

19.4%
Vacancy Rate



-237K
Net Absorption, SF



\$4.41
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

1.2M
East Bay Oakland
Employment



3.3%
East Bay Oakland
Unemployment Rate



3.5%
U.S.
Unemployment Rate



Source: BLS, Moody's Analytics.
2023 Q1 data are based on latest available data.

Economy: Tech Layoffs Weigh on Office

The East Bay, consisting of Alameda and Contra Costa counties, recorded positive job growth with 21,300 jobs added year-over-year (YOY), bringing regional employment to 1.19 million. This translated to an unemployment rate of 3.3%, a decline of 110 basis points (bps) from the same period in 2022. While overall employment has grown YOY, the Bay Area has recently experienced widespread layoffs from the tech companies that had previously been a driving force behind occupancy growth. As COVID-19 concerns have faded for many employers, new macroeconomic uncertainties are weighing heavily on the demand for office space.

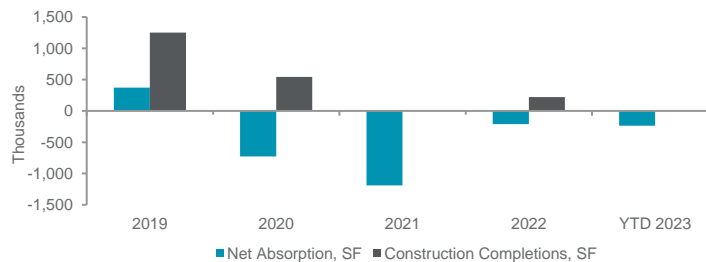
Supply: Sublease Vacancy Rises

The overall vacancy rate in the East Bay Oakland office market was 19.4% at the close of the first quarter, an 80-bps increase from the prior quarter, and up 230 bps YOY. Net absorption for the quarter was -237,000 square feet (sf), the third consecutive quarter of more than 200,000 sf in occupancy decline. In 2021, widespread vaccinations and an easing in COVID-19 mandates led to an uptick in leasing activity, with new and existing tenants moving across the East Bay. Those leases translated to positive absorption in early 2022. Now, one year later, the pervasiveness of remote work and new economic uncertainties have taken away that momentum. Sublease availabilities are on the rise, accounting for over half of new vacancy in the first quarter. New to market were Callisto Media's 78,070-sf sub-sublease in Uptown Station, space they had subleased from Square in 2021, and the third floor of 300 Lakeside, a 49,019-sf space that is also available for sub-sublease from PG&E. These two sub-subleases helped push vacancy in Oakland's Central Business District (CBD), up 130 bps to 26.7% in the first quarter, more than double the pre-pandemic figure. No market has been more affected by sublease space than Emeryville where subleases accounted for over one third of all office vacancy. On a direct basis, vacancy in that submarket is down YOY.

Pricing: Asking Rates Slow to Adjust

The overall asking rate closed the first quarter at \$4.41 per square foot (psf) on a monthly full-service basis, down \$0.08 YOY and \$0.04 from the prior quarter. Despite the rise in vacancy, asking rates have been slow to adjust, down just 3.0% from their market high in the first quarter of 2020. However, certain submarkets are now beginning to see rents slip. The overall asking rate for Oakland's CBD was down 10.6% from its pre-pandemic high to \$4.85 psf in the first quarter. In the CBD, the delta between Class A and Class B rental rates continued to grow, with the average asking rate for Class B falling \$0.34 psf YOY while Class A, after falling 10% in 2020, has held roughly level. This divergence is expected to continue as the market experiences a flight to quality and commodity space struggles to compete. To draw employees back to the office, tenants look to the highest quality spaces, and as many choose to downsize their footprint, they become less price sensitive on a psf basis.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



EAST BAY OAKLAND



Office Q1 2023

Repricing in the market has been slower than one might expect, due to the wave of refinancing and sales activity in the years before COVID-19 which left many landlords at a basis where they are unable to materially lower rates and still make their investments pencil or meet their loan covenants. Additionally, landlords are increasingly looking to concessions like free rent to bring down effective rates while maintaining face rates as close as possible to their underwriting.

Demand: Market Waits for Large Tenants

The East Bay Oakland office market recorded just 149,519 sf of leasing activity in the first quarter of 2023, the lowest level since the beginning of the pandemic and well below pre-pandemic levels, where quarterly activity rarely fell below 600,000 sf. While COVID-19 cases have fallen, remote and hybrid work models persist, making it difficult for employers to predict their long-term need for space. Additionally, the rising cost of capital and cracks in the economy have led to cautious decision making among tenants, weighing heavily on demand. Tenant demand is down from the prior quarter, with Cushman & Wakefield currently tracking 415,000 sf of office requirements in the market. There has been an uptick in the number of groups touring the market, but the average size of tenant has decreased dramatically, with a median size requirement of 4,500 sf.

Cushman & Wakefield research has also removed life science inventory from its office database, and no longer records life science leasing activity in this report. This change has been applied to our historical database of statistics as well, which has resulted in the appearance of a significant decline in market leasing, with life science tenants having made up a disproportionate amount of demand over the past three years. We have made this structural change to our statistics to ensure we are providing a realistic picture of the office market, as buildings in our office inventory have transitioned to life science properties.

