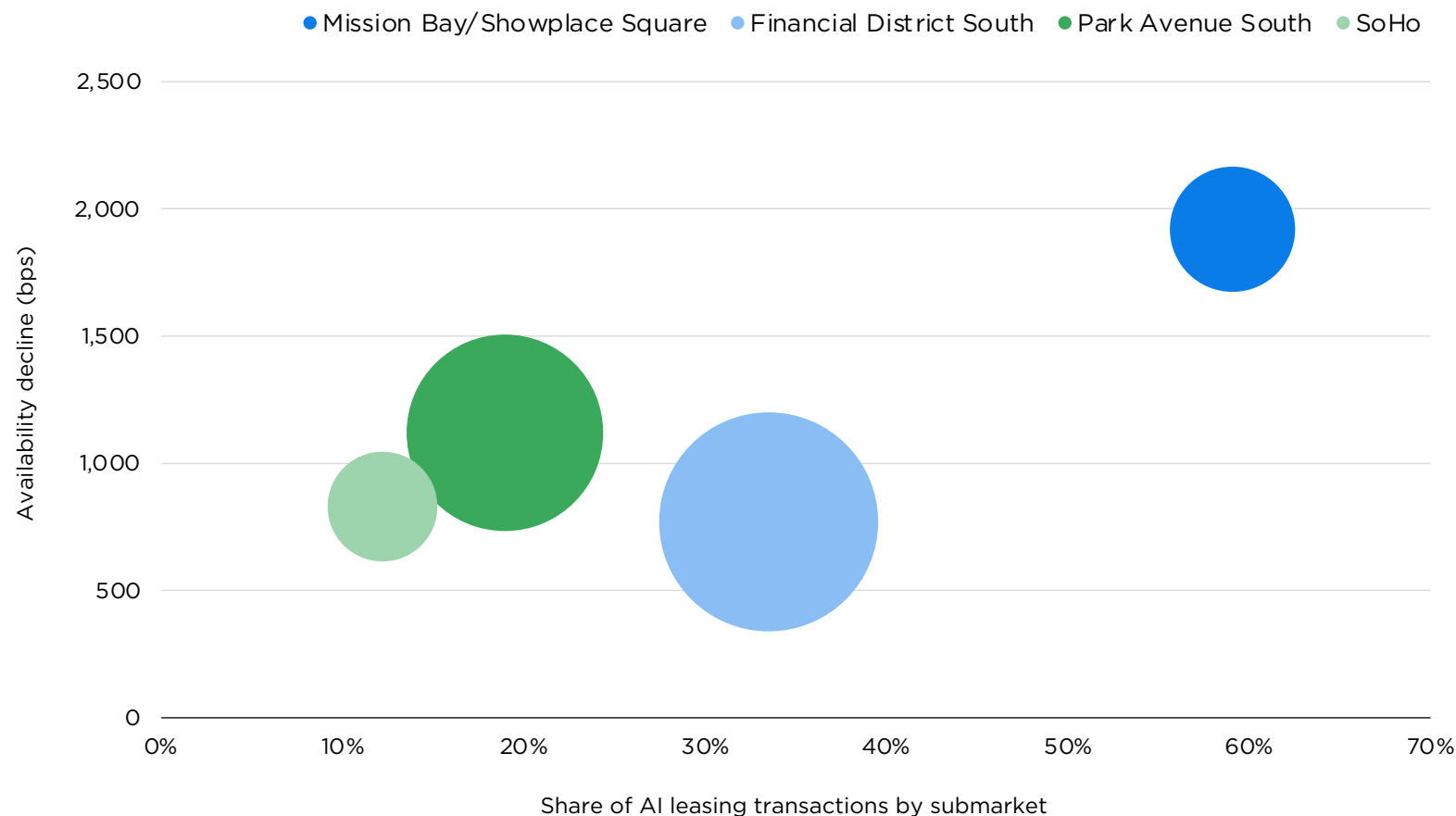
H1 reflects the first half only.
Source: Savills Research.

Availability is falling fastest where AI tenants demand space

AI demand is not spread evenly across either market. It clusters in a handful of submarkets, and the supply picture there looks very different from the citywide average. From Q4 2023 to Q2 2026, availability fell 1,120 basis points (bps) in Park Avenue South and 1,920 bps in Mission Bay/Showplace Square, roughly twice the decline in each broader market. Mission Bay/Showplace Square now sits more than 10 percentage points below the San Francisco average.

