

3Q23

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.
- Year-over-year, job growth is highest in the construction, education and health industries. The information and professional and business services sectors the largest decreases in employment.
- The information, professional and business services sectors experienced the largest decreases in employment.

Major Transactions

- Iota Biosciences completed the largest lease of the quarter, taking a 53,545 SF space in Alameda.
- There were no major sale transactions in the third quarter of 2023.

Leasing Market Fundamentals

- Net absorption in the third quarter of 2023 totaled negative 352,066 SF. This is a 2.6% increase in negative absorption compared to the first quarter of 2023, and almost triple the amount of negative absorption from the third quarter of 2022.
- There were no new construction projects in the Greater Oakland market in the third quarter of 2023. Life science makes up the majority of active construction.
- Availability grows to 23.6% as space returning to the market continues to outpace new leasing. Vacancy rises to 20.6%
- Asking rents stabilize at \$4.54 as tenants are drawn to Class A space.

Outlook

- While the market has begun to stabilize, space returning to the market continues to outpace demand.
- Vacancy is expected to continue to rise until there is a greater push to return to the office.
- Asking rents are expected to decline as buildings continue to return to lenders.

1. Economy
2. Leasing Market Fundamentals
3. Appendix

3Q23

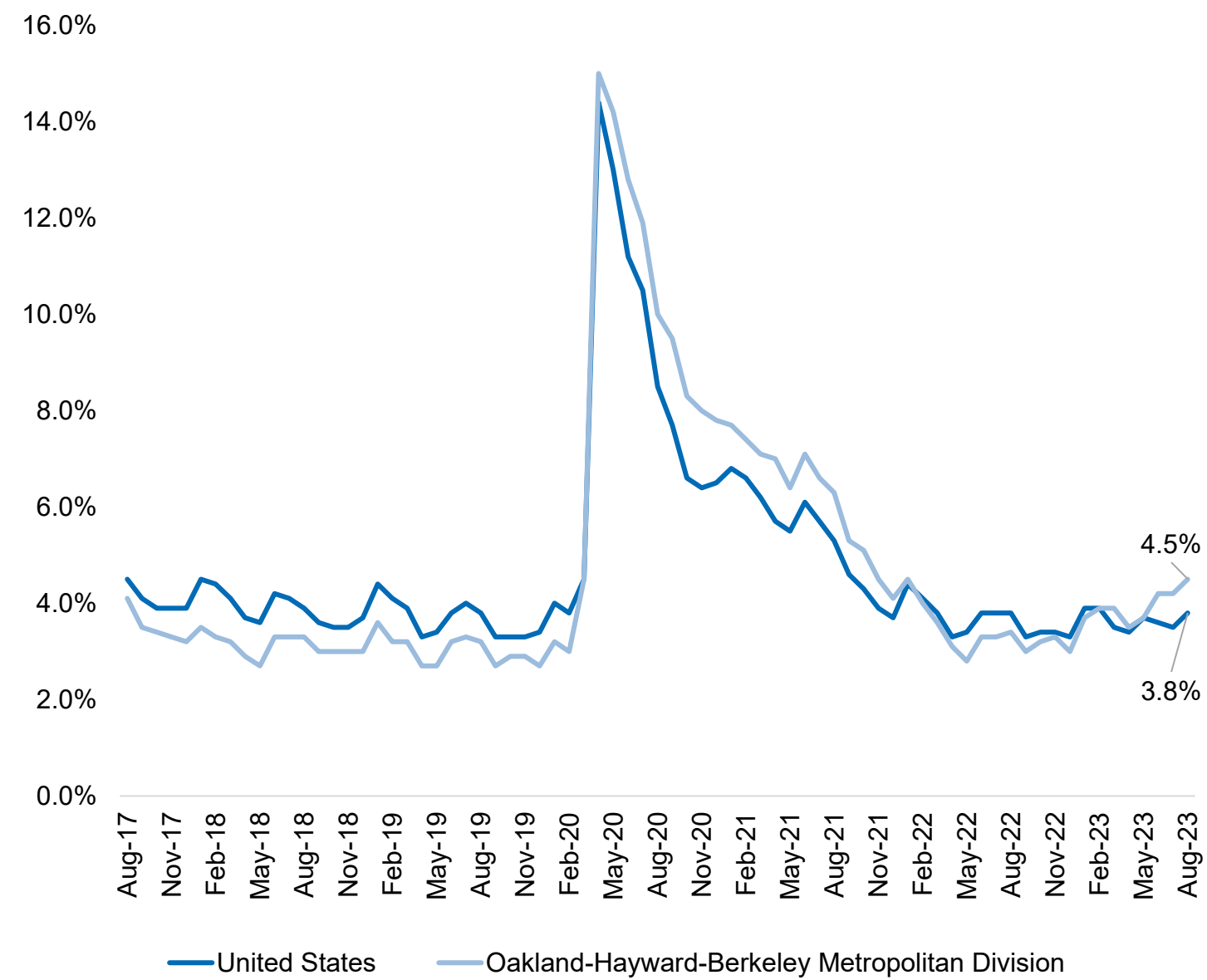
Economy



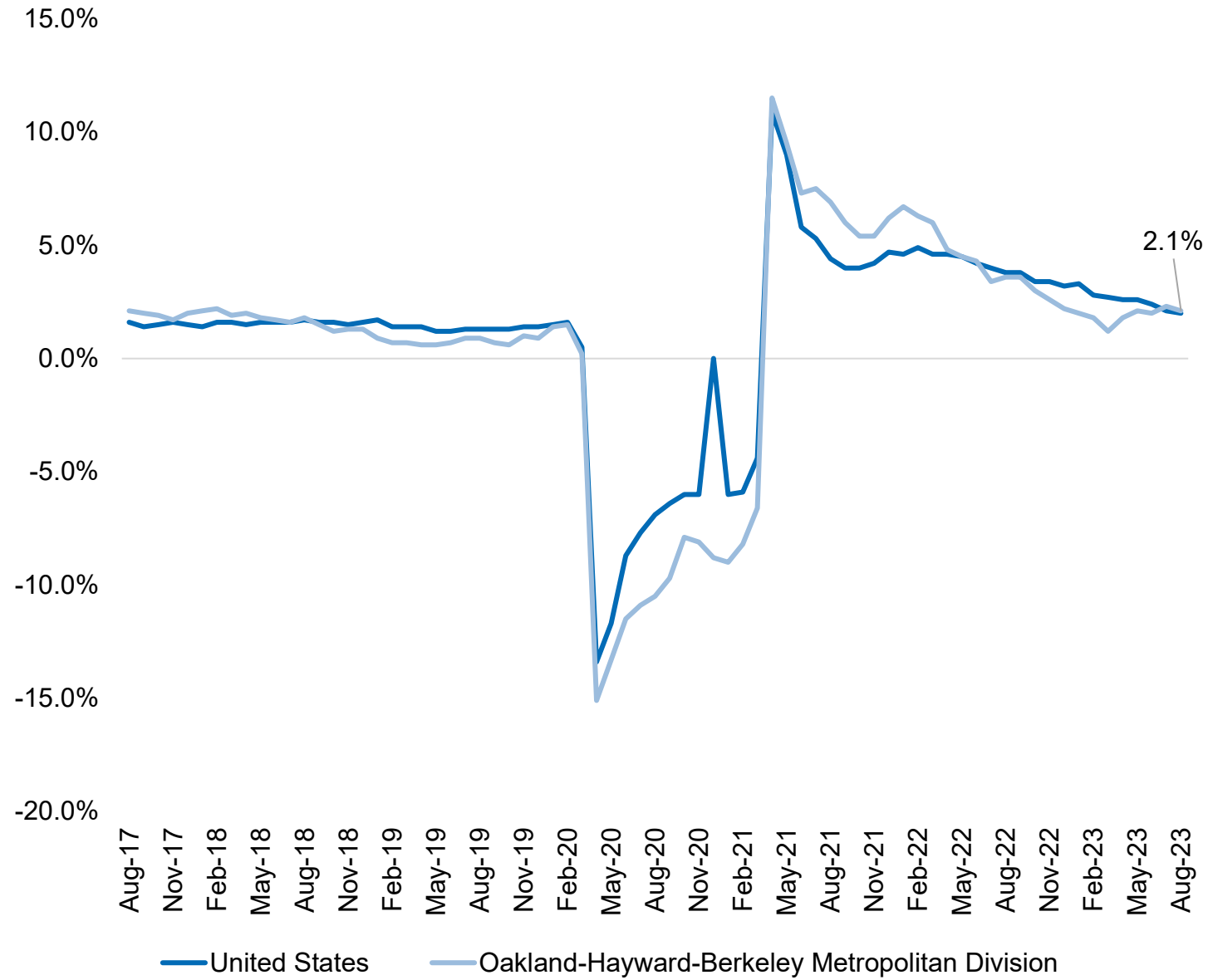
Metro Employment Trends Signal A Slowing Economy

The current unemployment rate for the East Bay Area is 150 basis points higher than it was in February of 2020, and has been slowly rising over the course 2023.

