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1Q24

# Greater Oakland Office Market Overview



**NEWMARK**

# Market Observations

## Economy

- The East Bay continues to experience slowly rising unemployment rates, primarily due to layoffs in the information and technology sectors.
- Job growth year-over-year was highest in the education and health, other service, and leisure and hospitality industries. The information, financial services, and manufacturing sectors showed the largest decreases in employment.
- Technology firms are continuing to adjust their labor needs. Locally, employment growth across all office-occupying sectors has continued to slow.

## Major Transactions

- The largest office lease in the market was Kyverna Therapeutics, taking 34,789 square feet of space at 5980 Horton Street in Emeryville.
- Science Inc. leased 77,135 square feet of lab space at 300 Wind River Way in Alameda.
- There were 7 small office building sales in the Greater Oakland market during the first quarter of 2024. The largest sale was 5674 Shattuck Ave. in Oakland, the 5,100 square foot building sold for \$1.7 million, or \$328 per square foot.

## Leasing Market Fundamentals

- Net absorption in the first quarter of 2024 totaled negative 149,670 SF. This is the eighth quarter in a row where the market has experienced negative absorption.
- There were no new office construction projects in the Greater Oakland market in the first quarter of 2024. Life science makes up most of the active construction.
- Availability increased 160 basis points to 25.5% as space returning to the market continues to outpace new leasing. Vacancy also increased by 100 basis points to 21.4%.
- Asking rents decreased to \$4.38 as landlords try to fill their vacancies.

## Outlook

- The note for 180 Grand Avenue in Lake Merritt is actively being marketed. Rumors are that it will sell for around \$100/SF, compared to when it sold in 2019 for \$639/SF. The new basis should allow the new owner to get much more aggressive with rents. We anticipate other owners to follow suit.
- Asking rents are expected to further decline as buildings continue to return to lenders or are sold.
- Space returning to the market continues to outpace demand. Recent tech layoffs, remote work and headwinds in the greater economy will continue to have an impact on the volume of office space leased in the market in 2024.
- The flight to quality will continue for tenants as they seek out smaller spaces in high quality buildings that offer amenities and security. As this happens, vacancy rates are expected to continue to rise in buildings that offer commodity space.