Much of that absorption is a result of AI tenants taking space the prior cycle gave back. The largest AI leases in both markets are backfills of blocks vacated by earlier-generation technology companies and, in Manhattan, by professional services and financial firms—space that came to market at a discount and is no longer available at one.

AVAILABILITY DECLINE VS. SHARE OF AI LEASING TRANSACTIONS BY SUBMARKET



Bubble size is submarket office inventory.
Source: Savills Research.

AI tenants are signing direct, not just subletting

AI tenants have moved beyond their sublease dependence in both markets. Subleases accounted for 42.3% of Manhattan AI leasing volume and 44.9% of San Francisco volume in 2020-2024; those shares fell to 17.5% and 23.0% in 2025-H1 2026. The high-water mark was 2023, when more than three-quarters of AI volume in both markets transacted as sublease, a period defined by a small number of very large subleases from prior-cycle technology occupiers. Since 2024, direct deals have carried roughly three-quarters or more of annual volume, peaking at 89.9% of Manhattan activity in 2025.

Part of the shift is maturation: scaling companies need space that supports long-term occupancy rather than short-term flexibility. But CompStak sublease data shows the bargain was disappearing anyway. The discount that drew AI tenants to sublease space in the first place has narrowed. In 2020-2024, AI tenants subleased space at starting rents 15.9% below market in Manhattan and 6.2% below in San Francisco. By 2025-H1 2026, those discounts had narrowed to 7.1% and 4.9%. AI tenants are capturing less of a bargain in the sublease pool, and there is less of the pool itself.

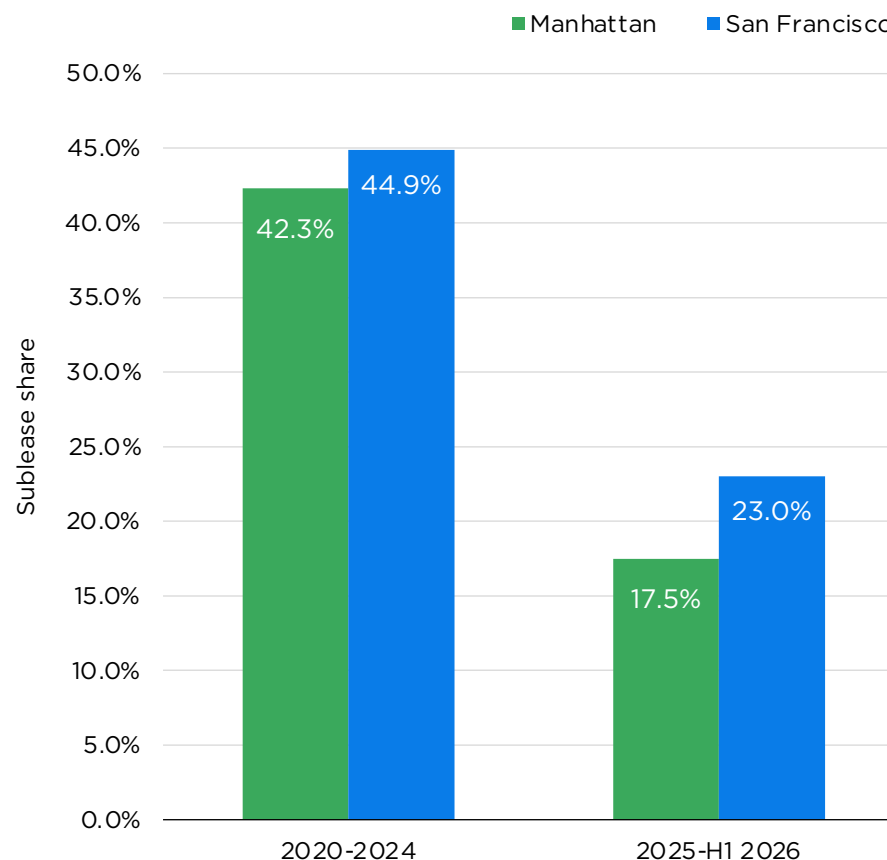


The discounted, pre-built sublease space that defined the sector's first act has largely been absorbed.

