



Office Q1 2022

17.3%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

374K

Net Absorption, SF



\$4.55

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS
Q1 2022

1.2M

East Bay Oakland
EmploymentYoY
Chg12-Mo.
Forecast

4.6%

East Bay Oakland
Unemployment Rate

3.6%

U.S.
Unemployment Rate

Source: BLS, Moody's Analytics.
2022 Q1 data are based on latest available
data.

Economy: California Reopening Gains Momentum

The East Bay, consisting of Alameda and Contra Costa counties, recorded positive job growth with 55,100 jobs added year-over-year (YOY), bringing regional employment to nearly 1.16 million. This translated to an unemployment rate of 4.6%, a decline of 240 basis points (bps) from the same period in 2021. After a spike in cases late in the fourth quarter of 2021 threatened to derail the Bay Area's recovery, the first quarter of 2022 brought significant improvement. In the East Bay, the majority of mask and social distancing mandates were dropped and major occupiers began returning to the office. While Covid-19 cases fell, employees' desire to work from home lingered, prompting many employers to continue rethinking their need for office space and weighing on occupancy levels.

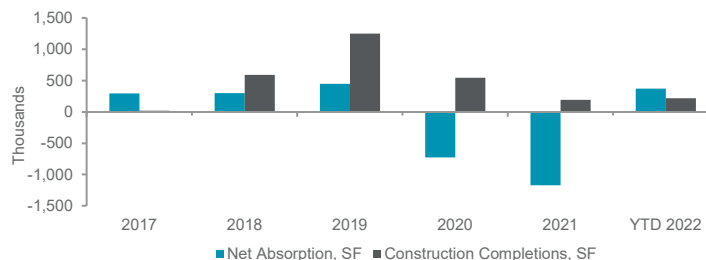
Supply: Suburban Markets Drive Occupancy Growth

The vacancy rate in the East Bay Oakland office market was 17.3% at the close of 2021, down 50 bps from the previous quarter. The market recorded over 370,000 sf of positive net absorption, the first quarter in the black since 2019 and the highest level of single quarter net absorption in seven years. The driving force behind this occupancy growth was the delivery of 1951 Harbor Bay Parkway in Alameda. This 220,000-square foot (sf) Class A office building was entirely leased to Exelixis. In addition to new construction, much of the absorption came from leases signed in prior quarters, with leases commencing on over 685,000 sf of space in the first. Alameda saw the steepest decline in vacancy, closing the first quarter at 18.8%, down 360 bps from the prior quarter. Since the beginning of the pandemic, the bulk of new vacancy has come from the Oakland CBD, with vacancy in the City Center submarket topping 31.7%. However, strong renewal activity in the past several quarters has dramatically slowed the rise in vacancy this quarter with the CBD recording just 27,226 sf of negative net absorption, a fraction of what had been coming to market at the height of the pandemic.

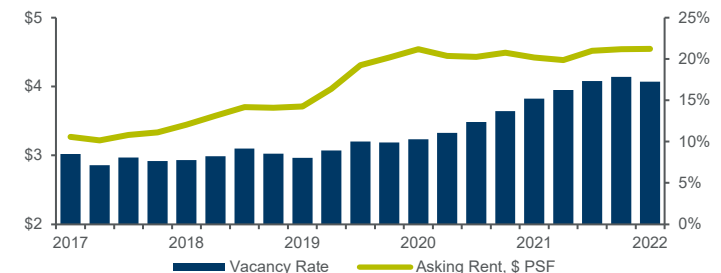
Pricing: R&D Spaces Skew Average Asking Rents

Despite a consistent rise in vacancy over the past year, the overall asking rate remains up, closing the first quarter at \$4.55 per square foot (psf) on a monthly full-service basis. This is an increase of \$0.13 YOY and \$0.01 from the prior quarter. For much of 2021, the disproportionate amount of new vacancy in the region's most expensive submarkets had pulled up the average with the asking rate in the Oakland CBD at \$4.93 psf in the first quarter. However, this quarter it was robust rent growth in the office flex/R&D product type that pushed up rates. Often geared toward life science tenants with technical build outs, the average asking rent for this product type was \$4.06 psf, up \$1.24 YOY. Submarkets with the largest office flex/lab inventory recorded the most significant rental growth over the past year, with the overall asking rate in Alameda up 27% YOY to \$4.48 psf. As the rise in this product type contends with slight declines in Class A asking rates, overall asking rates for the East Bay will likely hold flat in the coming quarters.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