1. Economy
2. Leasing Market Fundamentals
3. Appendix

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1Q24

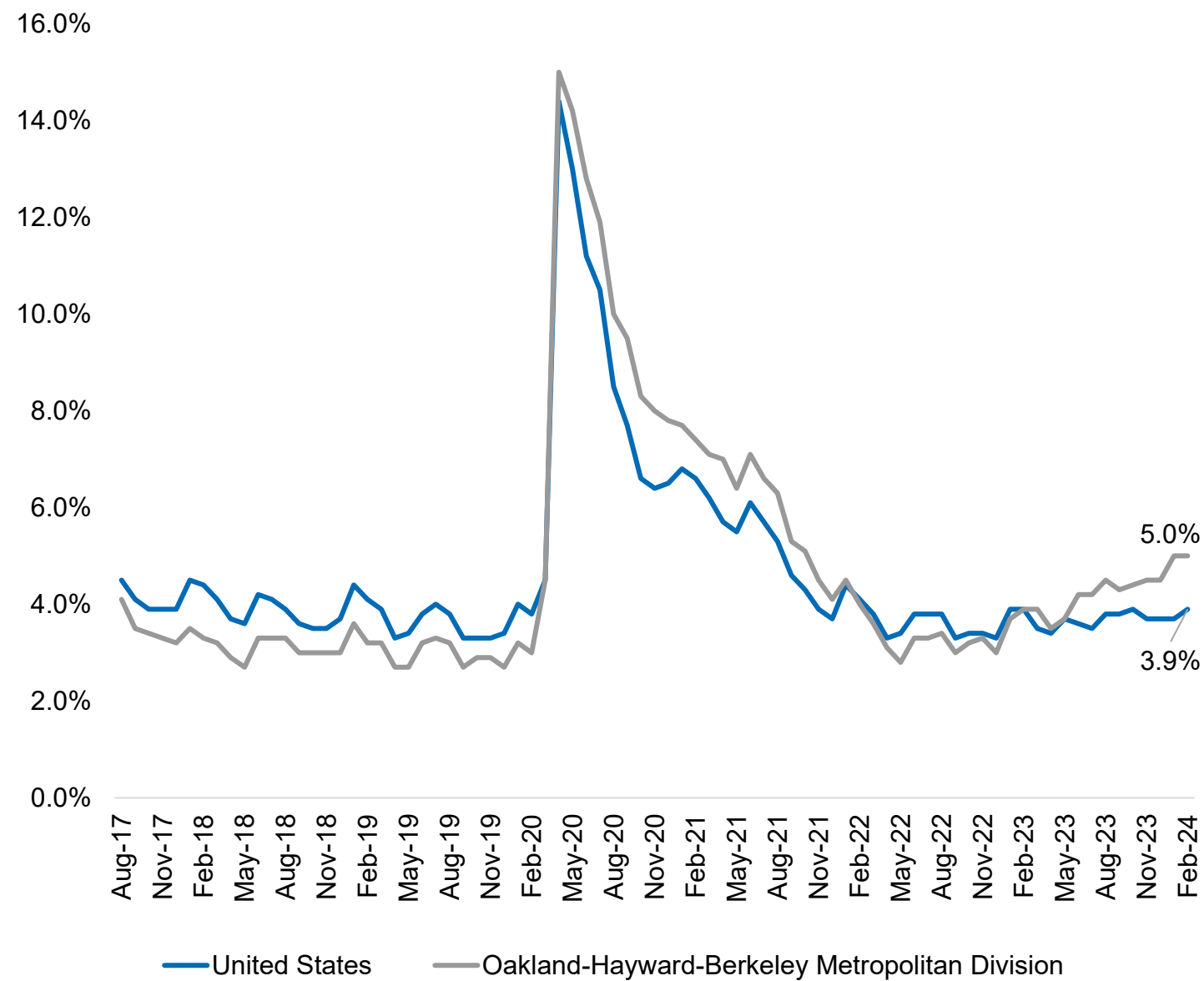
# Economy



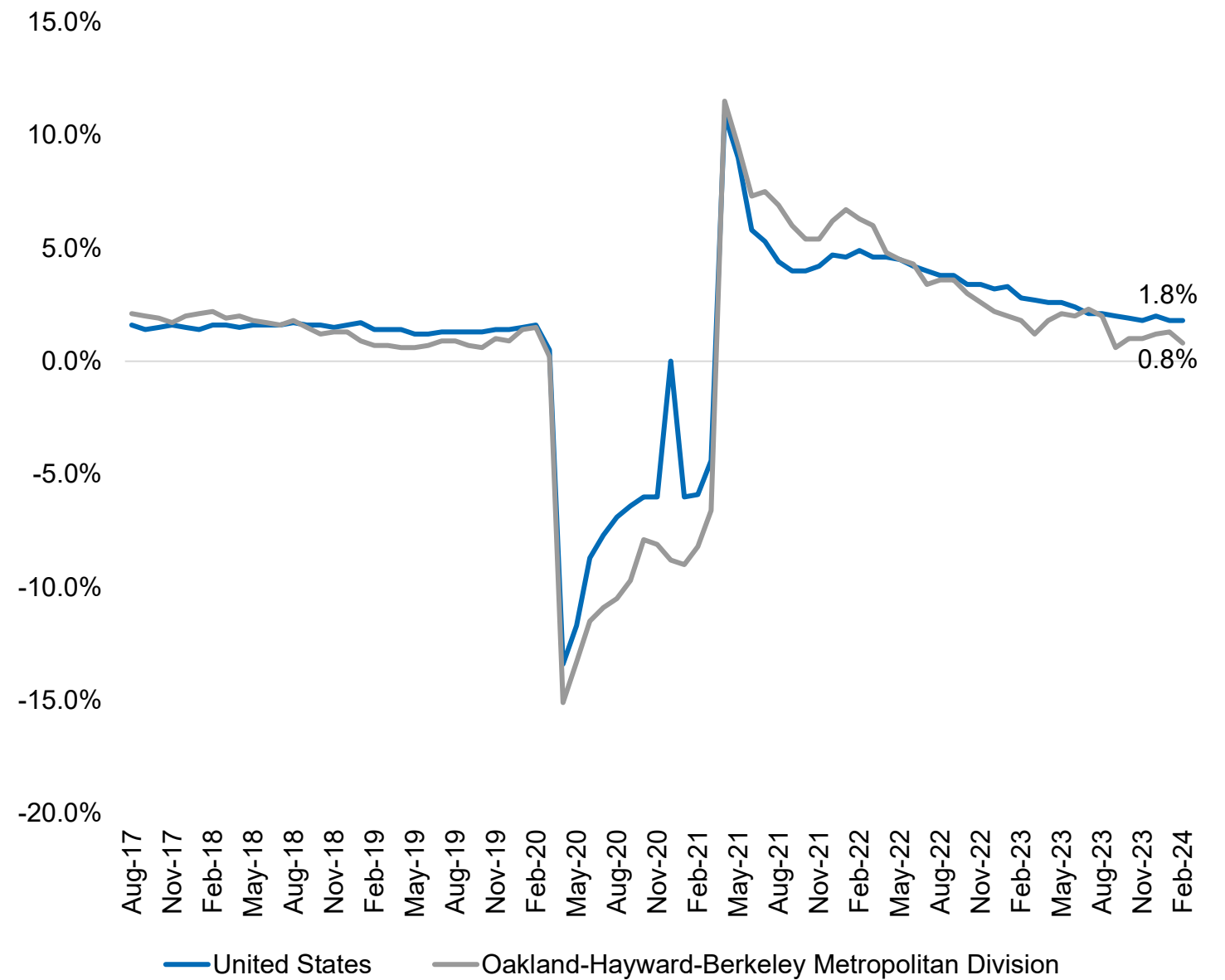
# Metro Employment Trends Signal A Slowing Economy

The current unemployment rate for the East Bay Area is 50 basis points higher than it was at the end of 2023, and at 5.0% is 110 basis points higher than the national average.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

