

## Office Q4 2023

	YoY Chg	12-Mo. Forecast
<b>21.1%</b> Vacancy Rate	▲	▲
<b>-223K</b> Net Absorption, SF	▲	▬
<b>\$4.25</b> Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

### ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
<b>1.2M</b> East Bay Oakland Employment	▲	▲
<b>4.2%</b> East Bay Oakland Unemployment Rate	▲	▼
<b>3.7%</b> U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics.  
2023 Q4 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 18,600 jobs added year-over-year (YOY), bringing regional employment to 1.21 million. Despite the growth in positions, the unemployment rate rose 90 basis points (bps) YOY, closing the fourth quarter at 4.2%. Over the past year, the Bay Area experienced widespread layoffs within the technology companies that had previously been a driving force behind occupancy growth and while COVID-19 concerns have faded for many employers, new macroeconomic uncertainties are weighing heavily on industries beyond tech, stifling growth and the demand for office space.

### Supply: Vacancy Rises

The overall vacancy rate in the East Bay Oakland office market was 21.1% at the close of the fourth quarter, an 80-bps increase from the prior quarter, and up 260 bps YOY. Net absorption for the quarter was negative 223,000 square feet (sf), the sixth consecutive quarter of more than 100,000 sf in occupancy decline. Fortunately for the market, the major downsizings and office closures that garnered headlines early in the Pandemic have slowed and vacancy is rising at a more modest pace, between 40-80 bps each quarter of this year. By comparison, markets like San Francisco have continued to see vacancy jumps of over 200 bps in a single quarter. Vacancy in Oakland's Central Business District (CBD) remained the highest in the Oakland Metro Area at 29.6%, up 80 bps from the third quarter. Home to the majority of the market's high rises and large blocks of space, CBD Oakland has been the most exposed to pullback by large tenants. By comparison, the smaller submarkets of Jack London Square and the Oakland Airport, which cater to smaller tenants and offer lower cost options, have outperformed not just the CBD but the greater Bay Area, with vacancy hovering around 10% in both submarkets.

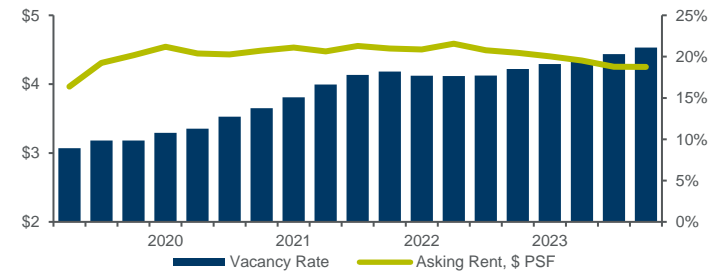
### Pricing: Asking Rates Begin to Adjust

The overall asking rate closed the fourth quarter at \$4.25 per square foot (psf) on a monthly full-service basis, down \$0.21 YOY and level with the prior quarter. Having held near historic highs for the past three years, despite rising vacancy, 2023 saw the market begin to reprice as landlords looked to capture limited tenant demand in the face of looming loan maturities. The overall asking rate for Oakland's CBD was down 15% from its pre-pandemic high to \$4.60 psf in the fourth quarter. In the CBD, the delta between Class A and Class B rental rates continued to grow dramatically, with the average asking rate for Class B falling \$0.65 psf YOY while Class A was down just \$0.10 psf. In the years leading up to the pandemic, scant vacancy and tenant demand for creative office space drove Class B rates to within 10% of Class A. Now, as demand wanes and vacancy rises, Class B properties are experiencing the most dramatic repricing and that gap has increased to 31%. This divergence is expected to continue as the market experiences a flight to quality and commodity space struggles to compete.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# EAST BAY OAKLAND



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To draw employees back to the office, tenants have looked to the highest quality spaces, and as many choose to downsize their footprint, they become less price sensitive on a psf basis.

### Demand: Market Waits for Large Tenants

The East Bay Oakland office market recorded 184,652 sf of leasing activity in the fourth quarter of 2023, down from both the prior quarter and YOY. This brought total leasing activity for 2023 to 771,610 sf, the lowest level of annual activity since Cushman & Wakefield began tracking the market in 1995. This represents a 40% decline from 2022 activity and is just a fraction of the 2.9-msf annual average recorded in the five years before the pandemic. While concerns over COVID-19 have fallen, remote and hybrid work models have persisted, broadly weighing on occupiers' need for space. Despite this, the market saw demand begin to accelerate in 2021 and the first half of 2022 before a combination of factors including rising interest rates, challenging borrowing environment, and muted IPO activity all began to signal deepening cracks in the economy, ultimately leading to a broader market pullback in 2023, stifling both new demand and the growth of tenants already in the market. Leasing velocity is not expected to recover in the near term, with active office requirements totaling approximately 500,000 sf at the close of the year, compared to a 10-year average of over 1.0 msf.

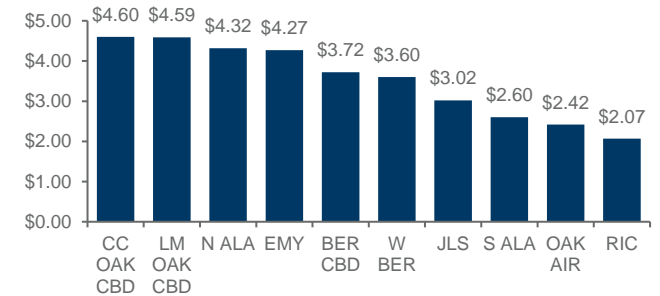
### In Other News:

Investment sales activity has yet to return to the Oakland Metro Area, as a combination of elevated interest rates and challenging market fundamentals have kept the majority of investors on the sidelines. However, owner-users remained active through the fourth quarter, with BART announcing that it will be purchasing 2000 Broadway, a 105,000-sf office building, from Kaiser Permanente for \$26.0 million. BART plans to use the building as a headquarters for its police force but must first make significant seismic upgrades to the property, which could nearly quadruple the overall cost. Also of note, PG&E announced plans to exercise their right to purchase 300 Lakeside, the approximately 900,000-sf office building they leased from TMG in 2020, after moving their headquarters from San Francisco to Oakland. Across the bay in San Francisco, several notable investor purchases in the back half of 2023 signaled that capital may be returning to the region. These recent sales, at bargain prices, begin to provide pricing guidance and establish the discount to pre-pandemic values required for large multi-tenanted buildings to trade.