Unemployment Rate, Non-Seasonally Adjusted



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



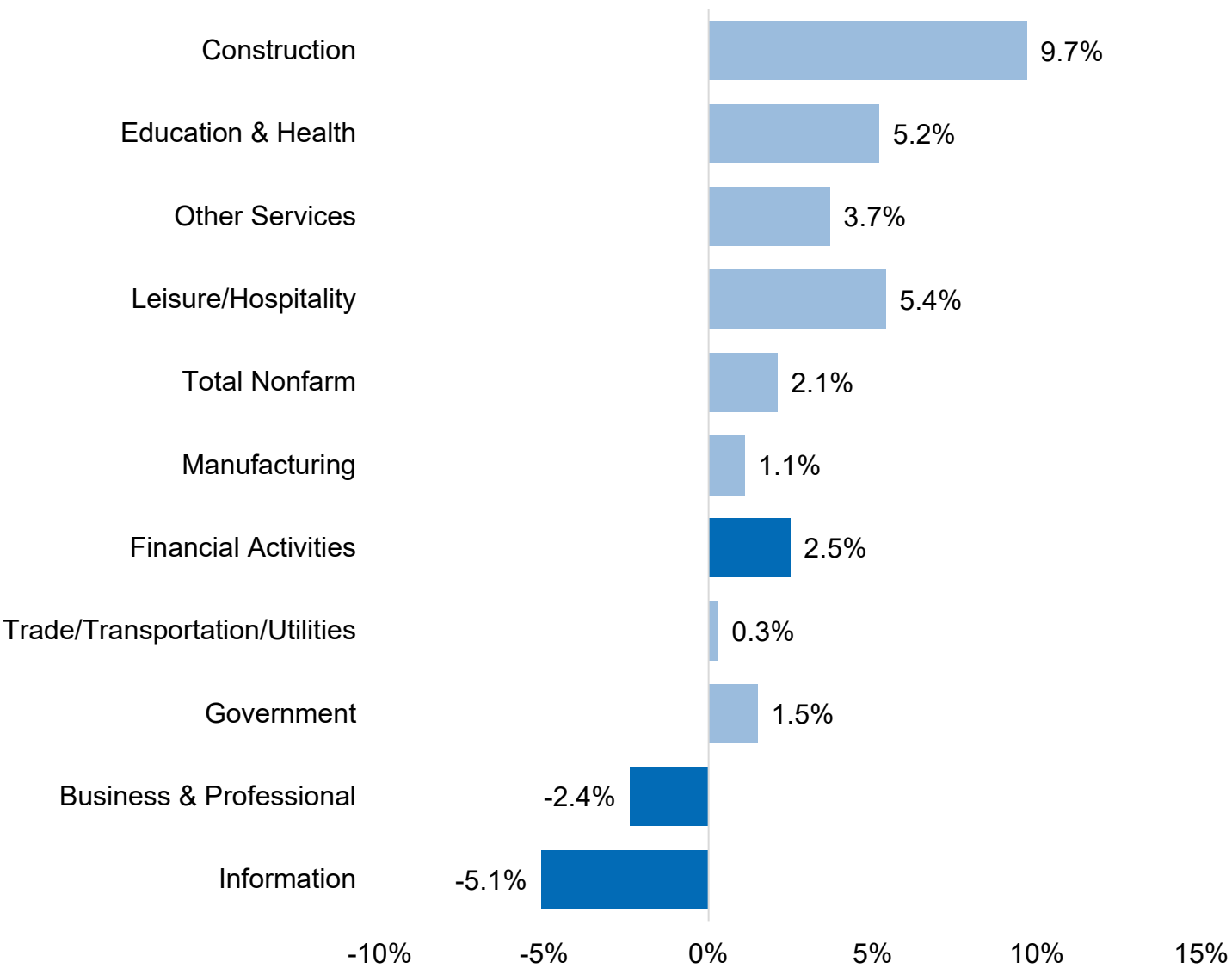
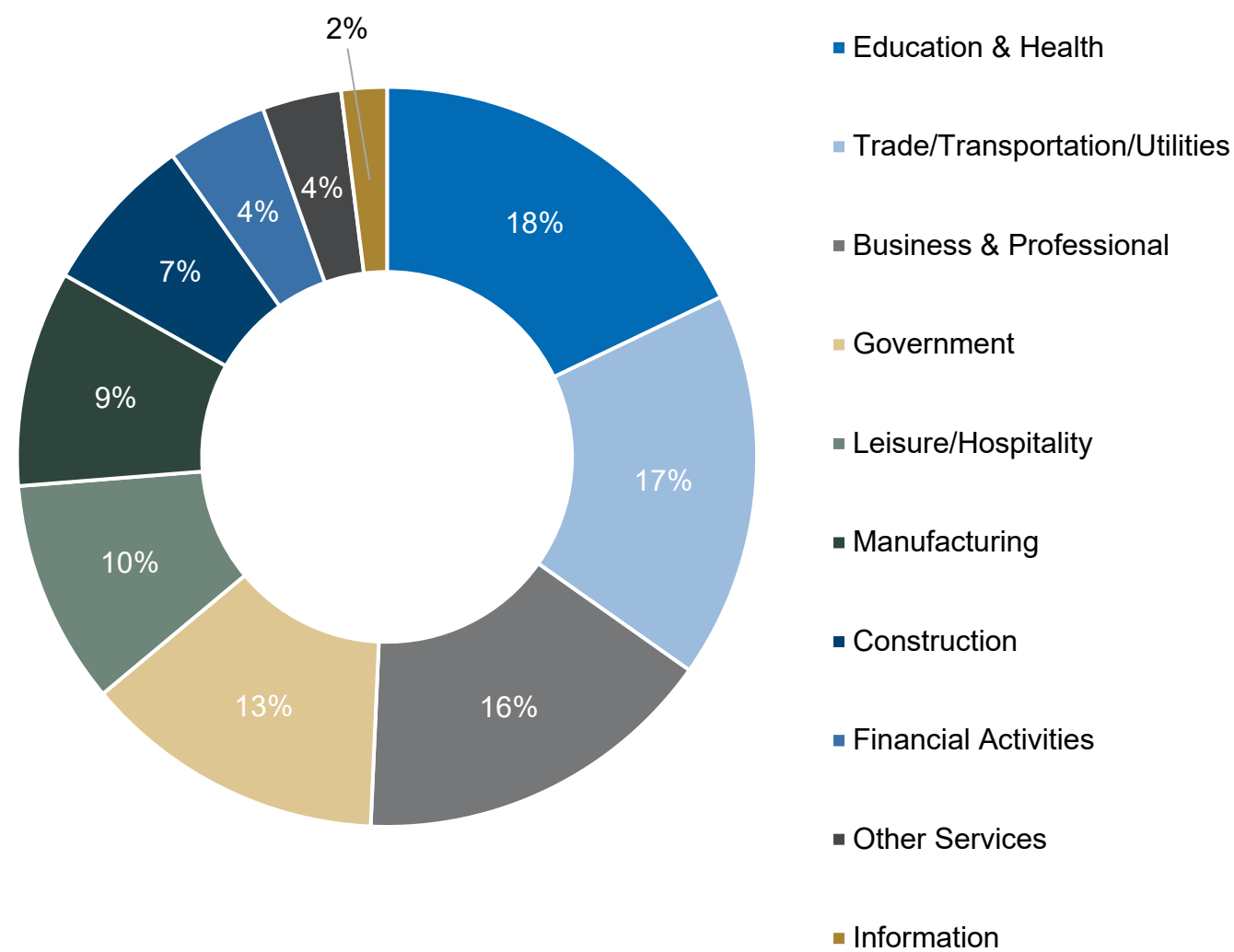
Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

Office-Using Employment Down

The Information and Business & Professional Services sectors have experienced the largest job loss over the past twelve months, declining 240 basis points and 510 basis points, respectively.