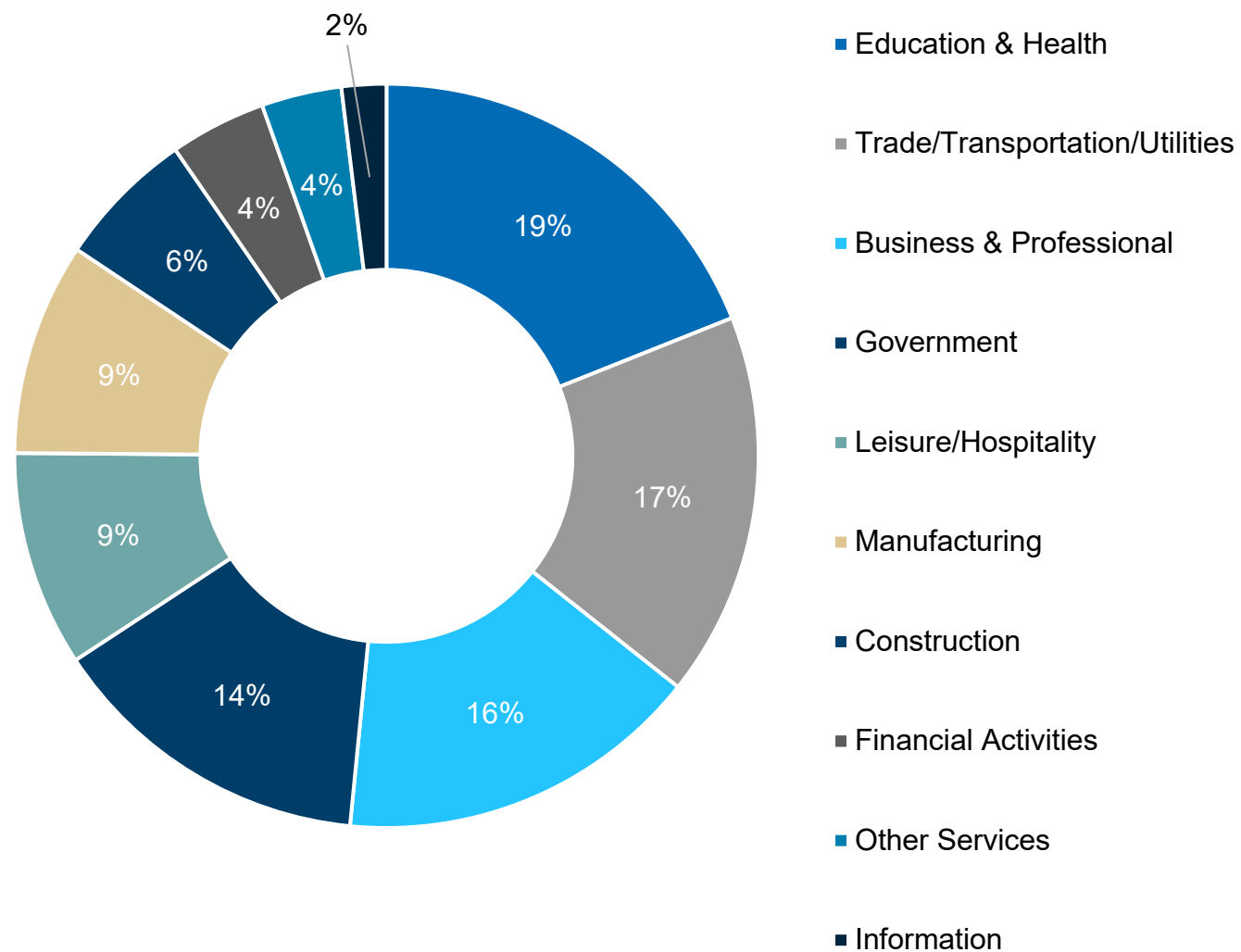


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

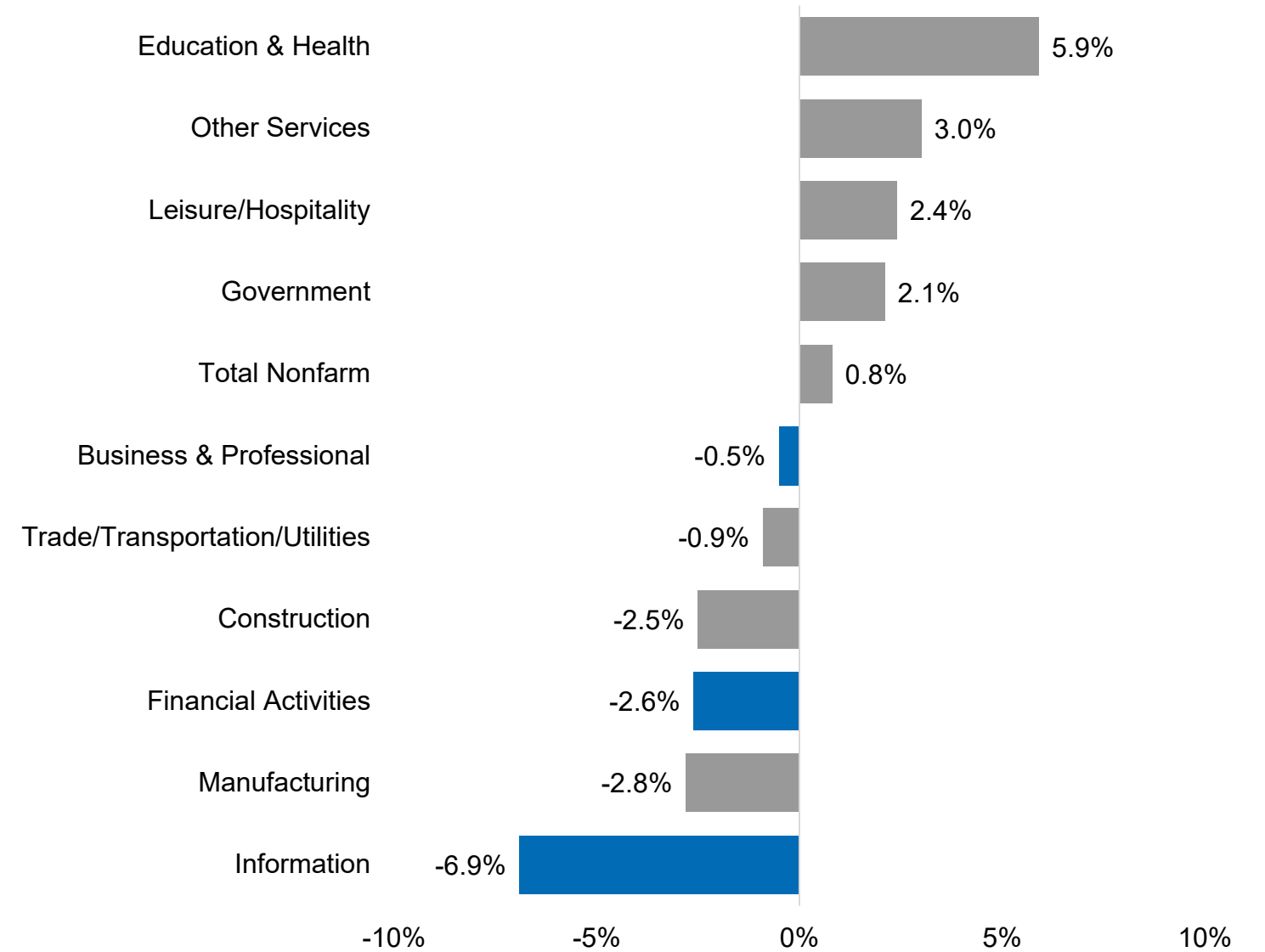
# Office-Using Employment Down

All three office using sectors (Financial Activities, Information, and Business & Professional Services) have experienced job loss over the past twelve months due to the significant number of layoffs in these sectors throughout the course of 2023.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