EAST BAY OAKLAND

Office Q1 2022



CUSHMAN & WAKEFIELD

Demand: Market Awaits Large Tenant Return

The East Bay Oakland office market recorded approximately 300,000 sf of leasing activity in the first quarter of 2022. This is level with the prior quarter and up slightly YOY. However, this remains below pre-pandemic levels where quarterly activity rarely fell below 600,000 sf. The market has continued to struggle with decreased demand from large, traditional office users, with many recent full floor transactions in the CBD being renewals. Fortunately, there has been an uptick in office requirements in the first quarter with Cushman & Wakefield currently tracking over 510,000 sf of traditional office users in the market. This is in addition to over 1.3 msf of life science users active in the East Bay. The largest new lease of the quarter was signed by Azzur Clean Rooms on Demand, for 76,242 sf across two properties in The Loop, an Invesco owned life science complex in Alameda. Also of note was Oakland Unified School District's renewal for 46,325 sf at 1000 Broadway. With mask mandates and social distancing relaxed across the region, employers are having a more difficult time than anticipated bringing employees back, as many individuals are reluctant to give up working from home. As health and safety become less of a concern, it will take some time to fully assess the way that Covid-19 has altered work patterns.

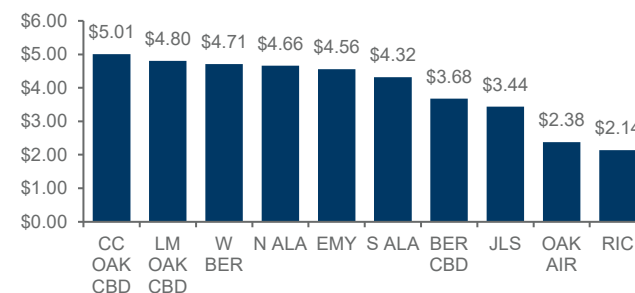
In Other News: Investment Activity Up

After a quiet fourth quarter of sale activity, investment in the East Bay picked up significantly in 2022. The largest transaction of the quarter by square footage was Rubicon Point Partners' majority interest purchase of 300 Frank H Ogawa Plaza, a 339,289-sf Class B office property in Oakland's City Center. Rubicon Point paid \$72 million and assumed a \$21 million loan for an approximately 80% interest in the property. This equates to roughly \$338 psf. This sale represents an exciting return of investor interest to CBD office properties, as investment activity had been largely focused on life science property in surrounding submarkets. The largest sale by dollar volume was Stockbridge Capital's acquisition of the previously mentioned 1951 Harbor Bay Parkway from SRM Ernst for \$158.9 million, or \$720 psf. Amidst booming life science activity and a stabilizing office market, investor activity is expected to continue into 2022.

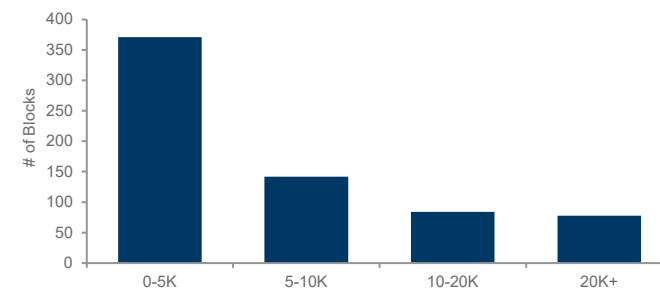
Outlook

- Net absorption is expected to return modestly to the red into 2022 as tenants continue to rethink their office needs.
- Asking rents are expected to hold relatively flat at the market level, despite increases in vacancy. At the property level, some rents may decline modestly in coming quarters.
- Life science requirements make up an increasing share of total demand and will likely continue to grow in the coming quarters.