Employment by Industry, August 2023

Employment Growth by Industry, 12-Month % Change, August 2023

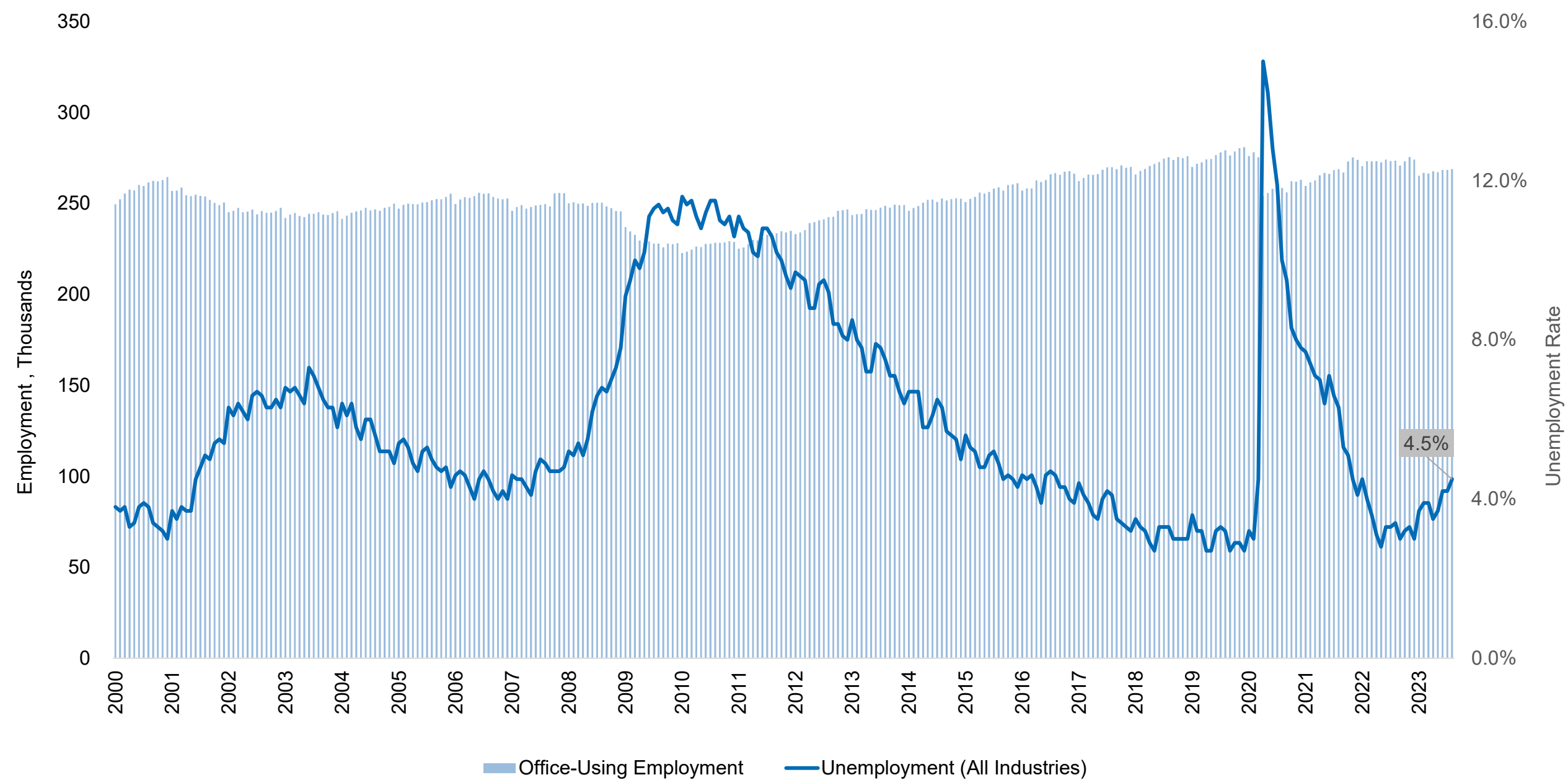


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

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 thousand fewer office-using jobs. The East Bay region is still experiencing lower numbers in office employment due to the significant number of layoffs in the Information and Business Services sectors in the first quarter of 2023.

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.

3Q23

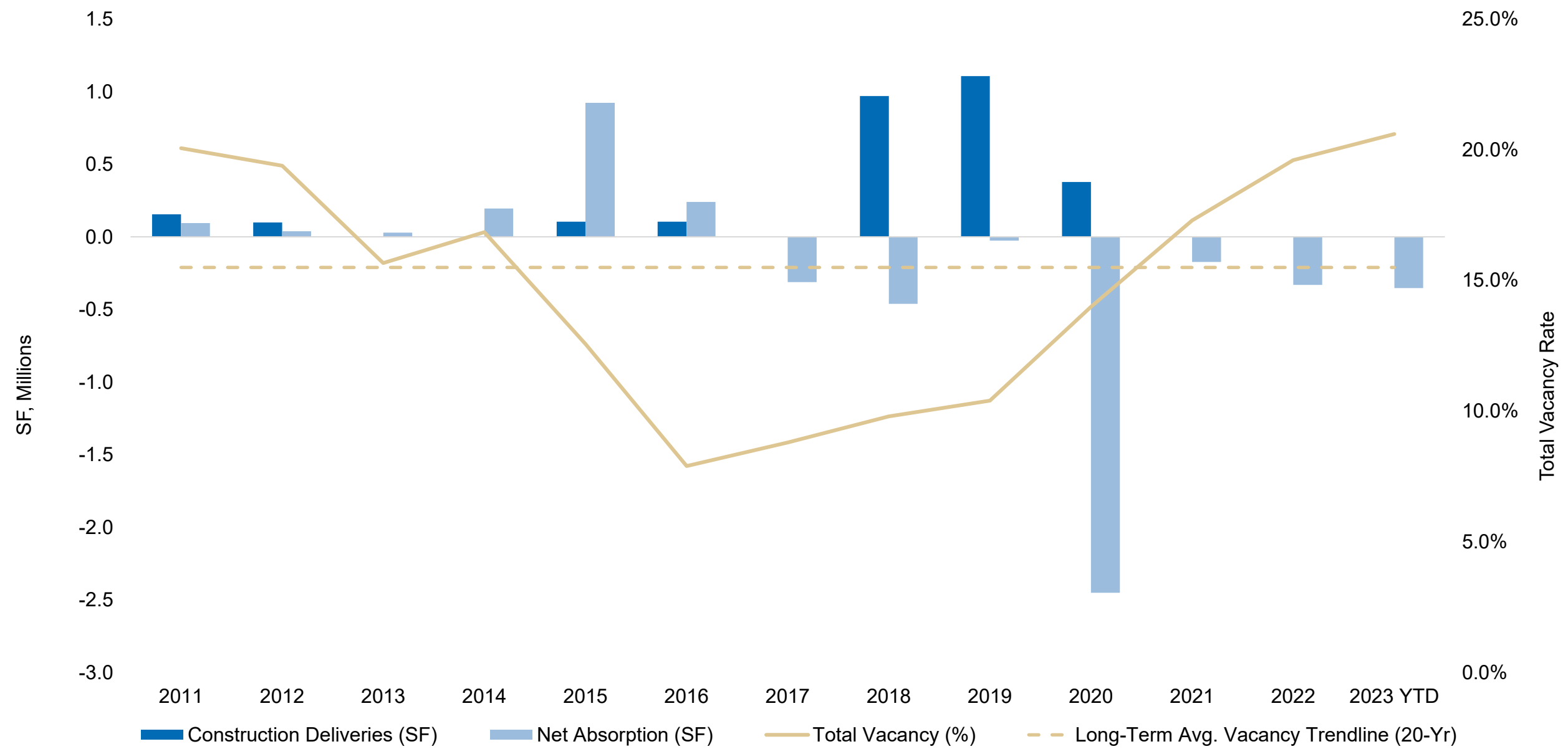
Leasing Market Fundamentals



Vacancy Continues to Rise

Vacancy rates continue to increase in the third quarter of 2023 as space returning to market outpaces leasing activity.