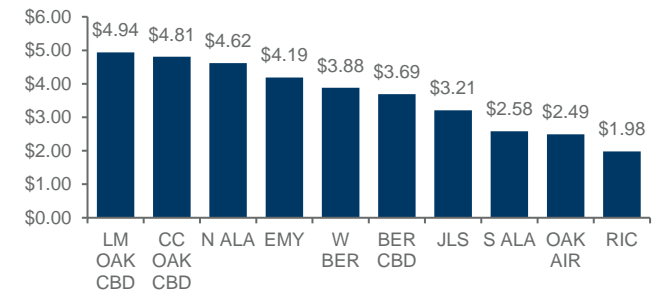
In Other News:

Sales activity showed some signs of life in the first quarter, but remained limited to smaller, user, non-core transactions. The largest sale of the quarter was a two-property flex portfolio at 1310-1330 S. 51st Street in Richmond. The property group, totaling 44,566 sf, sold for \$10.3 million to The Eames Institute, a tenant in one of the properties. Also of note was the County of Alameda's \$4.7 million purchase of 8201 Edgewater in Oakland, a 27,665-sf office building in the Airport/Coliseum submarket. Rapidly rising interest rates and questions about occupancy have placed significant downward pressure on demand for core office product in the East Bay. Periphery submarkets that have historically traded at higher cap rates or offered life science conversion plays are continuing to see the most demand.

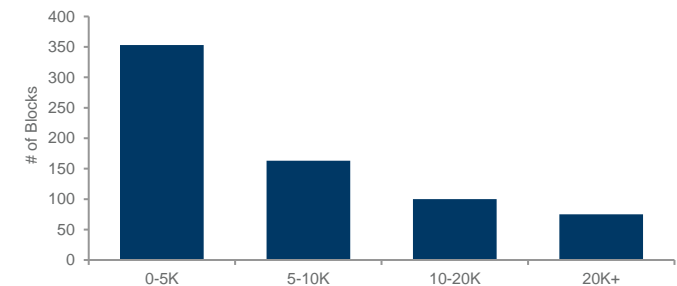
Outlook

- Net absorption is expected to remain in the red through 2023 as tenants continue to evaluate their need for space and increasingly choose to downsize.
- Asking rents are expected to decline as pricing slowly adjusts to elevated vacancy.

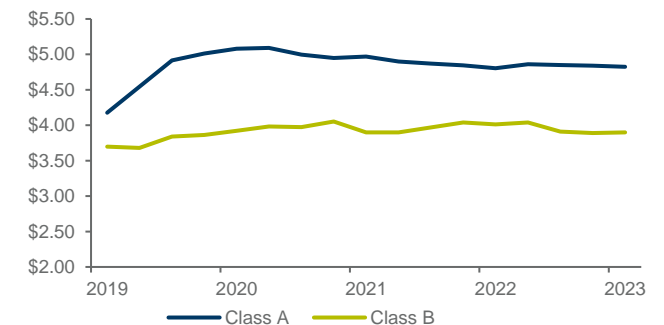
AVERAGE ASKING RATE BY SUBMARKET (FULL SERVICE)



AVAILABILITIES BY SIZE SEGMENT



AVERAGE ASKING RATE BY CLASS (FULL SERVICE)



Office Q1 2023

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	2,556,826	19,935	250,262	10.6%	-18,175	-18,175	11,452	0	\$1.98	\$2.22
West Berkeley	877,146	18,536	84,647	11.8%	40,100	40,100	5,000	0	\$3.88	\$6.25
Berkeley CBD	2,545,965	24,845	225,084	9.8%	17,082	17,082	13,097	0	\$3.69	\$3.81
Emeryville	3,242,797	301,923	528,841	25.6%	-113,584	-113,584	39,609	0	\$4.19	\$4.42
City Center Oakland CBD	6,357,781	402,537	1,801,832	34.7%	-13,196	-13,196	41,635	0	\$4.81	\$4.99
Lake Merritt Oakland CBD	6,838,350	307,391	1,011,012	19.3%	-161,422	-161,422	8,775	0	\$4.94	\$5.16
Jack London Square	1,741,898	22,973	123,369	8.4%	406	406	8,450	0	\$3.21	\$4.25
Oakland Coliseum	2,050,957	0	149,990	7.3%	2,043	2,043	21,501	0	\$2.49	\$3.00
Northern Alameda	1,277,940	0	246,354	19.3%	9,416	9,416	0	0	\$4.62	\$4.98
Southern Alameda	1,152,631	0	43,541	3.8%	0	0	0	0	\$2.58	\$2.61
CLASS BREAKDOWN										
Class A	13,952,644	890,963	2,558,483	24.7%	-257,355	-257,355	75,684	0	\$4.82	
Class B	12,255,133	187,242	1,737,595	15.7%	58,336	58,336	73,835	0	\$3.90	
Office/Flex	2,434,514	19,935	168,854	7.8%	-38,311	-38,311	0	0	\$1.90	
TOTALS	28,642,291	1,098,140	4,464,932	19.4%	-237,330	-237,330	149,519	0	\$4.41	\$4.82

*Rental rates reflect full service asking

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

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2100 Powell St.	Emeryville	Eko Devices	16,622	Sublease
1401 S. Marina Way	Richmond	Ocean Power Technologies	11,452	New Lease
5900 Hollis St.	Emeryville	Holistic Hyperbarics	10,632	New Lease
1111 Broadway	City Center Oakland CBD	Ramboll US Consulting	9,168	New Lease

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
1310-1330 S. 51 st St.	Richmond	Richmond Bayview Properties / The Eames Institute	44,566	\$10.3M / \$231
8201 Edgewater Dr.	Oakland	Shimmick Construction Company / County of Alameda	27,665	\$4.7M / \$168

EAST BAY OAKLAND

Office Q1 2023



OFFICE SUBMARKETS



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● = Office Locations