Source: Savills Research, CompStak.

SUBLEASE SHARE OF AI LEASING VOLUME

Percent of AI transactions by square foot that were subleases



SUBLEASE DISCOUNT TO MARKET RENT

MANHATTAN

7.1%

discount
2025-H1 2026

Down from
15.9%
2020-2024

SAN FRANCISCO

4.9%

discount
2025-H1 2026

Down from
6.2%
2020-2024

The same pattern shows up tenant by tenant: more space, longer terms, better buildings

Quality and duration have moved together across the cohort. Class A product captured 63.7% of Manhattan AI leasing volume in 2025-H1 2026, up from 48.6% in 2020-24, while the San Francisco share rose from 57.7% to 62.4%. Average Manhattan AI lease terms nearly doubled between 2020 and 2026, from 49.0 months to 90.9 months, closing most of the gap to the 108.7-month non-AI average. San Francisco is earlier in the same curve, at 58.6 months in 2026.

The individual histories show what those averages are made of. Five AI tenants were tracked from their earliest office lease through their most recent, and all five followed the same sequence: take more space, commit for longer, move up in building quality. Footprints grew by roughly three to six times and lease durations lengthened by about two times. As these companies scale, the requirement shifts from taking whatever space is available to securing buildings that can support larger workforces and long-term growth.

FIVE AI TENANTS FROM FIRST OFFICE LEASE TO MOST RECENT

1 EXPAND FOOTPRINT

AI tenants take substantially more space as they scale.

3x - 6x

footprint growth,
first lease to most recent

2 DEEPEN COMMITMENT

Lease terms lengthen as tenants mature.

2x+

lease duration for most
tenants

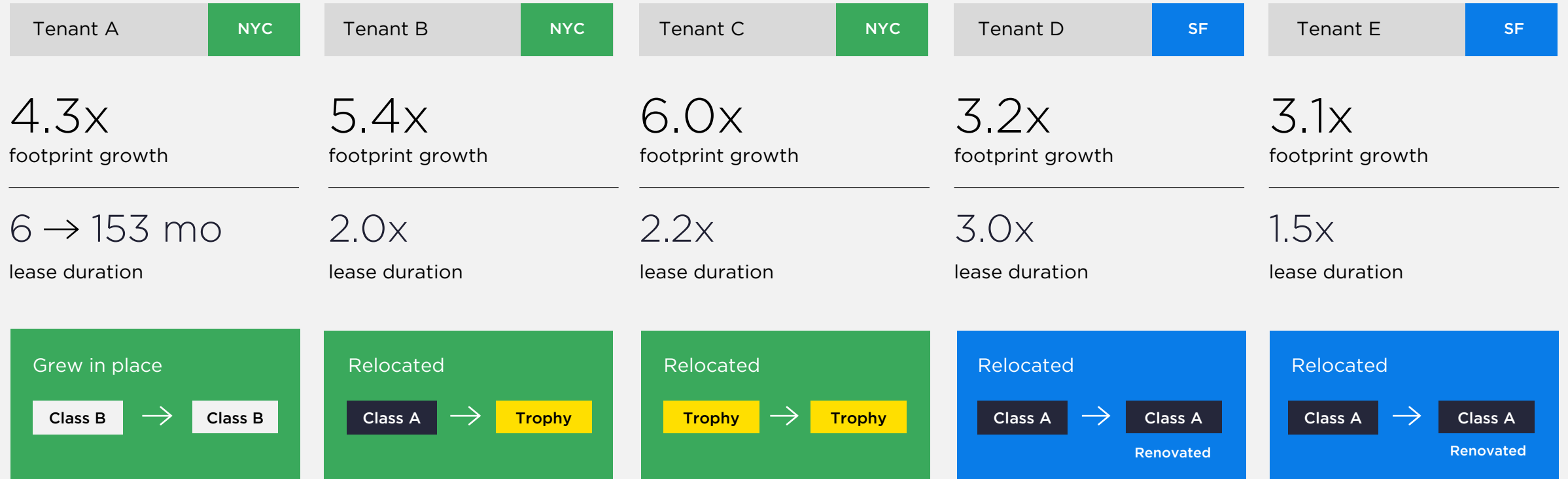
3 UPGRADE SPACE

Growing tenants move up the quality spectrum.

to trophy

and renovated Class A product

THE FIVE TRACKED TENANTS



Five AI tenants tracked from first office lease to most recent. Illustrative of the cohort trends above, not a statistical sample.
Source: CompStak.