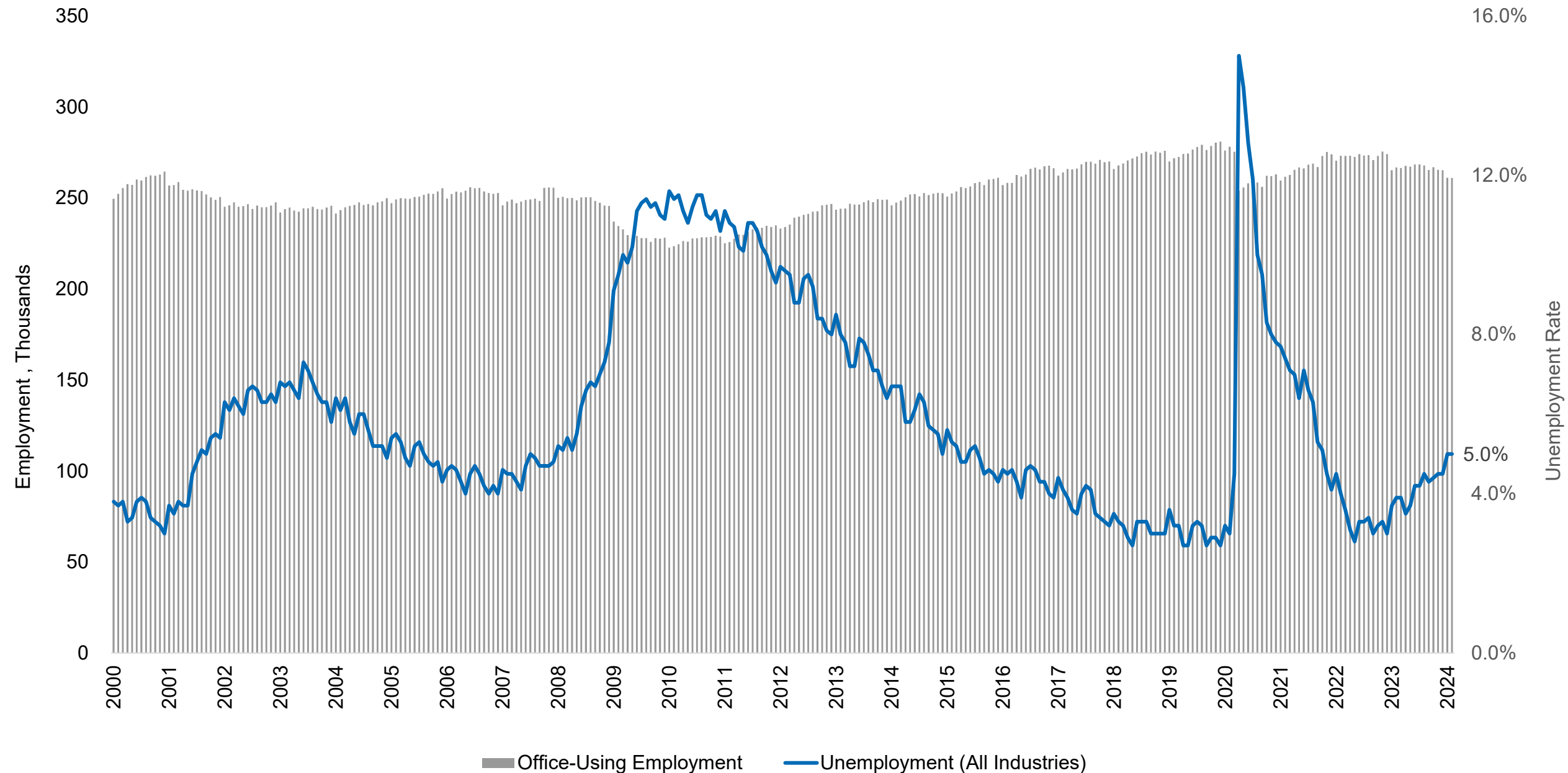


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

# Overall Office-Using Employment Still Lower than Pre-Pandemic

The number of office jobs in the East Bay has yet to recover to pre-pandemic levels, with about 10,000 fewer office-using jobs. Office-using employment is currently just below early-2017 levels.

## Office-Using Employment\* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties). Note: August 2023 data is preliminary.  
\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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1Q24

# Leasing Market Fundamentals

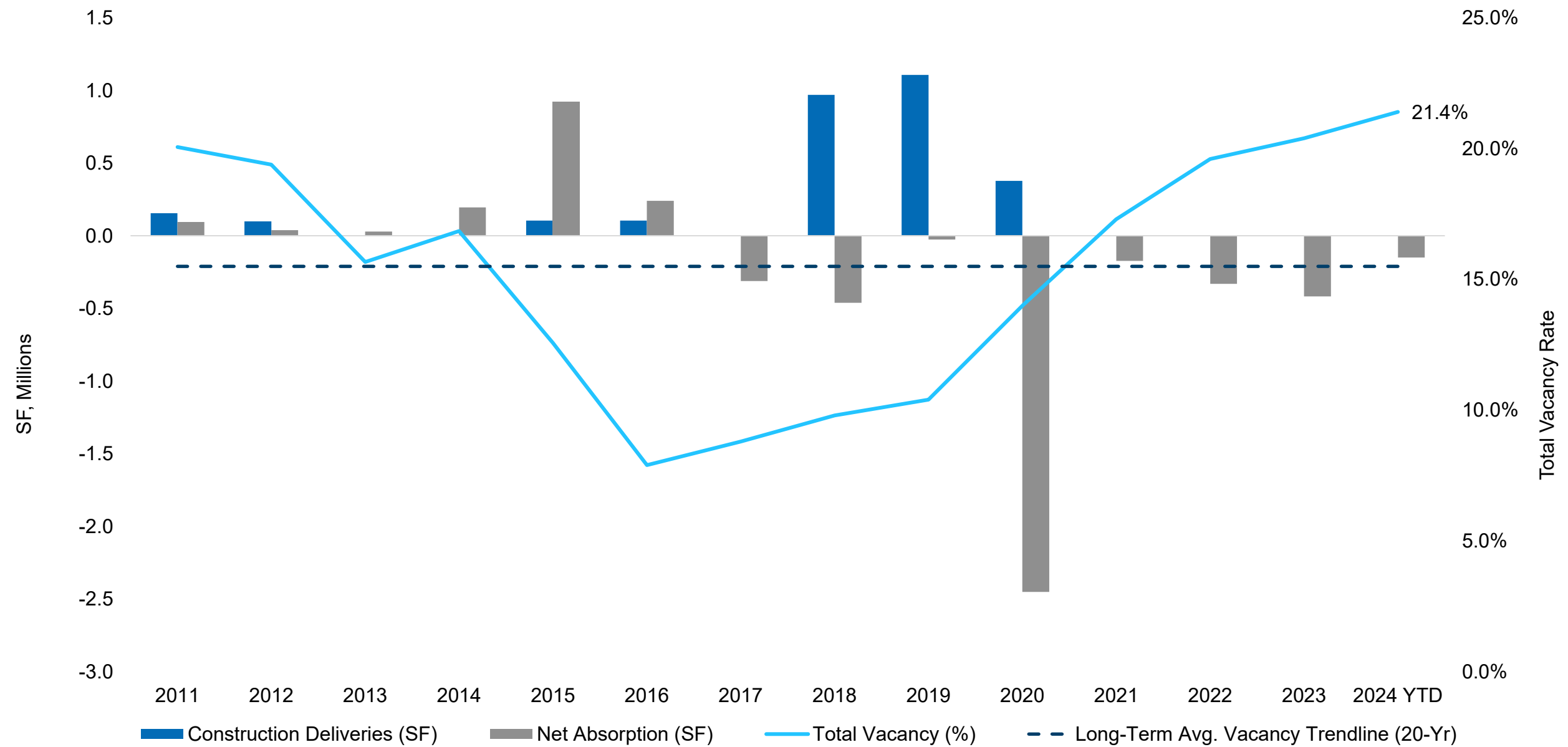




# Vacancy Continues to Rise

Vacancy rates continued to increase to 21.4%, this increase of 100 basis points in the first quarter of 2024 proves that leasing activity remained slow.

