

Office Q1 2024

21.5%
Vacancy Rate



-189K
Net Absorption, SF



\$4.05
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

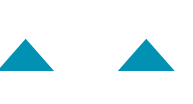
1.2M
East Bay Oakland
Employment



4.7%
East Bay Oakland
Unemployment Rate



3.8%
U.S.
Unemployment Rate



Source: BLS, Moody's Analytics.
2024 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 12,400 jobs added year-over-year (YOY), bringing regional employment to 1.19 million. Despite the growth in positions, the unemployment rate rose 120 basis points (bps) YOY, closing the first quarter at 4.7%. Last 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 21.5% at the close of the first quarter, a 70-bps increase from the prior quarter, and up 220 bps YOY. Net absorption for the quarter was negative -188,935 square feet (sf), the seventh 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 for the past year. In a positive sign for the market, net absorption in Oakland's Central Business District (CBD) moved out of the red in the first quarter, with vacancy holding level at 29.0%. A pause in new availabilities and an uptick in leasing activity represent a significant momentum shift for the submarket. The most exposed to a pullback by large tenants, CBD Oakland has been responsible for much of the greater market's negative absorption since the start of the Pandemic, with vacancy nearly tripling since late 2019. Comparatively, the submarkets of Jack London Square and the Oakland Airport, which cater to smaller tenants and offer lower cost options, continued to outperform 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 first quarter at \$4.05 per square foot (psf) on a monthly full-service basis, down \$0.14 from the prior quarter and \$0.40 psf YOY. Having held near historic highs through much of the Pandemic, 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. This trend has only accelerated into 2024, with the overall asking rate for Oakland's CBD down 20% from its pre-pandemic high to \$4.35 psf in the first quarter.

A wave of refinancing and sales activity in the years before Covid-19 left many landlords at a basis where they were unable to materially lower rates and still make their investments pencil or meet their loan covenants. However, as these loans begin to mature, the market has seen several properties go back to the lenders, drastically lowering cost bases and creating the potential for rates to better adjust to elevated vacancy.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



EAST BAY OAKLAND



Office Q1 2024

While rates are shifting across inventory, Class A space has held its value better than Class B as the market experiences a flight to quality and commodity space struggles to compete. To draw employees back to the office, tenants have looked to the highest quality spaces, and as many choose to downsize their footprint, some have become less price sensitive on a psf basis.

Demand: Market Sees New Life

The East Bay Oakland office market recorded 259,300 sf of leasing activity in the first quarter of 2024, up 22.0% from the prior quarter. Activity is trending in the right direction as the region looks to eclipse 2023's annual leasing activity, which was the lowest full year of leasing activity since Cushman & Wakefield began tracking the market in 1995. Leasing in the first quarter was a healthy mix of renewals, key to mitigating negative absorption, and new activity, something that was lacking through much of 2023. The largest deal of the quarter was a renewal, signed by the GSA for two full floors or 49,284 sf, at 1111 Broadway in Oakland's City Center. This was followed by online consignment company, ThredUp's renewal for 24,750 sf in Old Oakland. The submarket of Emeryville recorded two new full floor leases this quarter with BioMADE and Silverado Contractors each taking more than 20,000 sf in 1900 and 2200 Powell, respectively. Active office tenants in the market have grown considerably over the past quarter to 757,000 sf, an increase from the 522,000-sf recorded at the end of 2023. This is, however, still down when compared to a 10-year average of over 1.0 msf. This rise also needs to be taken with a grain of salt, as many of these tenants already exist in the market and are exploring their options before potentially executing renewals. The market will require an uptick of in migration or existing tenant expansions before tracked demand will have a meaningful effect on vacancy.

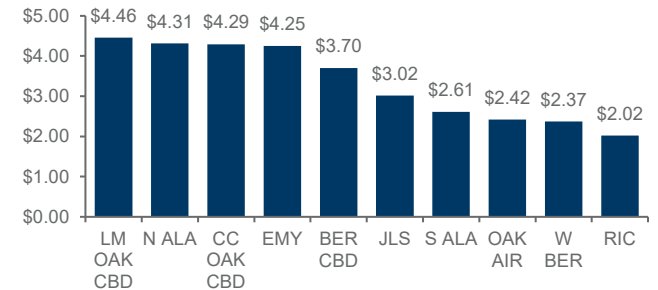
In Other News:

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. The first quarter of 2024 recorded one of the lowest levels of sales activity on record, with no closed transactions over 10,000 sf. Looking ahead, the note on 180 Grand, a 280,000-sf, Class A tower in Oakland's CBD is currently on the market for sale, with the property having gone back to its lender this quarter. If the debt sells and the buyer completes a deed in lieu of foreclosure, it will essentially represent the first major office building sale in CBD Oakland in over two years, creating a needed data point for the value of distressed assets in the market today. Once pricing is established, investor activity may return to the market later in the year, as it did last year in neighboring markets like San Francisco.