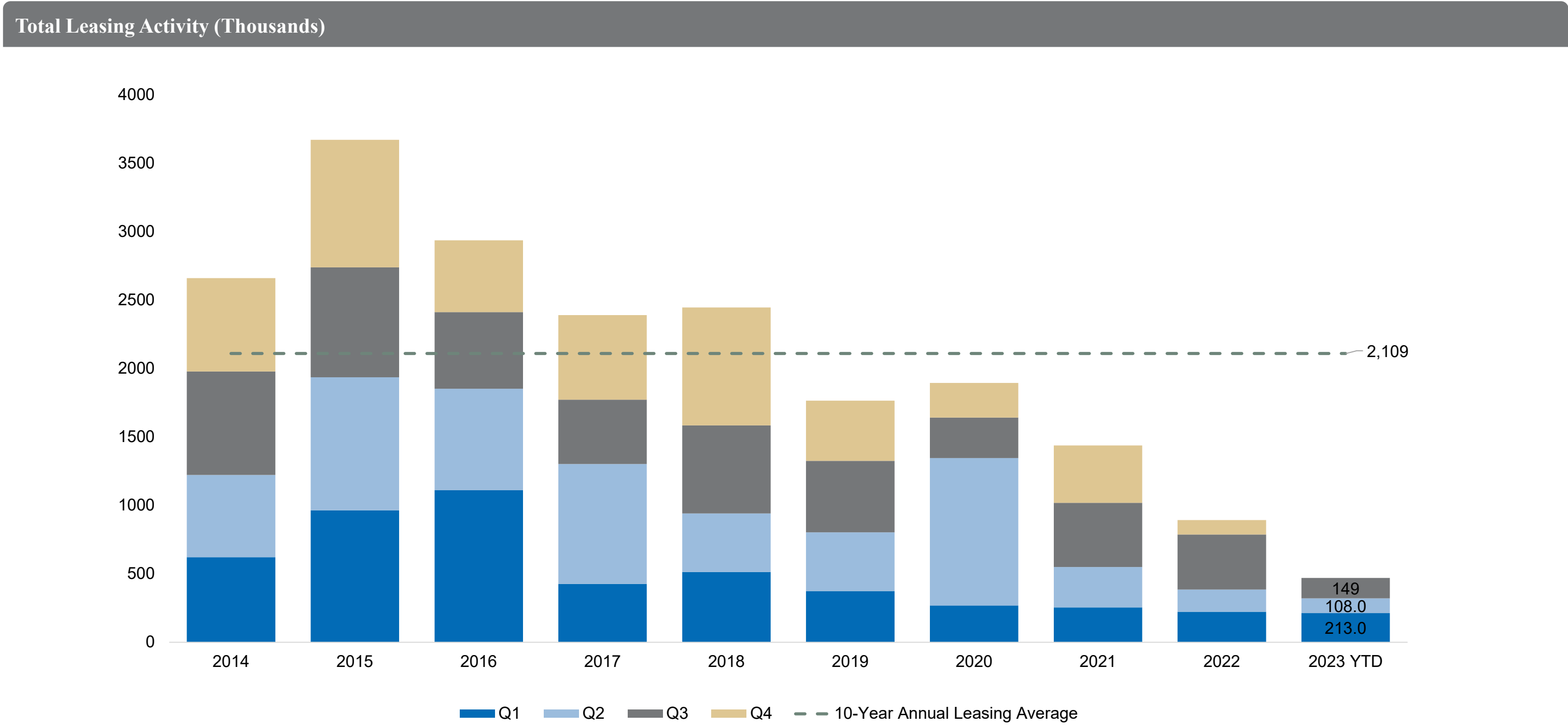
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Leasing Activity Has Slowed

While leasing activity has increased compared to the second quarter of 2023, the year-to-date leasing is significantly lower than at the same time last year.