CLASS A SHARE OF AI LEASING VOLUME

MANHATTAN

48.6%
2020-2024



63.7%
2025-H1 2026

SAN FRANCISCO

57.7%
2020-2024



62.4%
2025-H1 2026

The discounts that defined early AI deals have largely gone

As AI tenants moved into direct deals, their lease economics converged with the broader market. Concessions came down in both cities: the Manhattan AI concession ratio fell 460 bps to 16.2% and San Francisco fell 190 bps to 16.6%.

Starting rents moved the other way, rising 9.1% in Manhattan to \$93.85 per square foot (psf) and 4.9% in San Francisco to \$76.17 psf. The gap to what non-AI tenants pay narrowed in San Francisco, from roughly 8% to under 5%. Manhattan's gap flipped in a narrower window: AI tenants paid about 2.9% more than non-AI tenants in 2020-2024, and now pay about 3.4% less.



Concessions are down, rents are up and terms have nearly doubled. The bargain phase is over.

Metric (direct leases)	MANHATTAN 2020-2024	MANHATTAN 2025-H1 2026	SAN FRANCISCO 2020-2024	SAN FRANCISCO 2025-H1 2026
Concession ratio	20.8%	16.2%	18.5%	16.6%
Starting rent, psf	\$86.02	\$93.85	\$72.61	\$76.17
Gap vs. non-AI starting rent	+2.9%	-3.4%	-8.0%	-4.6%
Paid vs. predicted market rent ¹	10.7% above	1.8% above	7.2% above	6.3% above

1. Predicted market rent is a CompStak model estimate using observed lease activity, combining the interpretability of traditional appraisal practice with the consistency and scale of a data-driven model. Paid vs. predicted measures the spread between the executed starting rent vs. CompStak's starting rent model estimate at lease execution.

Concessions and rent comparisons cover direct leases from AI tenants only; rents adjusted to gross lease types for comparison.

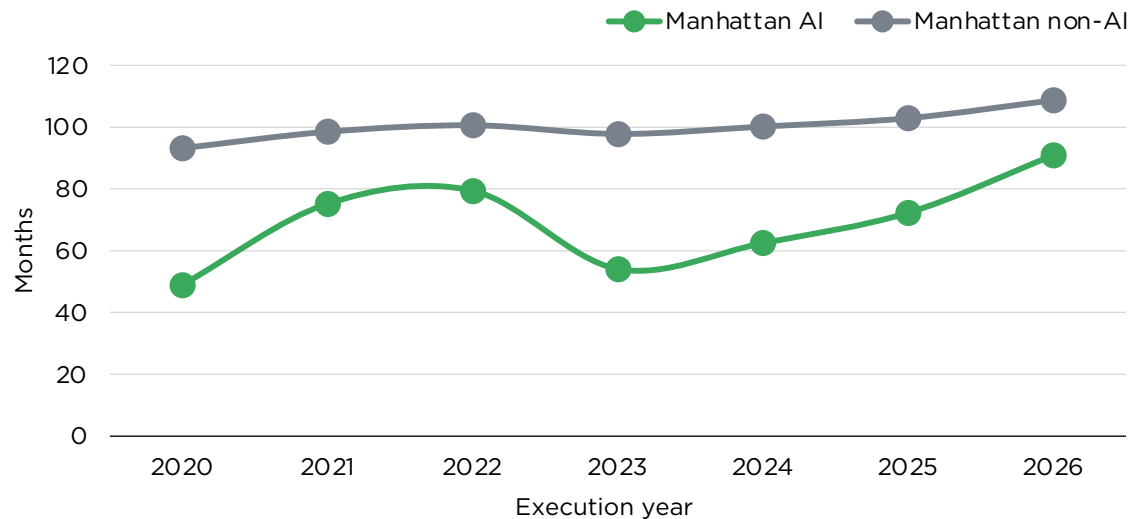
Source: CompStak.