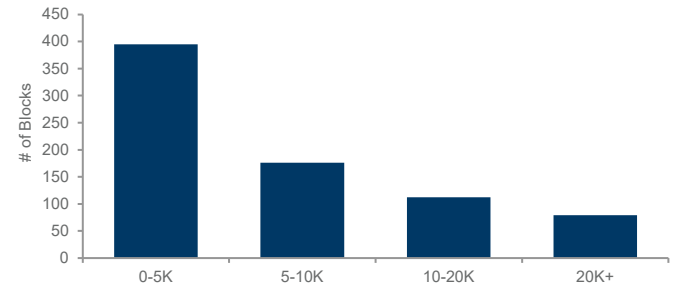
Outlook

- 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.

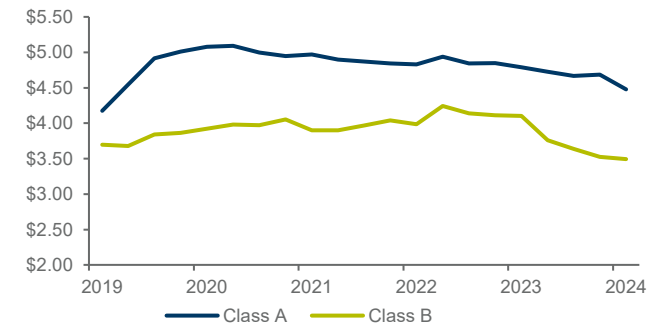
AVERAGE ASKING RATE BY SUBMARKET (FULL SERVICE)



AVAILABILITIES BY SIZE SEGMENT



AVERAGE ASKING RATE BY CLASS (FULL SERVICE)





Office Q1 2024

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	267,297	10.4%	-39,333	-39,333	5,729	0	\$2.02	\$2.25
West Berkeley	813,029	26,413	72,849	12.2%	-40,078	-40,078	1,320	0	\$2.37	-
Berkeley CBD	2,327,660	81,856	171,560	10.9%	1,043	1,043	2,549	0	\$3.70	\$3.94
Emeryville	3,199,572	377,547	599,305	30.5%	-93,956	-93,956	48,002	0	\$4.25	\$4.42
City Center Oakland CBD	6,258,511	355,297	2,035,820	38.2%	-14,774	-14,774	147,691	0	\$4.29	\$4.47
Lake Merritt Oakland CBD	6,944,652	293,530	1,148,592	20.8%	15,193	15,193	42,078	0	\$4.46	\$4.90
Oakland CBD Total	13,203,163	648,827	3,184,412	29.0%	419	419	189,769	0	\$4.35	\$4.60
Jack London Square	1,741,898	14,415	165,909	10.4%	3,639	3,639	11,931	0	\$3.02	\$4.25
Oakland Coliseum	2,050,957	0	175,258	8.5%	5,946	5,946	0	0	\$2.42	\$3.00
Northern Alameda	1,224,394	0	214,571	17.5%	-22,470	-22,470	0	0	\$4.31	\$4.31
Southern Alameda	1,152,631	0	69,985	6.1%	-4,145	-4,145	0	0	\$2.61	\$2.62
CLASS BREAKDOWN										
Class A	13,728,098	950,131	2,793,489	27.3%	-100,074	-100,074	183,311	0	\$4.48	
Class B	12,127,599	198,927	1,942,261	17.7%	-46,425	-46,425	75,989	0	\$3.49	
Office/Flex	2,434,068	0	185,369	7.6%	-42,436	-42,436	0	0	\$1.85	
TOTALS	28,289,765	1,149,058	4,921,146	21.5%	-188,935	-188,935	259,300	0	\$4.05	\$4.48

*Rental rates reflect full service asking

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

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1111 Broadway	City Center Oakland CBD	GSA (General Services Administration)	49,284	Renewal
969 Broadway	City Center Oakland CBD	ThredUp	24,750	Renewal
1900 Powell Street	Emeryville	BioMADE	21,246	New Lease
2200 Powell Street	Emeryville	Silverado Contractors	20,256	New Lease