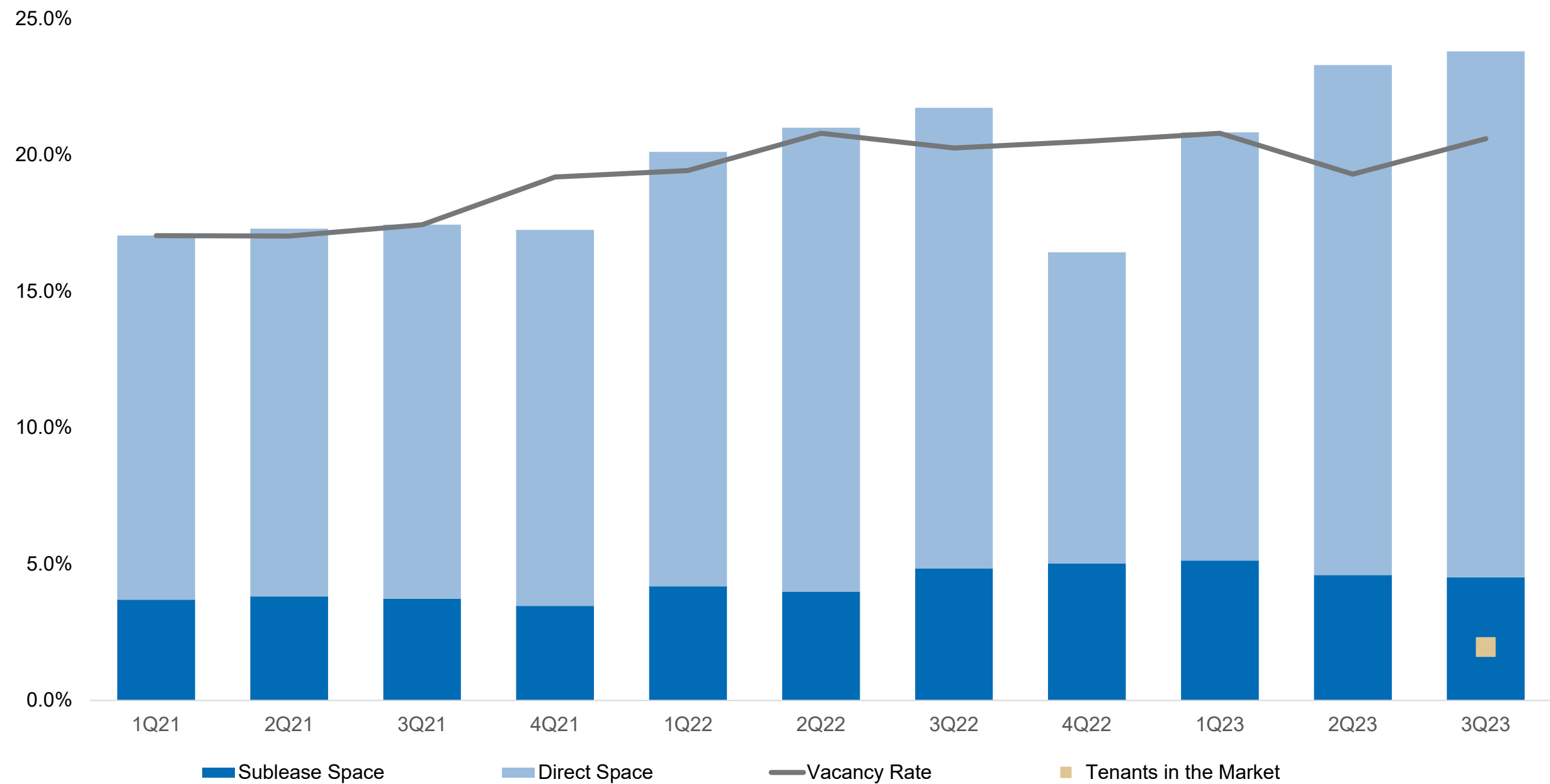


Source: Newmark Research, CoStar

Availability Continues to Increase While Tenant Demand Drops

Vacancy continues to rise while tenant demand experiences a slight decrease. Most tenants in the Greater Oakland market are looking for space that is 10,000 square-feet or smaller, and vacancy is expected to rise as larger spaces return to the market.

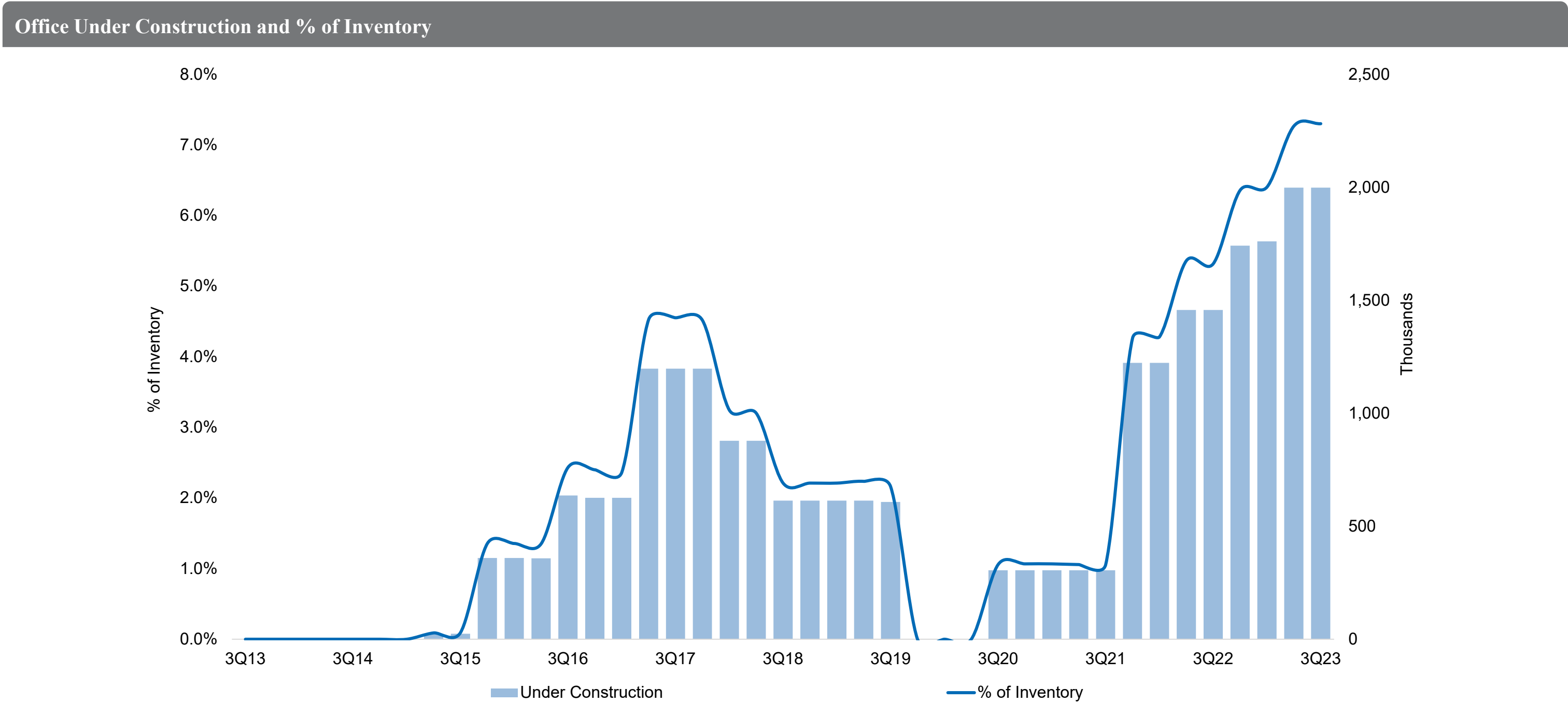
Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

Life Science Construction Continues in the Market

There were no new construction projects started in the Greater Oakland market in the third quarter of 2023. Life science projects makes up the majority of active construction.