AVERAGE LEASE TERM BY EXECUTION YEAR

AI tenant transactions versus non-AI tenant transactions

Lease terms moved in step. Manhattan AI tenants nearly doubled their average term, from 49.0 to 90.9 months, and San Francisco reached 58.6 months in 2026. Read together with the shift to direct space, the pattern is consistent: the discounts and flexibility that characterized early AI deals have largely gone. CompStak data also indicates AI tenants have moved from paying above predicted market rent toward transacting closer to it, a shift most pronounced in Manhattan.

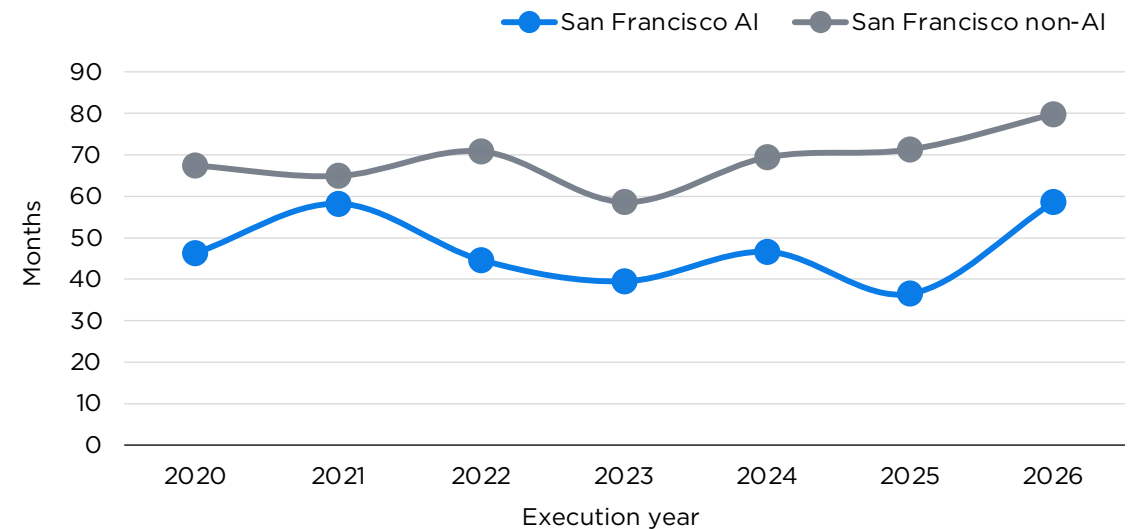
MANHATTAN: AVERAGE LEASE TERM



+9.1%

Increase in the average Manhattan AI starting rent between 2020-2024 and 2025-H1 2026, to \$93.85 psf.

SAN FRANCISCO: AVERAGE LEASE TERM



+4.9%

Increase in the average San Francisco AI starting rent between 2020-2024 and 2025-H1 2026, to \$76.17 psf.