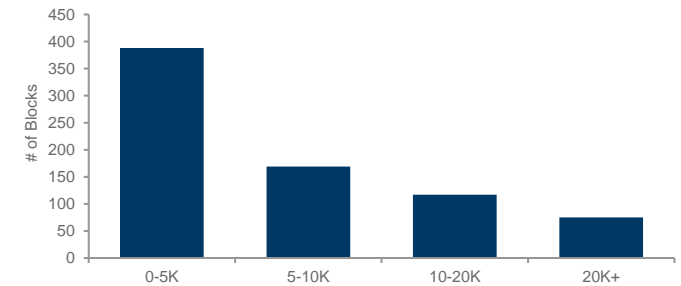
### Outlook

- Net absorption is expected to remain in the red into 2024 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 and lower demand.
- Investment activity may start to build momentum in 2024 as interest rates plateau and debt maturity places pressure on properties to trade.

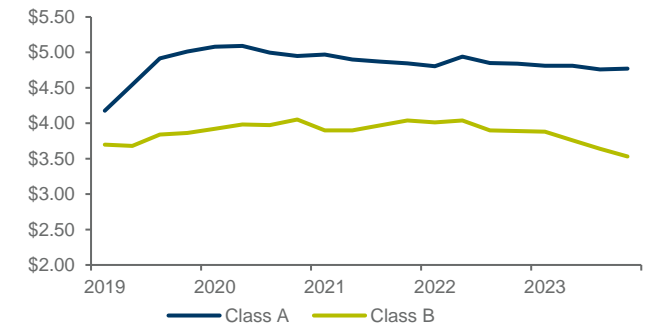
### AVERAGE ASKING RATE BY SUBMARKET (FULL SERVICE)



### AVAILABILITIES BY SIZE SEGMENT



### AVERAGE ASKING RATE BY CLASS (FULL SERVICE)





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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	2,576,461	0	227,964	8.8%	47,886	23,648	75,460	0	\$2.07	\$2.25
West Berkeley	813,029	22,195	36,989	7.3%	4,666	65,218	14,511	0	\$3.60	-
Berkeley CBD	2,327,660	81,856	185,212	11.5%	-47,094	-24,204	76,038	0	\$3.72	\$4.05
Emeryville	3,242,797	370,827	518,625	27.4%	-70,054	-198,405	113,975	0	\$4.27	\$4.47
City Center Oakland CBD	6,258,511	383,327	2,002,900	38.1%	-38,919	-188,884	191,017	0	\$4.60	\$4.88
Lake Merritt Oakland CBD	6,875,964	327,145	1,179,990	21.9%	-77,696	-369,569	155,960	0	\$4.59	\$5.10
<b>Oakland CBD Total</b>	<b>13,134,475</b>	<b>710,472</b>	<b>3,182,890</b>	<b>29.6%</b>	<b>-116,615</b>	<b>-558,453</b>	<b>346,977</b>	<b>0</b>	<b>\$4.60</b>	<b>\$4.95</b>
Jack London Square	1,741,898	14,415	171,869	10.7%	-25,083	-48,940	52,383	0	\$3.02	\$4.25
Oakland Coliseum	2,050,957	0	183,404	8.9%	-12,952	-23,703	55,227	0	\$2.42	\$3.00
Northern Alameda	1,224,394	0	192,101	15.7%	0	63,669	30,335	0	\$4.32	\$4.31
Southern Alameda	1,152,631	0	65,840	5.7%	-3,502	-22,299	6,704	0	\$2.60	\$2.61
<b>CLASS BREAKDOWN</b>										
Class A	13,728,098	963,585	2,720,359	26.8%	-131,491	-529,298	429,081	0	\$4.77	
Class B	12,102,136	236,180	1,901,575	17.7%	-139,143	-195,092	290,691	0	\$3.53	
Office/Flex	2,434,068	0	142,960	5.9%	47,886	921	51,838	0	\$1.92	
<b>TOTALS</b>	<b>28,264,302</b>	<b>1,199,765</b>	<b>4,764,894</b>	<b>21.1%</b>	<b>-222,748</b>	<b>-723,469</b>	<b>771,610</b>	<b>0</b>	<b>\$4.25</b>	<b>\$4.77</b>

\*Rental rates reflect full service asking

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

## KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2000 Powell Street	Emeryville	Sutter Health	34,766	Renewal
880 Harbour Way S.	Richmond	SunPower	20,669	New Lease
1150 Brickyard Cove Road	Richmond	EarthGrid PBC	12,000	New Lease
360 22 <sup>nd</sup> Street	Lake Merritt Oakland CBD	Pyatok Architects	11,122	New Lease

## KEY SALE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
2000 Broadway	Lake Merritt Oakland CBD	Kaiser Permanente / Bay Area Rapid Transit (BART)	105,000	\$26M / \$248
999 Canal Boulevard	Richmond	Bon Bay Partners LLC / 8 Vini, Inc.	31,818	\$7.9M / \$247

# EAST BAY OAKLAND

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OFFICE SUBMARKETS



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● = Office Locations