



13.2%

Vacancy Rate

YoY  
Chg12-Mo.  
Forecast

-406K

Net Absorption, SF



\$4.38

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS  
Q2 2020

1.0M

East Bay Oakland  
EmploymentYoY  
Chg12-Mo.  
Forecast

14.2%

East Bay Oakland  
Unemployment Rate

13.0%

U.S.  
Unemployment RateSource: BLS, Moody's Analytics.  
2020Q2 data are based on latest available data.

## ECONOMY: COVID-19 Declines Continue into Second Quarter

The East Bay, encompassing Alameda and Contra Costa counties, recorded negative job growth with nearly 175,000 jobs (-14.7%) lost year-over-year (YOY), bringing regional employment to just over 1.01 million. This decline corresponded with the unemployment rate climbing 1,110 basis points (bps) to 14.2%, above the national average of 13.0%. The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID-19 [here](#).

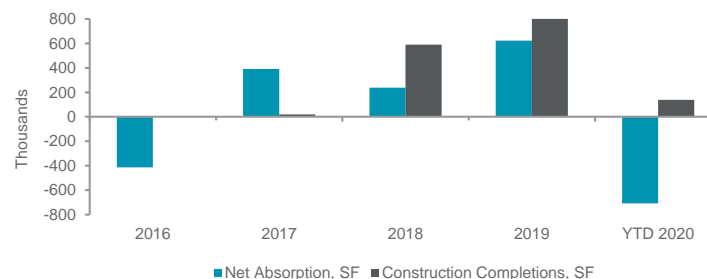
## SUPPLY: Sublease Space, New Construction Drive Vacancy Rise

The vacancy rate in the East Bay Oakland office market was 13.2% at the end of the quarter, up 160 bps from the previous quarter and up 380 bps from this time last year. While givebacks of existing space drove most of this increase, a substantial portion can be ascribed to new construction: Of the 1.3 million square feet (msf) of available space added to the market in the past year, 601 City Center—delivered in the third quarter of 2019—accounted for 320,000 square feet (sf) while the North Loop 3 flex project in Alameda—delivered in the second quarter of 2020—accounted for 138,124 sf. Sublease space also continues to flood the market with 753,719 sf currently available, the highest quarterly total since the end of the Dot-Com Recession. The Oakland CBD has been hit the hardest in terms of sublease givebacks with availability totaling 435,245 sf, having nearly quadrupled YOY.

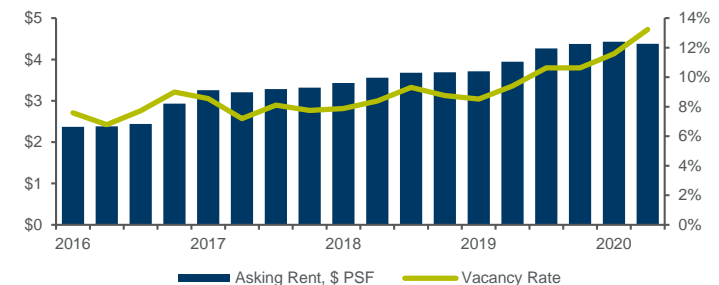
## PRICING: Asking Rents Propped Up By Modern Sublease Space

With the inundation of space hitting the market, rents finally started declining in the second quarter, closing at \$4.38 per square foot (psf) on a monthly full-service basis, down \$0.05 from the first quarter—marking the end of eight quarters of sustained growth—though still up \$0.43 YOY. Rents continue to be propped up by several blocks of sublease space with top-of-the-market pricing: The Square sublease, totaling 156,000 sf in Downtown Oakland, is the most expensive pure office space on the market with an asking rate of \$6.67 psf on a monthly industrial-gross basis. Growth in the past several years has been driven by record breaking sale prices in the CBD, forcing the underwriting of higher rents, while deliveries of modern speculative product have driven the rise specifically in the last 12 months. Rents are expected to continue declining in the coming months, though the magnitude will hinge on ongoing efforts to reopen the local and national economies.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY &amp; ASKING RENT