AI hiring surge likely signals a continued rise in office demand ahead

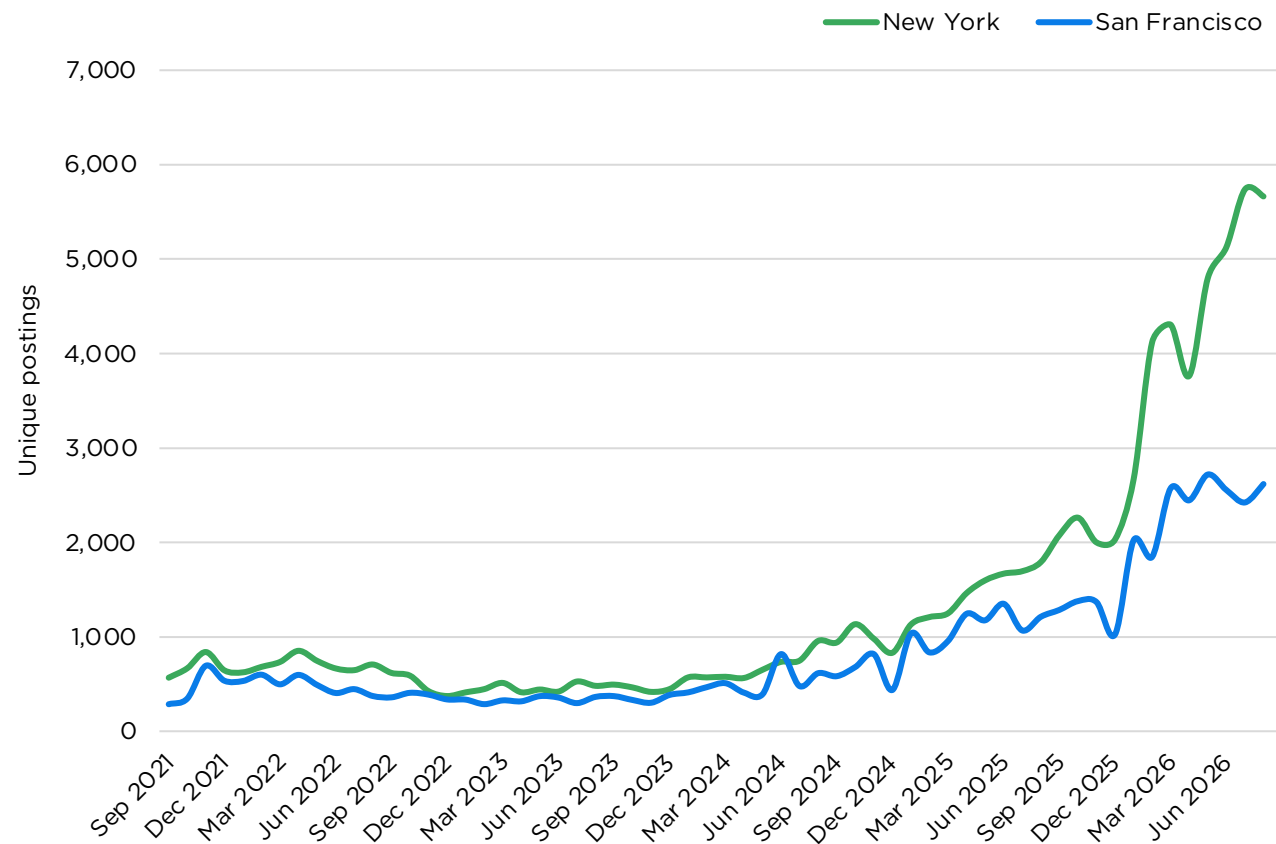
Hiring has long served as a leading indicator of office demand. The correlation is imperfect, but a sustained rise in hiring activity tends to align with an uptick in occupier demand for space.

AI job postings in New York have climbed 899.2% over the past five years and San Francisco postings are up 815.4% over the same span, a pace that shows employers are moving quickly to formalize AI skill requirements in their hiring. The recent acceleration has been sharpest in the past year.

+216.2% increase in New York AI job postings from August 2025 to August 2026.

+116.0% increase in San Francisco AI job postings from August 2025 to August 2026.