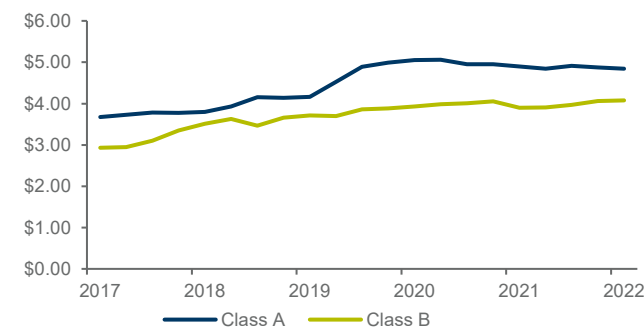
AVERAGE ASKING RATE BY SUBMARKET (FULL SERVICE)



AVAILABILITIES BY SIZE SEGMENT



AVERAGE ASKING RATE BY CLASS (FULL SERVICE)



EAST BAY OAKLAND

Office Q1 2022



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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	2,736,553	0	190,766	7.0%	14,637	14,637	0	0	\$2.14	\$2.13
West Berkeley	1,283,295	7,594	133,952	11.0%	992	992	15,157	0	\$4.71	\$6.25
Berkeley CBD	2,545,965	38,727	171,104	8.2%	-933	-933	3,000	0	\$3.68	\$3.99
Emeryville	4,306,299	183,756	674,832	19.9%	50,480	50,480	61,460	123,322	\$4.56	\$4.77
City Center Oakland CBD	6,225,626	353,997	1,622,132	31.7%	-40,100	-40,100	68,419	0	\$5.01	\$5.05
Lake Merritt Oakland CBD	7,310,150	301,414	816,055	15.3%	12,874	12,874	35,904	0	\$4.80	\$4.92
Jack London Square	1,738,426	36,825	127,072	9.4%	-1,959	-1,959	19,835	0	\$3.44	\$4.25
Oakland Coliseum	2,050,957	13,936	126,688	6.9%	8,672	8,672	4,258	0	\$2.38	\$2.85
Northern Alameda	1,810,838	0	319,635	17.7%	74,920	74,920	3,734	0	\$4.66	\$4.68
Southern Alameda	2,554,178	2,293	496,753	19.5%	254,496	254,496	88,477	0	\$4.32	\$3.90
CLASS BREAKDOWN										
Class A	15,946,577	645,195	2,501,362	19.7%	426,588	426,588	141,250	0	\$4.85	
Class B	13,062,364	293,347	1,590,452	14.4%	-70,569	-70,569	82,752	0	\$4.08	
Office/Flex	3,553,346	0	587,175	16.5%	18,060	18,060	76,242	0	\$4.06	
TOTALS	32,562,287	938,542	4,678,989	17.3%	374,079	374,079	300,244	123,322	\$4.55	\$4.85

*Rental rates reflect full service asking

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

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1955 & 2065 N. Loop Road	Alameda South	Azzur	76,242	New Lease
1000 Broadway	City Center Oakland CBD	Oakland Unified School District	46,325	Renewal
55 Harrison Street	Jack London Square	Dolls Kill	19,835	Sublease
2201 Broadway	Lake Merritt Oakland CBD	Hippo Analytics	15,551	New Lease
1640 S. Loop Road	Alameda South	IQ Bio	12,235	New Lease

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
300 Frank H Ogawa Plaza (Partial Interest)	City Center Oakland CBD	California Capital and Investment Group / Rubicon Point Partners	339,289	\$93M / \$274
1951 Harbor Bay Parkway	Alameda South	SRM Ernst / Stockbridge Capital Group	220,710	\$158.9M / \$720
2120 Berkeley Way	Berkeley CBD	Berkeley Way LLC / The Regents of the University of California	46,334	\$30.1M / \$650
1501 Harbor Bay Parkway	Alameda South	MT-3 Properties LLC / Paceline Investors	33,339	\$8.1M / \$244