## EAST BAY OAKLAND

Office Q2 2020



CUSHMAN &amp; WAKEFIELD

**DEMAND: Precipitous Decline in Occupancy Growth**

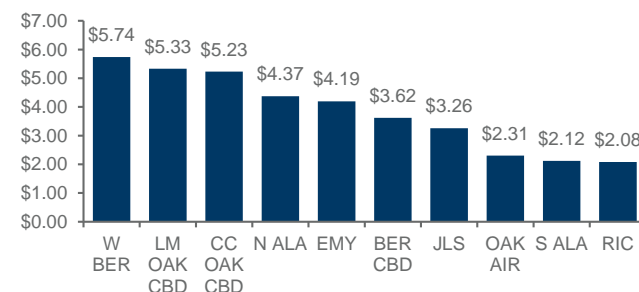
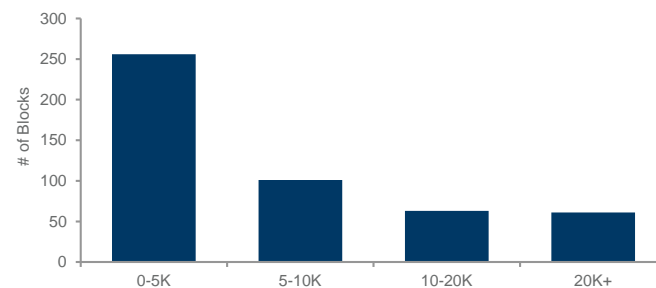
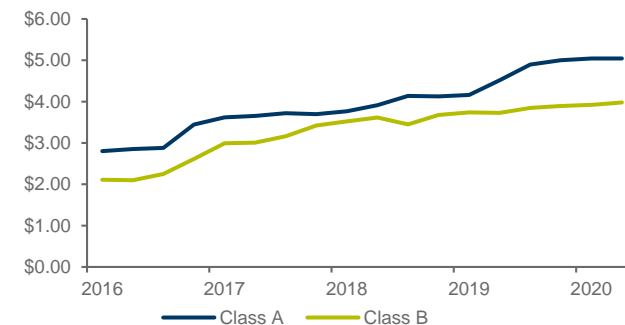
After the gains of 2019, when occupancy rose by 622,220 sf, net absorption has turned an abrupt about-face into the red, totaling negative 405,558 sf in the second quarter, and negative 707,794 sf for the year. While the decline can be largely attributed to continued shelter in place orders, it is important to note that 1100 Broadway, totaling 335,000 sf and fully preleased, was originally scheduled for second quarter delivery and would have somewhat offset these declines. Due to construction delays, the building is now slated for third quarter delivery. Occupancy growth in recent years has been fueled by tenant migrations from San Francisco, and the market may capture an increasing level of demand from across the Bay as companies rethink their suburban growth strategies.

**PG&E to Migrate to Market, Life Sciences to Dominate Headlines in Coming Months**

Construction deliveries totaled 138,124 sf in the second quarter; this was entirely in the six-building North Loop 3 project in Alameda while 335,000 sf of preleased space is scheduled to deliver in the third quarter. In the first quarter, Kaiser Permanente announced it will not be pursuing the construction of the Thrive Center, which, at 1.6 msf, would have been the second largest corporate campus in the Bay Area. In other news, PG&E recently announced plans to migrate their San Francisco headquarters to Oakland and consolidate their East Bay operations there. The proposal includes the long-term leasing of the entirety of 300 Lakeside Drive in the Oakland CBD in a phased-in structure due to existing third-party leases elsewhere. At nearly 910,000 sf, this would make PG&E one of the largest office tenants in the market, while the deal gives PG&E the option to purchase the property in 2023 for \$892 million. In the second quarter, Steelwave announced plans for a 145,000 sf speculative life sciences conversion in West Berkeley. Considering the ongoing pandemic, the life sciences sector is highly active and currently accounts for 31% of our tenant demand tracking. We expect demand to continue rising in the coming quarters, while the construction pipeline will likely fill with a growing number of life sciences projects to solve for the scant amount of life sciences space currently on the market.