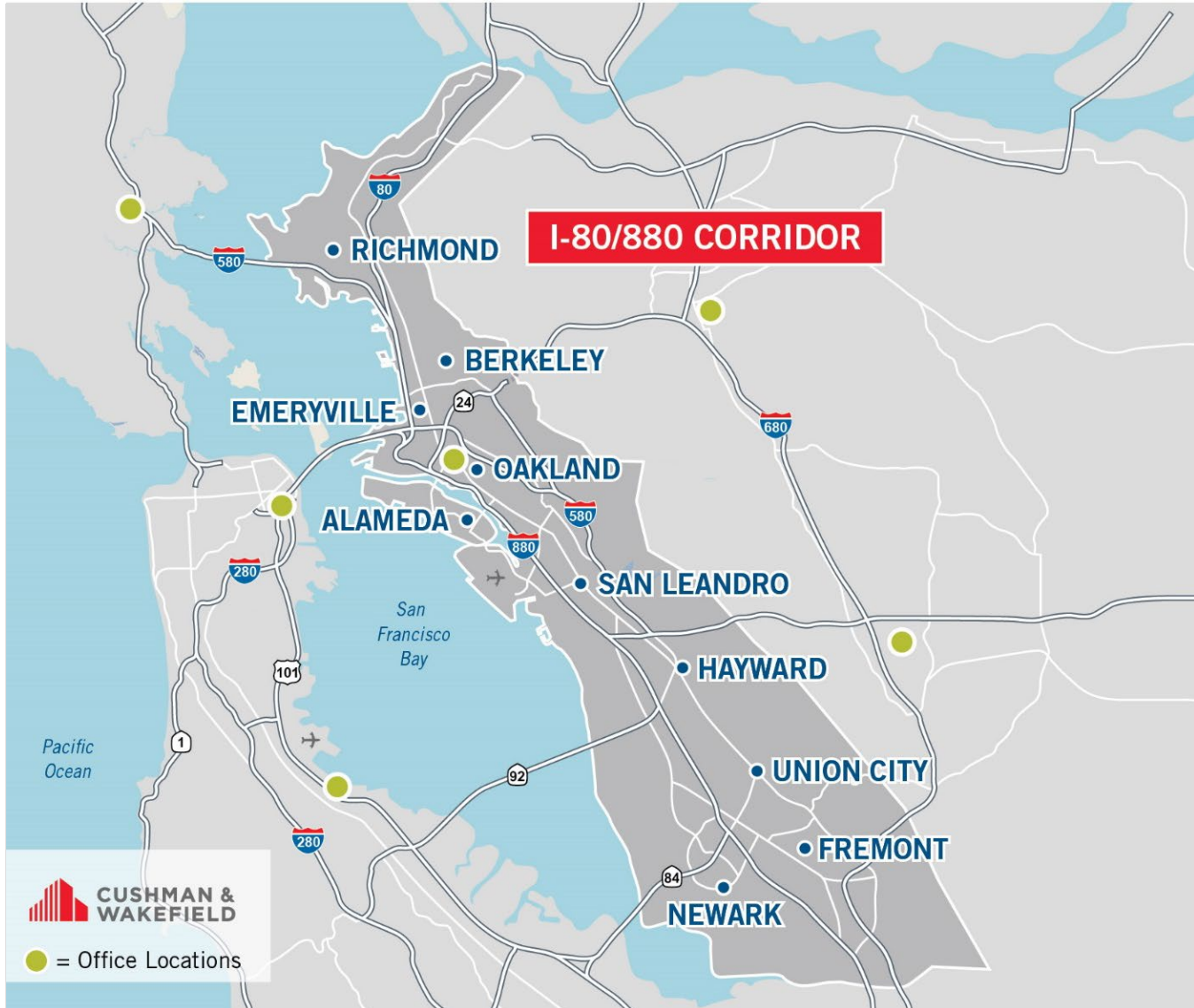
KEY SALE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
5674 Shattuck Avenue	Oakland North	Patrick Fanning / A Safe Place	5,100	\$1.7M / \$328
424 2 nd Street	Jack London Square	BALCO Properties / Community Health for Asian Americans	3,701	\$1.4M / \$365

EAST BAY OAKLAND

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OFFICE SUBMARKETS



Wescott Owen

Research Manager

Tel: +1 415 451 2418

Wescott.owen@cushwake.com

Jordan Howell

Research Analyst

Tel: +1 510 264 7962

Jordan.Howell@cushwake.com

CUSHMAN & WAKEFIELD

555 12th St

Suite 100

Oakland, CA 94607

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