## Historical Construction Deliveries, Net Absorption, and Vacancy

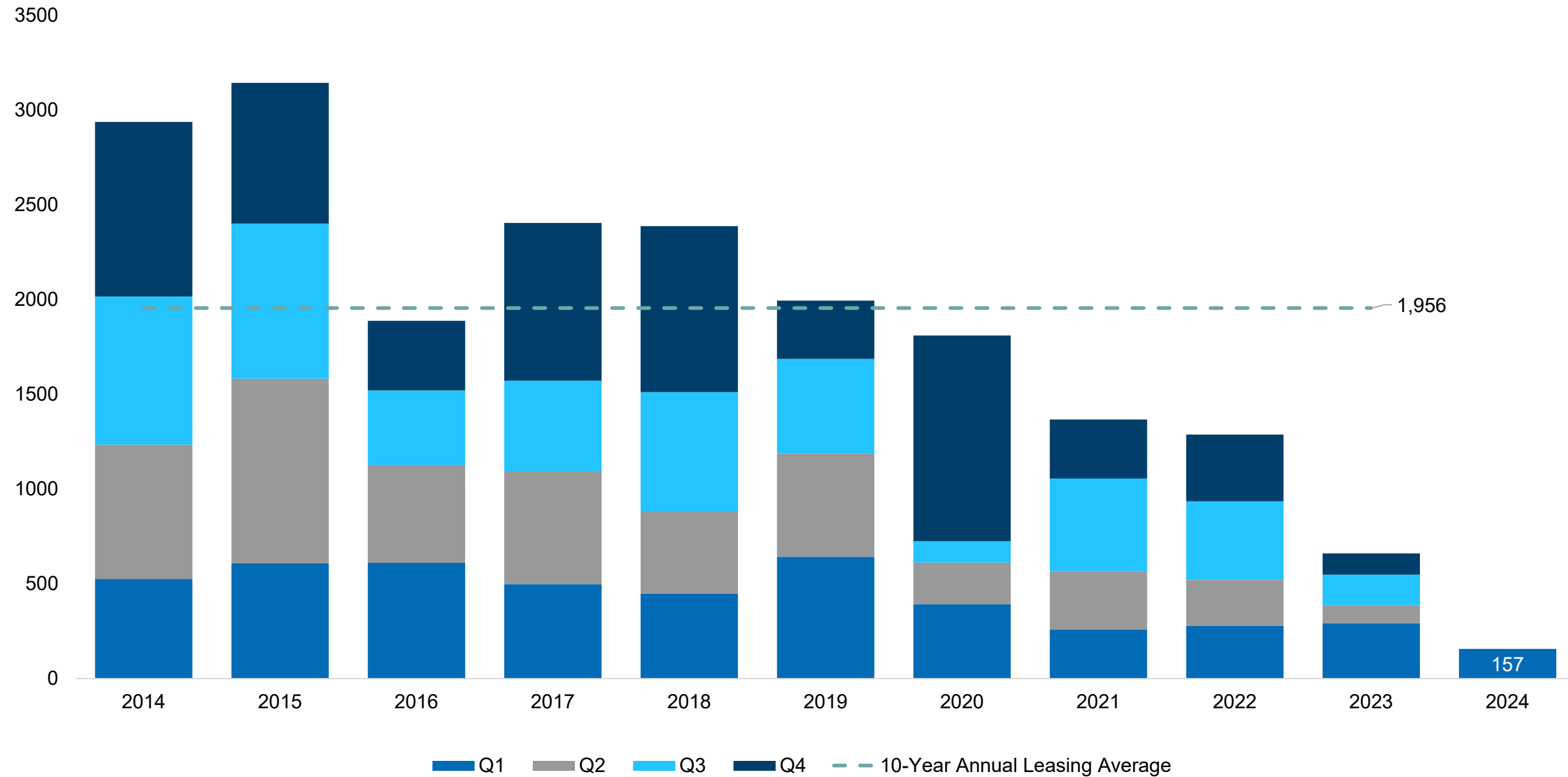


Source: Newmark Research

# Leasing Activity Remained Slow

The first quarter of 2024 proved to be the lowest first quarter in years, on a positive note there was an increase of activity since last quarter.

Total Leasing Activity (Thousands)