**Outlook**

- Net absorption totaled negative 405,558 sf in the second quarter and negative 707,794 sf for the year. Space givebacks forecasted to hit the market in the third quarter will be somewhat offset by the delivery of 335,000 sf of preleased space at 1100 Broadway in Oakland.
- Average asking rents closed out the second quarter at \$4.38 psf, representing an 11% increase YOY. Rents will likely decline in the coming quarters, though will remain propped up by high-end blocks of sublease space.
- Life sciences requirements currently make up 31% of the total volume of tracked demand and will likely account for a greater share in the coming quarters.
- PG&E announced plans this quarter to relocate their headquarters to Oakland and consolidate their East Bay operations there. They would take roughly 910,000 sf, making them one of the largest office tenants in the market. PG&E also has the option to purchase the building in 2023 for \$892 million.

**AVERAGE ASKING RATE BY SUBMARKET (FULL SERVICE)****AVAILABILITIES BY SIZE SEGMENT****AVERAGE ASKING RATE BY CLASS (FULL SERVICE)**

## EAST BAY OAKLAND

Office Q2 2020



CUSHMAN &amp; WAKEFIELD

## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Richmond	2,734,643	17,762	232,254	9.1%	-1,581	-3,959	0	0	\$2.08	\$2.09
West Berkeley	1,283,295	66,532	46,270	8.8%	-9,499	-80,449	2,013	0	\$5.74	\$6.25
Berkeley CBD	2,517,148	28,527	81,567	4.4%	-11,615	8,919	6,908	0	\$3.62	\$2.46
Emeryville	4,682,259	26,634	634,160	14.1%	-84,044	-144,297	98,359	0	\$4.19	\$4.62
City Center Oakland CBD	5,825,224	156,246	1,087,067	21.3%	-130,823	-316,479	83,319	334,500	\$5.23	\$5.39
Lake Merritt Oakland CBD	7,260,569	278,999	458,012	10.2%	-184,068	-160,100	130,338	0	\$5.33	\$5.64
Jack London Square	1,738,426	54,017	110,025	9.4%	-13,662	-36,967	26,187	0	\$3.26	\$3.85
Oakland Coliseum	2,055,859	24,160	104,931	6.3%	44,814	37,709	5,237	0	\$2.31	\$2.76
Northern Alameda	1,754,433	93,171	402,258	28.2%	-8,376	-13,476	58,408	0	\$4.37	\$4.42
Southern Alameda	2,147,576	7,671	325,082	15.5%	-6,704	1,305	10,992	0	\$2.12	\$2.71
CLASS BREAKDOWN										
Class A	15,697,039	453,236	1,795,531	14.3%	-176,243	-442,726	257,046	334,500	\$5.04	
Class B	12,896,908	280,890	1,211,820	11.6%	-212,654	-247,129	142,412	0	\$3.98	
Office/Flex	3,405,485	19,593	474,275	14.5%	-85,958	-147,579	22,303	0	\$2.46	
TOTALS	31,999,432	753,719	3,481,626	13.2%	-405,558	-707,794	421,761	334,500	\$4.38	\$5.04

