

## Office Q2 2024

**22.4%**  
Vacancy Rate



**-275K**  
Net Absorption, SF



**\$4.02**  
Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q2 2024

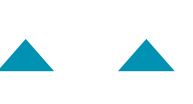
**1.2M**  
East Bay Oakland  
Employment



**4.8%**  
East Bay Oakland  
Unemployment Rate



**4.1%**  
U.S.  
Unemployment Rate



Source: BLS, Moody's Analytics.  
2024 Q2 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 10,300 jobs added year-over-year (YOY), bringing regional employment to 1.20 million. Despite the growth in positions, the unemployment rate rose 100 basis points (bps) YOY, closing the second quarter at 4.8%. Over the past year, the Bay Area has experienced widespread layoffs within the technology sector that had previously been a driving force behind occupancy growth. While Covid-19 concerns have faded for many employers, new social and macroeconomic uncertainties, coupled with remote work trends 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 22.4% at the close of the second quarter, a 90-bps increase from the prior quarter, and up 300 bps YOY. Net absorption for the quarter was negative -275,379 square feet (sf), the eighth consecutive quarter of more than 100,000 sf in occupancy decline. Vacancy has continued to rise steadily, increasing between 50-90 bps per quarter for the past year. While this is a reprieve from the major office closures and jumps in vacancy that garnered headlines several years ago, it signals a more pervasive shift in tenants' need for office space, as renewals increasingly turn to downsizes. After holding approximately level in the first quarter, vacancy in Oakland's CBD rose 160 bps in the second quarter to close at 30.8%. This rise translated to 208,000 sf of negative net absorption. A driving force behind this jump was a series of space givebacks by WeWork as they emerged from bankruptcy. The coworking giant ran several locations across Oakland and gave back anywhere from a few thousand square feet to multiple floors depending on the location. Having nearly tripled since late 2019, vacancy in Oakland's CBD is expected to continue rising until the return of demand from larger, full floor users. 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 below 12% in both submarkets.

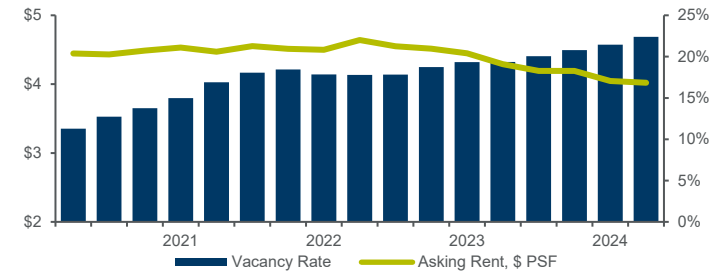
### Pricing: Asking Rates Begin to Adjust

The overall asking rate closed the second quarter at \$4.02 per square foot (psf) on a monthly full-service basis, down \$0.03 from the prior quarter and \$0.27 psf YOY. Having held near historic highs through much of the Pandemic, despite rising vacancy, 2023 saw the market begin to re-price as landlords looked to capture limited tenant demand in the face of looming loan maturities. This trend has only accelerated through the first half of 2024, with the overall asking rate for Oakland's CBD down 21% from its pre-pandemic high to \$4.30 psf in the second 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 rental rates and still make their investments pencil and/or meet their loan covenants. However, as these loans begin to mature, the market has seen several properties go back to their lenders, drastically lowering cost bases and creating the potential for rental rates to adjust more dynamically to elevated vacancy.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# EAST BAY OAKLAND

Office Q2 2024



## Demand: Existing Tenants Drive Demand

The East Bay Oakland office market recorded 375,513 sf of leasing activity in the second quarter of 2024, up 22.0% from the prior quarter. Overall leasing has accelerated dramatically into 2024, on pace to surpass 2023's full year activity by next quarter. However, this activity is unlikely to bring down vacancy as renewals have made up the majority of leasing year to date. While renewals are key to mitigating the rise in vacancy, they do little to help the market absorb space, particularly as tenants are increasingly "right sizing" in the renewal process, giving back underutilized portions of their space. Additionally, new leasing in the market has often been done by existing tenants in the region, jumping between projects to take advantage of competitive rates or participate in a broader flight to quality. The two largest deals of the quarter were both completed in the two-building office complex, Center 21, a Class A project in Oakland's Lake Merritt submarket that is now bank owned. They included the Federal Bureau of Investigation, which renewed for three full floors or 76,700 sf, followed by a renewal/downsize by Everlaw for 48,687 sf. The largest new lease in the region was signed by e.l.f Cosmetics which moved down the street to take a full floor, 27,831 sf, at 601 City Center. Active large office tenant requirements have yet to resurface, with Cushman & Wakefield tracking approximately 444,000 sf of demand at the end of the quarter, down when compared to a 10-year average of over 1.0 msf. Existing demand must also 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 or downsizing. The market will require an uptick of in-migration or existing tenant expansions before tracked demand will have a meaningful effect on vacancy.