Source: Newmark Research, CoStar



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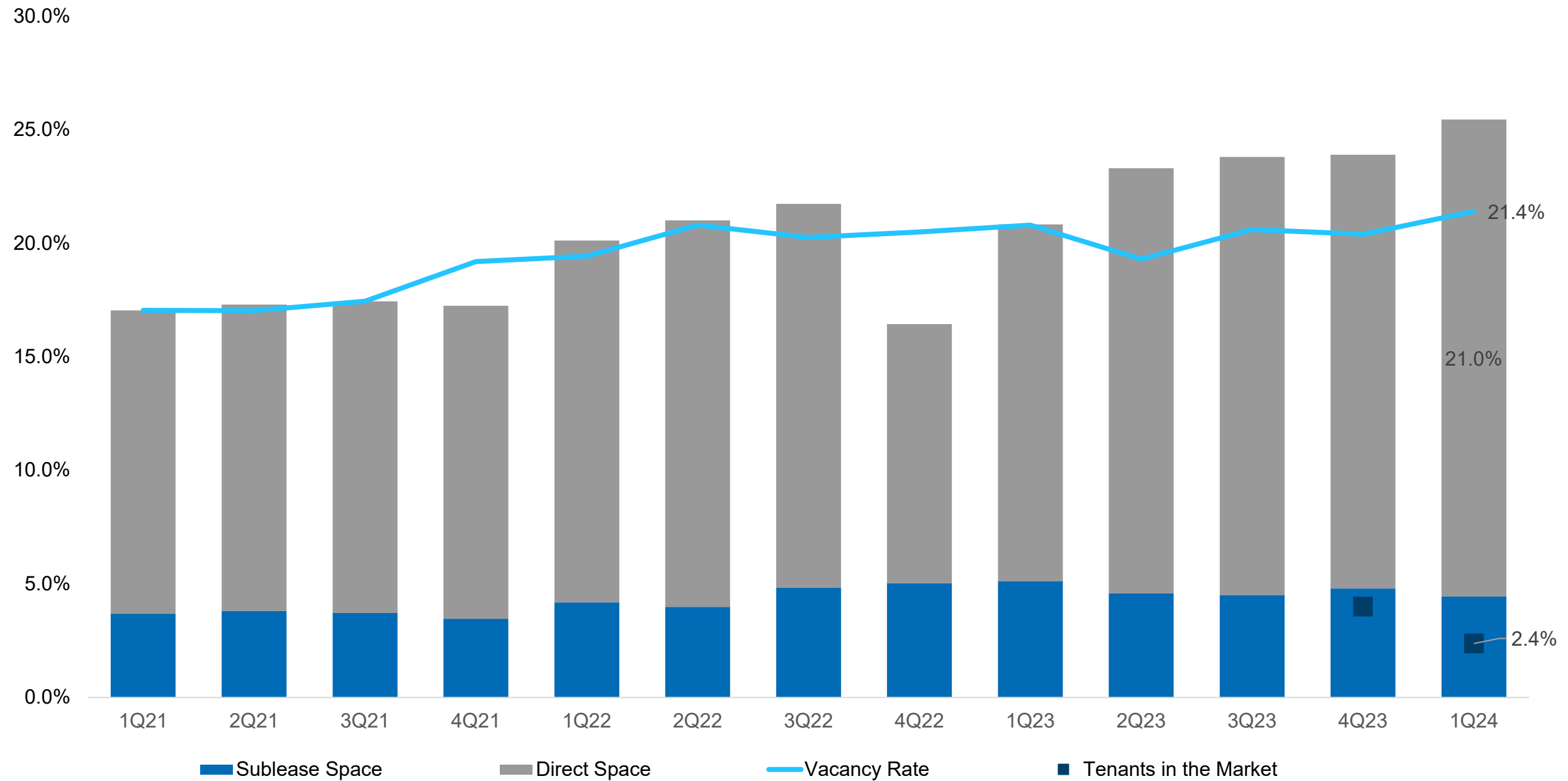


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# Availability Continues to Increase in the Market

With more tenants moving out of Oakland, vacancy rose to 21.4%. Most tenants in the Greater Oakland market are looking for space that is 10,000 square-feet or smaller.