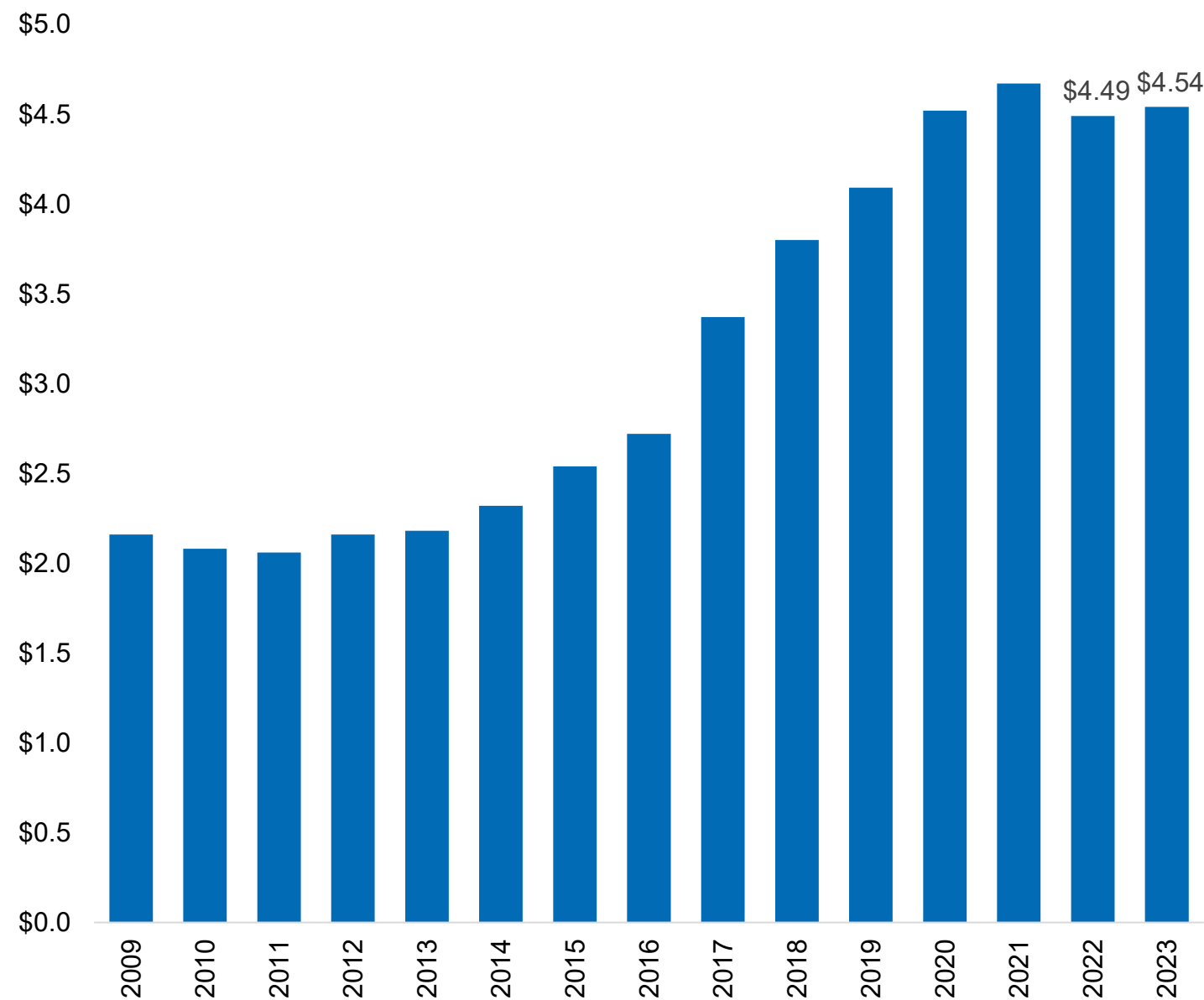


Source: Newmark Research, CoStar, County of Contra Costa

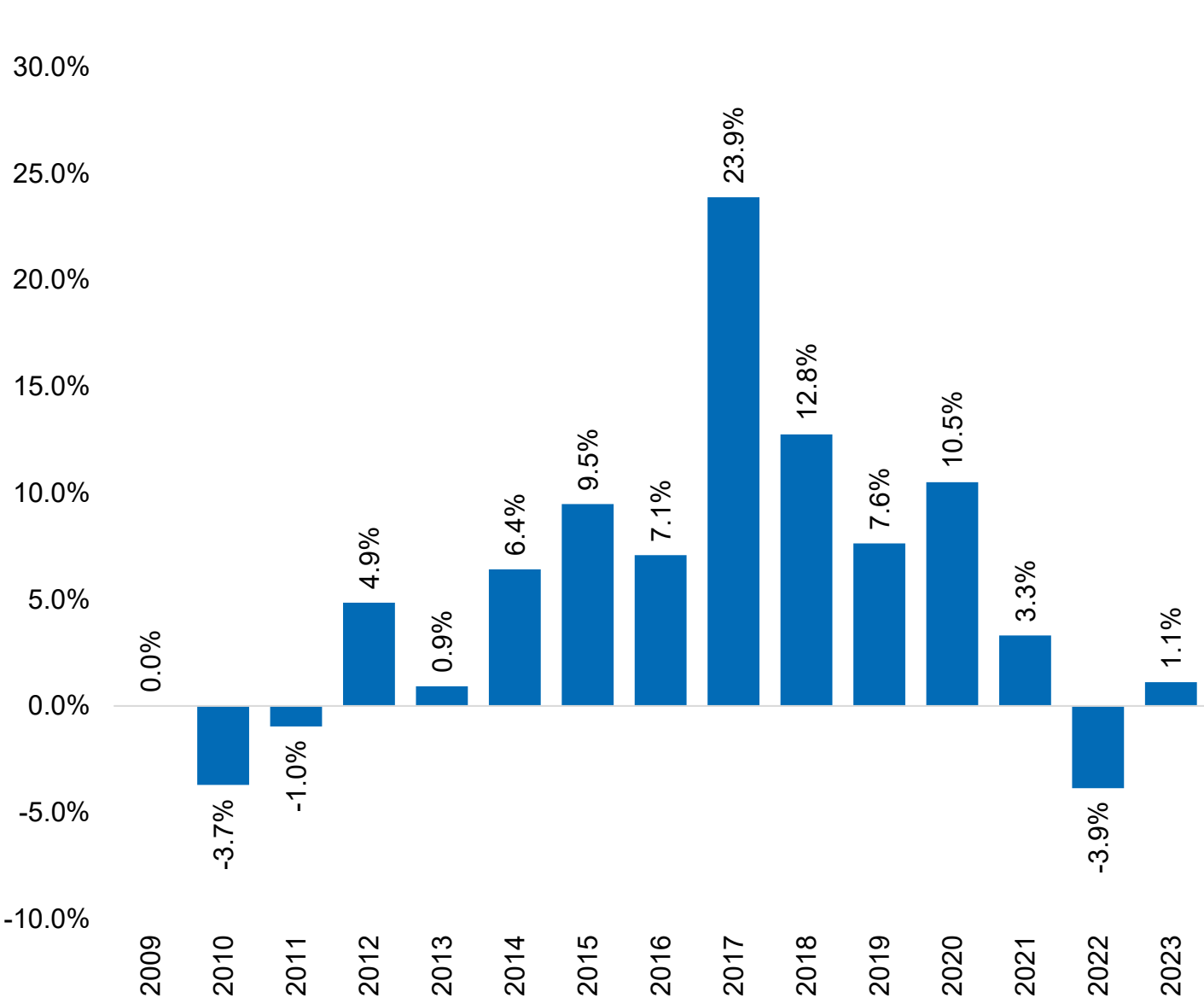
Rents Stabilize in the Third Quarter

Rents begin to stabilize in the third quarter, primarily reinforced by Class A