UNIQUE AI JOB POSTINGS BY MONTH



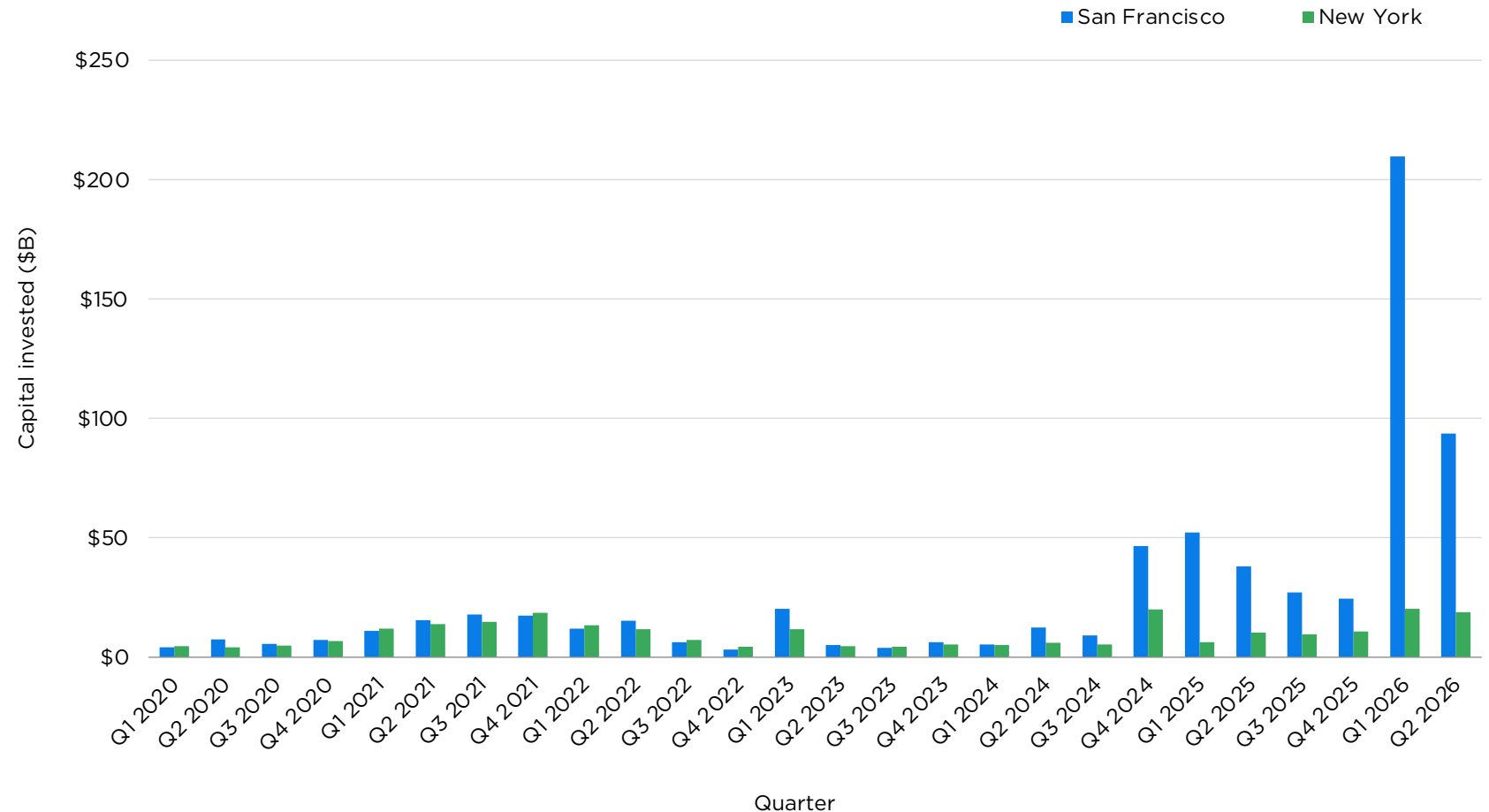
Unique monthly AI job postings in New York and San Francisco from September 2021 through August 2026 where artificial intelligence is identified as a specialized skill.
Source: Lightcast, Savills Research.



Adoption is broadening past AI-native tenants: 46.0% of information businesses, 41.9% of professional, scientific and technical services and 40.0% of finance and insurance businesses report using AI in a business function, August 2026.*

AI VENTURE CAPITAL FUNDING BY QUARTER

Capital is behind that hiring. San Francisco AI companies raised \$303.3 billion in the first half of 2026, with a single quarter accounting for \$209.7 billion of it. New York companies raised \$39.2 billion over the same period, already more than the full-year 2025 total and spread across hundreds of rounds rather than a handful of very large ones. Funding is recorded where companies are headquartered rather than where they lease, so these totals indicate capacity to expand rather than committed demand. The pattern still matters: in both markets, capital is concentrating in the same places office demand is.



Source: PitchBook, Savills Research. Totals reflect company headquarters, not office location.

*Census Business Trends and Outlook Survey



For occupiers the implication is direct. The discounted, pre-built sublease inventory that defined the sector's first act has largely been absorbed, most visibly in the submarkets AI demand favors. Whether the supply of quality space in those submarkets can keep pace will be a defining question for both markets over the next two years.



COMPSTAK



RESEARCH

Savills

CompStak

savills.us

Devon Munos
Senior Vice President,
Head of Americas Research
dmunos@savills.us
+1 310 444 1050

Matthew Schreck
Research Director,
NY and Tri-State
mschreck@savills.us
+1 212 588 3482

Nu Nandar Aung
Research Manager,
Northern California
naung@savills.us
+1 415 617 9674

Alie Baumann
Director of Real Estate
Intelligence
aliebaumann@compstak.com
+1 646 926 6707

Jacob Thomas
Real Estate Intelligence
Analyst
jacobthomas@compstak.com
+1 646 926 6707

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