Available Space and Tenant Demand as Percent of Overall Market

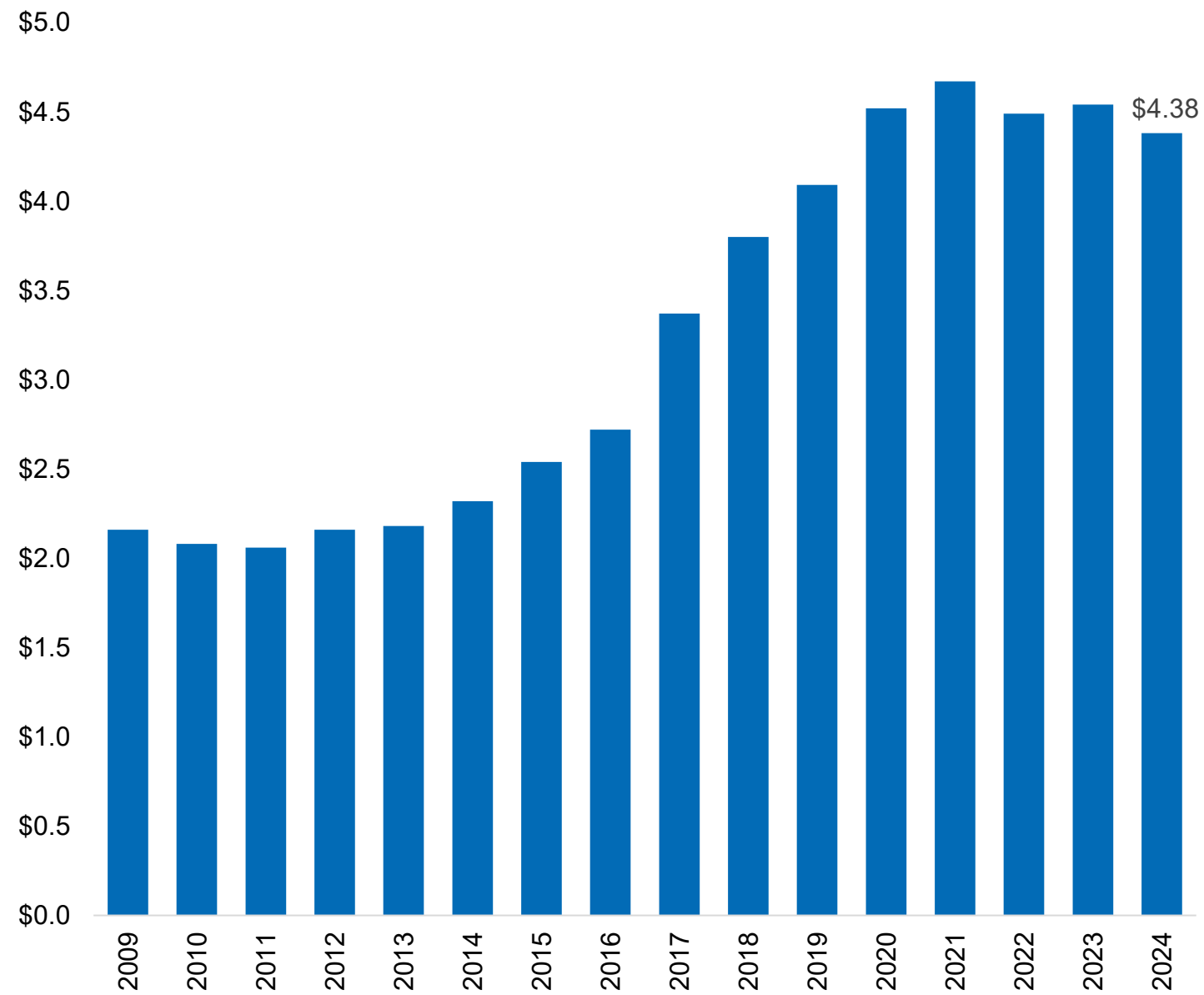


Source: Newmark Research

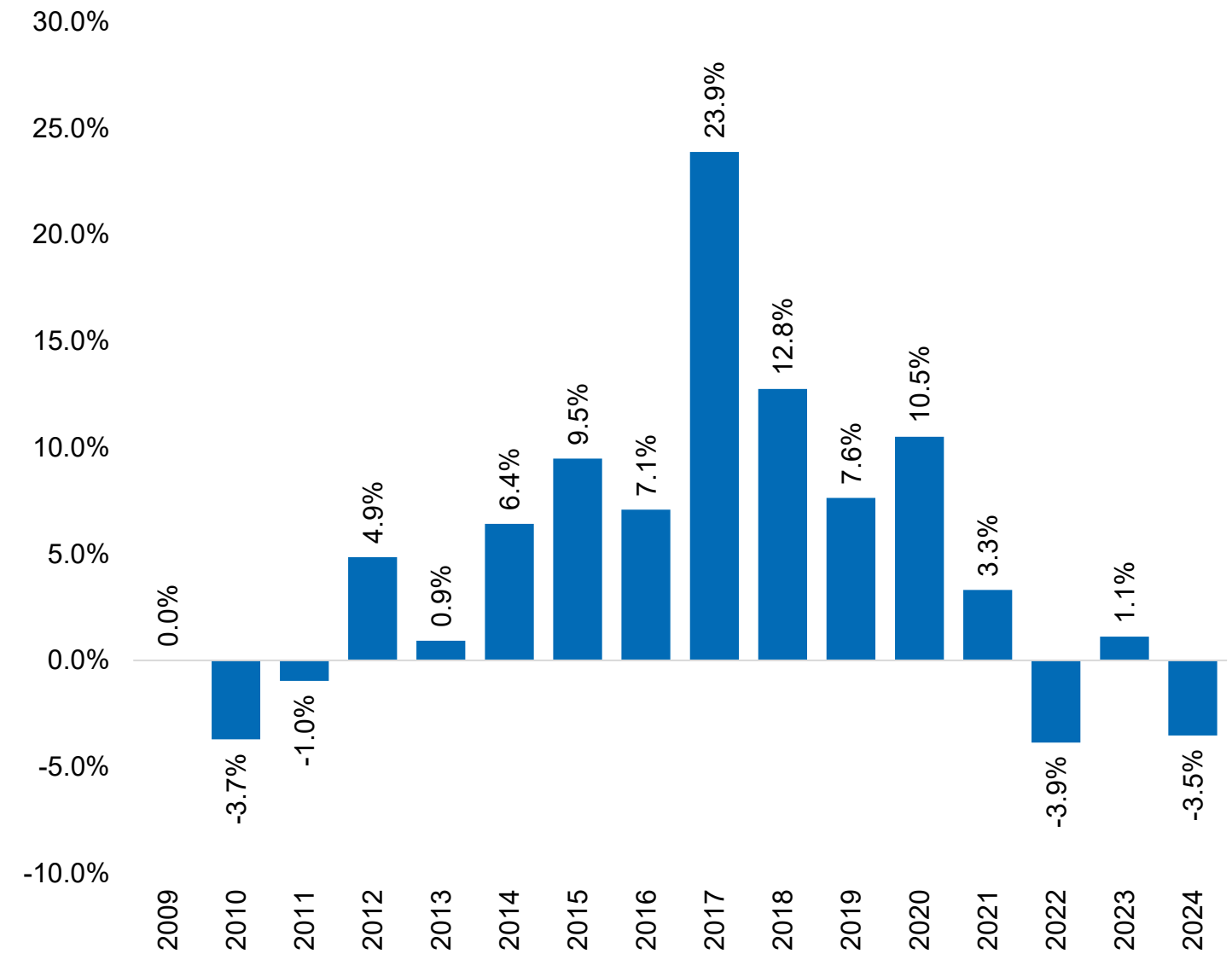
# Rents Decrease in the Fourth Quarter

Rents decreased in the first quarter of 2024, primarily driven by a drop-in Class A rents. While space continued to return to the market, tenants have begun prioritizing convenience and security when looking for new space.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