MARKETBEAT

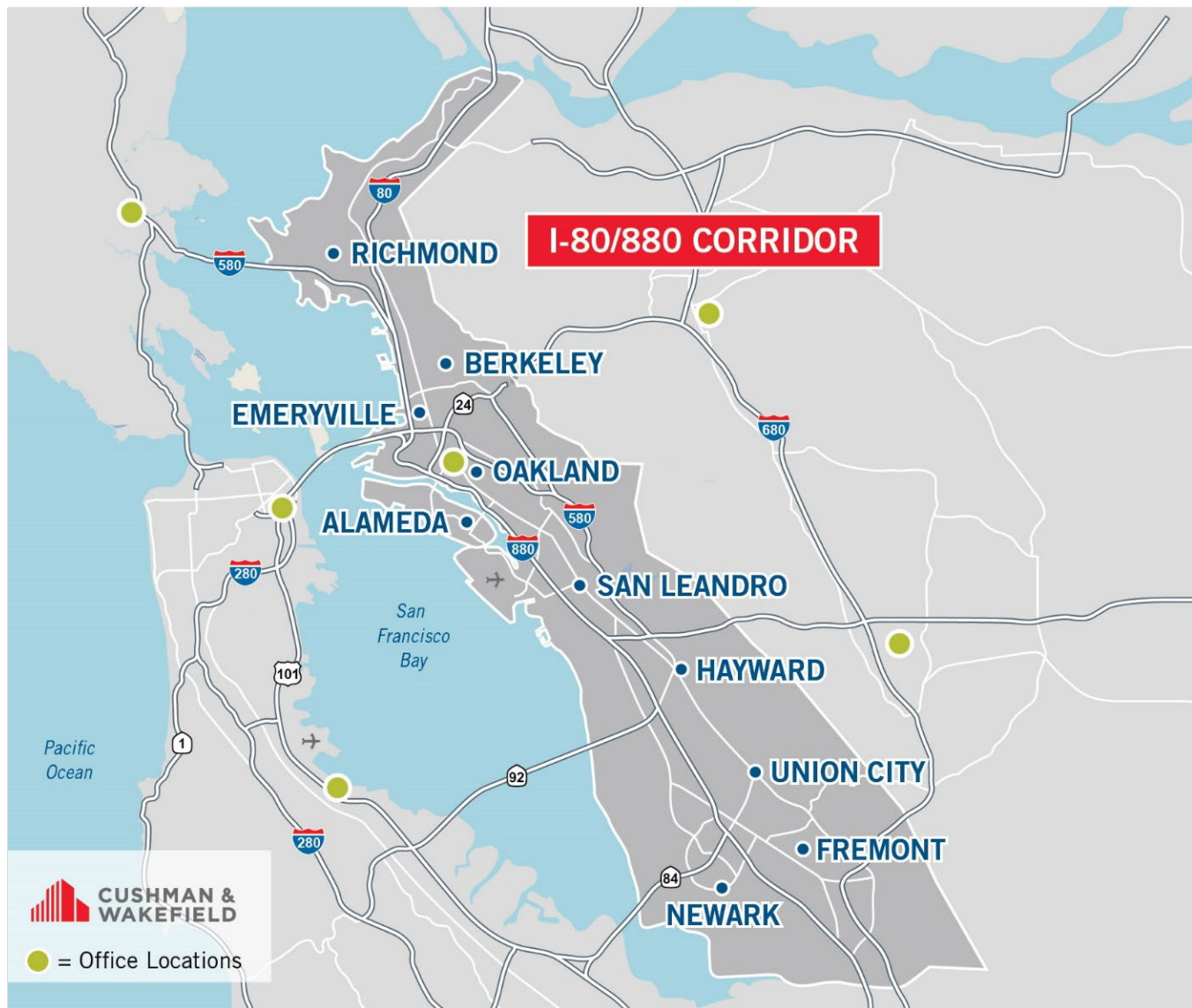
EAST BAY OAKLAND

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