\*Rental rates reflect full service asking

\*\*Stats are not reflective of U.S. Overview Tables

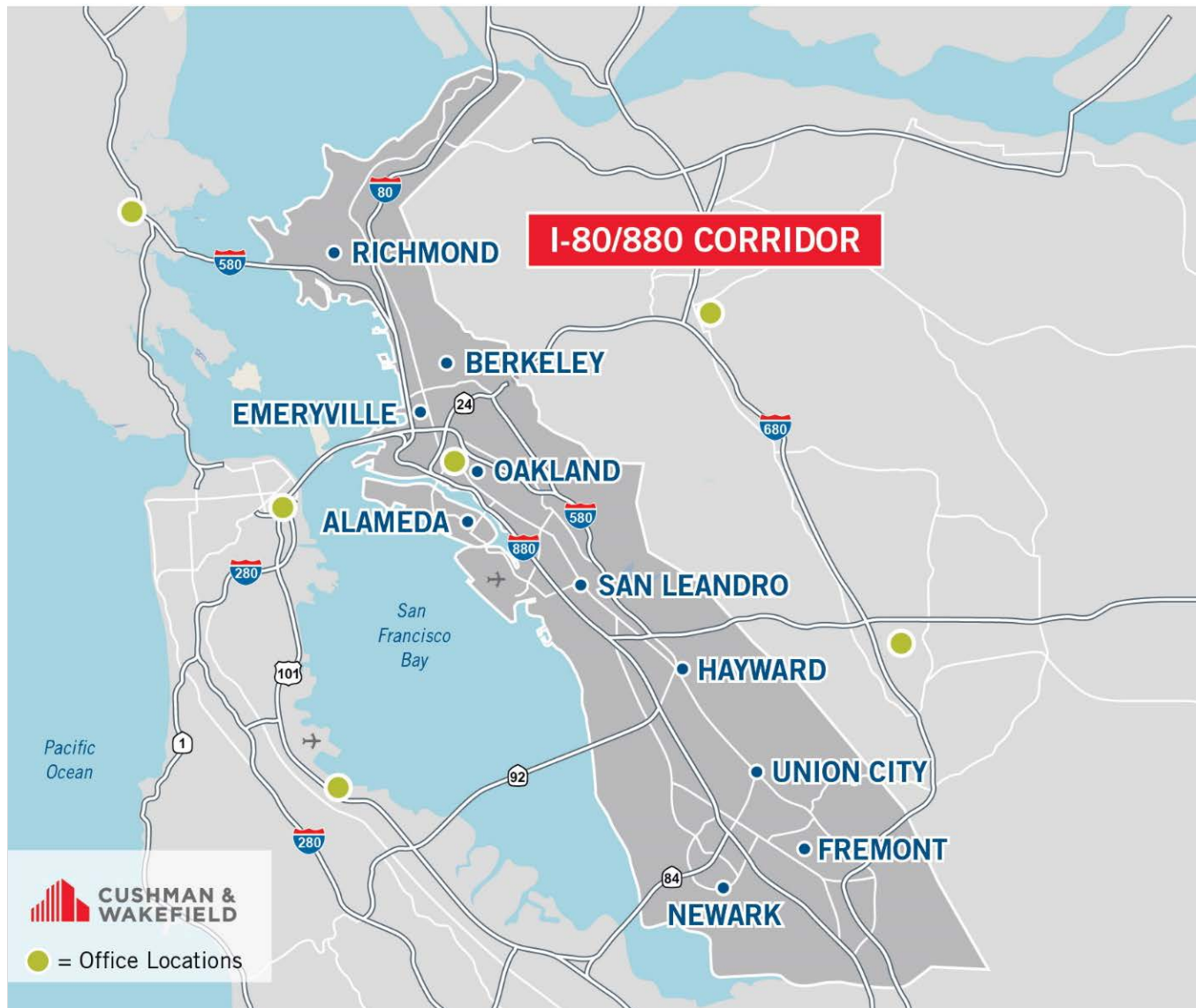
## KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6401 Hollis Street	Emeryville	Lawrence Berkeley National Labs	31,000	Renewal
2101 Webster Street	Lake Merritt Oakland CBD	Everlaw	24,000	New Lease
1101 Marina Village Parkway	Northern Alameda	RGB Spectrum	17,000	New Lease
1438 Webster Street	Lake Merritt Oakland CBD	Policy Link	13,000	Renewal
1 Kaiser Plaza	Lake Merritt Oakland CBD	Aiken & Welch	10,000	Renewal



# EAST BAY OAKLAND

Office Q2 2020

**CUSHMAN &  
WAKEFIELD****OFFICE SUBMARKETS****KEITH REICHERT**

Senior Research Analyst

Tel: +1 510 267 6059

[keith.reichert@cushwake.com](mailto:keith.reichert@cushwake.com)**CUSHMAN & WAKEFIELD**555 12<sup>th</sup> St

Suite 1400

Oakland, CA 94607

**A CUSHMAN & WAKEFIELD  
RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

[cushmanwakefield.com](http://cushmanwakefield.com)