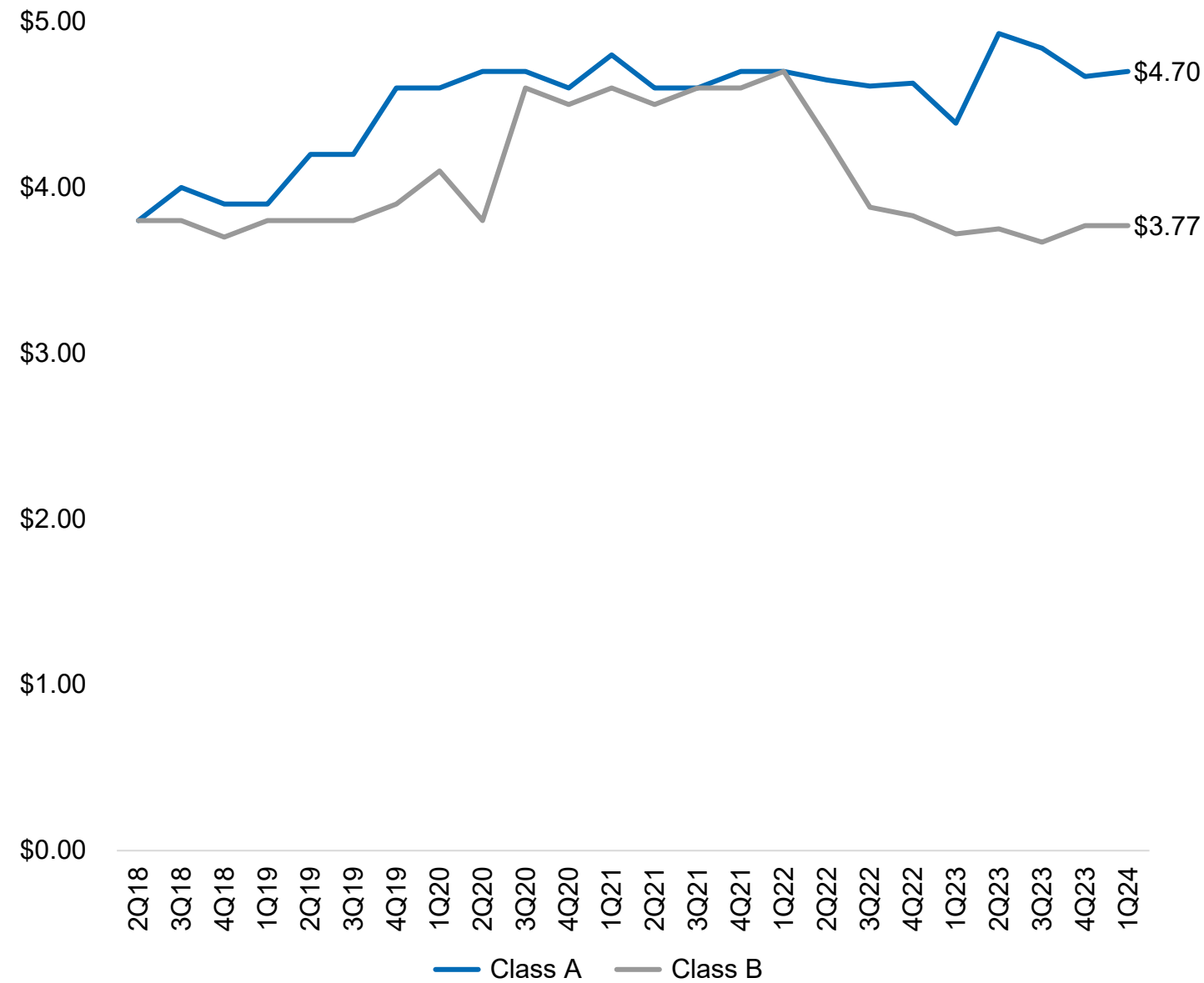


Source: Newmark Research, CoStar

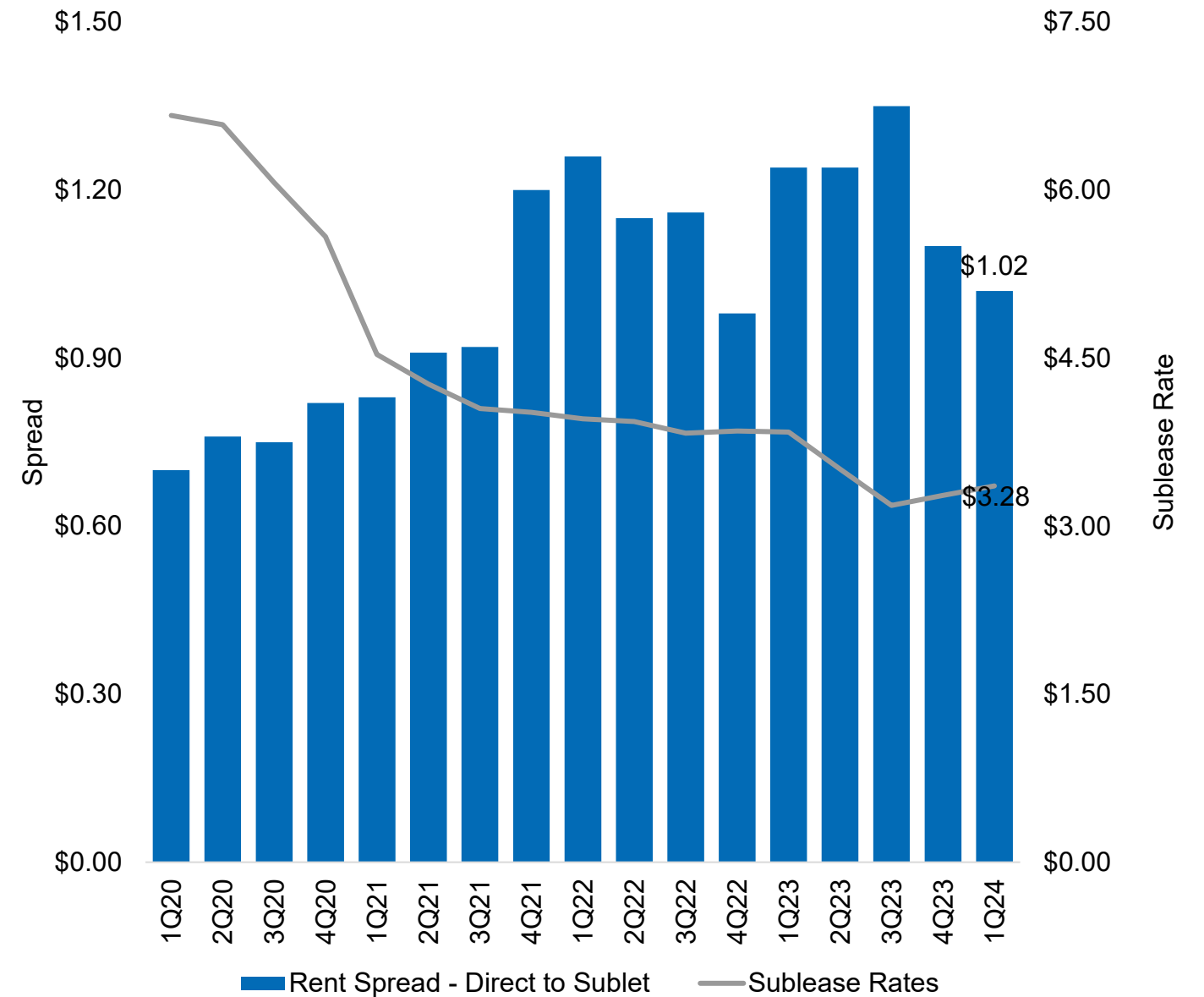
# Class A vs. B Rents

Tenants in the market continued to prioritize Class A space in the Greater Oakland market, causing rents to remain steady in the first quarter of 2024. Spaces surrounded by amenities and public transit access prove to remain in demand. Sublease rents continued to increase slightly throughout the first quarter, causing gap between direct and sublease rates to reduce further.

**Class A and Class B Asking Rents**



**Sublease Rates**



Source: Newmark Research, CoStar

# Leasing Activity

Leasing activity in the Greater Oakland market remained slow through the first quarter for the most part, with a couple large transactions over 15,000 SF.

## Notable 1Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Kyverna Therapeutics	5980 Horton Street	Emeryville – Emeryville	Direct Lease	34,789
BioMADE	1900 Powell Street	Emeryville – Emeryville	Direct Lease	21,246
Boxer & Gerson LLP	300 Frank Ogawa Plaza	Oakland – City Center	Lease Renewal	15,550
Essie Justice Group	318 Harrison Street	Oakland – Jack London Square	Direct Lease	7,131
Brillouin Energy	6550 Vallejo Street	Emeryville – Emeryville	Direct Lease	6,500



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1Q24

# Appendix





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