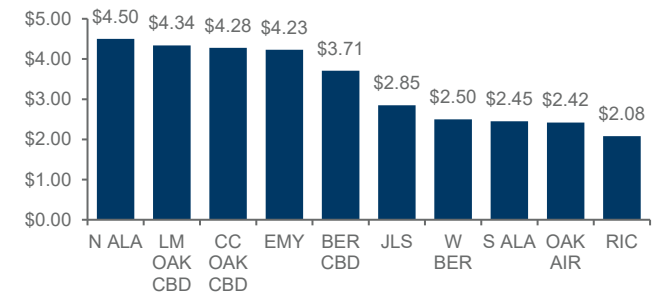
## In Other News: Sales Activity Muted

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

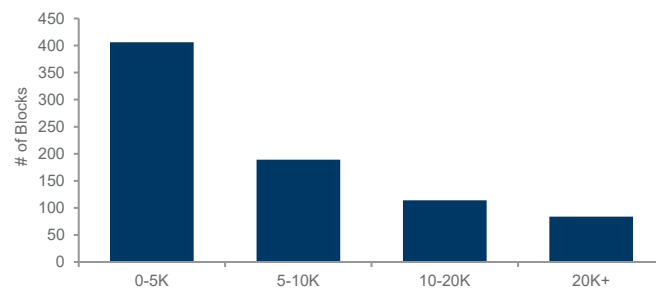
## Outlook

- Asking rents are expected to decline as pricing slowly adjusts to elevated vacancy and lower demand.
- Investment activity may start to build momentum in late 2024 as interest rates plateau and debt maturity places pressure on properties to trade.
- Vacancy will continue rising until interest in the market returns from a new base of tenants.

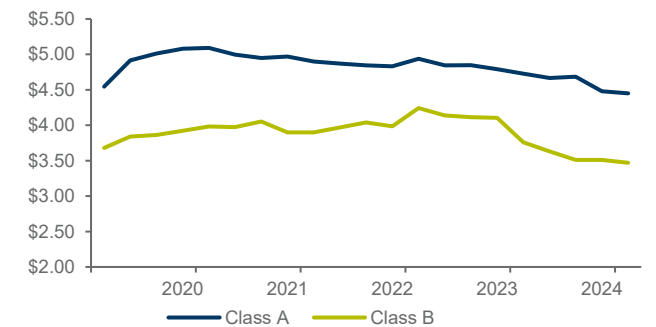
## AVERAGE ASKING RATE BY SUBMARKET (FULL SERVICE)



## AVAILABILITIES BY SIZE SEGMENT



## AVERAGE ASKING RATE BY CLASS (FULL SERVICE)





## Office Q2 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	2,577,176	0	288,799	11.2%	-17,169	-54,050	27,180	0	\$2.08	\$2.25
West Berkeley	801,029	24,226	82,203	13.3%	-7,167	-47,245	6,426	0	\$2.50	-
Berkeley CBD	2,407,660	75,917	173,869	10.4%	-2,309	-1,266	8,742	0	\$3.71	\$3.95
Emeryville	3,199,572	353,414	630,409	30.7%	-6,971	-100,927	81,360	0	\$4.23	\$4.41
City Center Oakland CBD	6,206,583	374,399	2,120,930	40.2%	-96,645	-116,264	204,002	0	\$4.28	\$4.45
Lake Merritt Oakland CBD	6,953,953	296,364	1,258,501	22.4%	-111,386	-101,208	242,781	0	\$4.34	\$4.82
<b>Oakland CBD Total</b>	<b>13,160,536</b>	<b>670,763</b>	<b>3,379,431</b>	<b>30.8%</b>	<b>-208,031</b>	<b>-217,472</b>	<b>446,783</b>	<b>0</b>	<b>\$4.30</b>	<b>\$4.56</b>
Jack London Square	1,741,898	23,274	183,279	11.9%	-27,989	-22,590	18,095	0	\$2.85	\$4.25
Oakland Coliseum	2,051,067	0	178,995	8.7%	-3,737	2,209	0	0	\$2.42	\$3.00
Northern Alameda	1,224,394	0	202,986	16.6%	15,000	-7,470	66,110	0	\$4.50	\$4.31
Southern Alameda	1,152,631	0	86,991	7.5%	-17,006	-21,151	28,000	0	\$2.45	\$2.62
<b>CLASS BREAKDOWN</b>										
Class A	13,808,098	969,851	2,918,917	28.2%	-140,815	-238,437	460,869	0	\$4.45	
Class B	12,073,082	177,743	2,080,197	18.7%	-112,112	-166,637	192,986	0	\$3.47	
Office/Flex	2,434,068	0	207,848	8.5%	-22,452	-64,888	28,841	0	\$1.92	
<b>TOTALS</b>	<b>28,315,963</b>	<b>1,147,594</b>	<b>5,206,962</b>	<b>22.4%</b>	<b>-275,379</b>	<b>-469,962</b>	<b>682,696</b>	<b>0</b>	<b>\$4.02</b>	<b>\$4.45</b>

\*Rental rates reflect full service asking

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

## KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2101 Webster Street	Lake Merritt Oakland CBD	Federal Bureau of Investigation (FBI)	76,700	Renewal
2101 Webster Street	Lake Merritt Oakland CBD	Everlaw	48,687	Renewal
601 12 <sup>th</sup> Street	City Center Oakland CBD	e.l.f Cosmetics	27,831	New Lease
1080 Marina Village Parkway	Northern Alameda	Telecare Corporation	26,142	Renewal

## KEY SALE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
8201 Capwell Drive	Oakland Coliseum	Machinists Automotive Trades District Lodge 190 / BAC Local 3	7,782	\$1.95M / \$251

# EAST BAY OAKLAND

Office Q2 2024



OFFICE SUBMARKETS



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● = Office Locations