rents. While space continues to return to the market, tenants begin to prioritize convenience and security when looking for new space.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

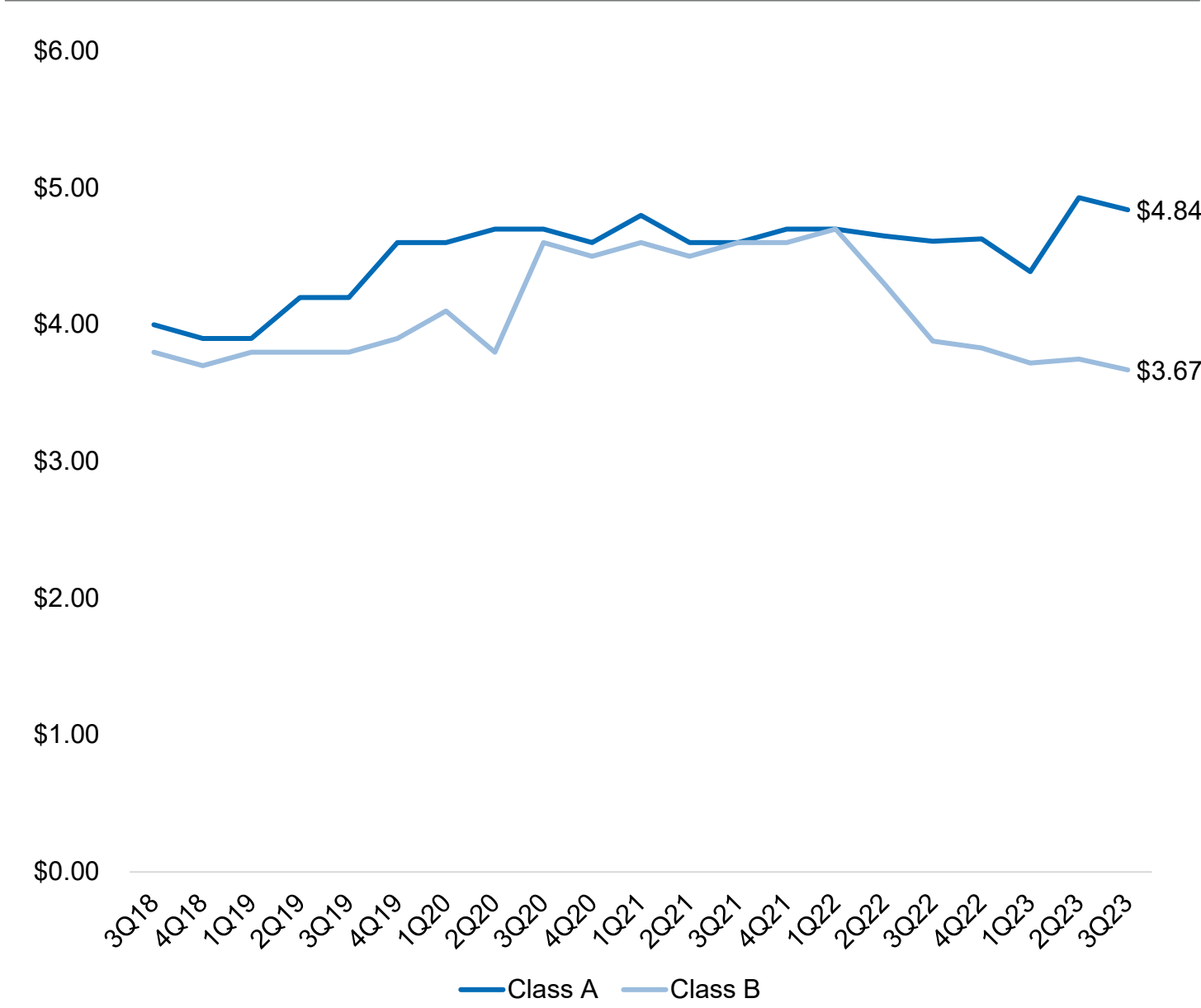


Source: Newmark Research, CoStar

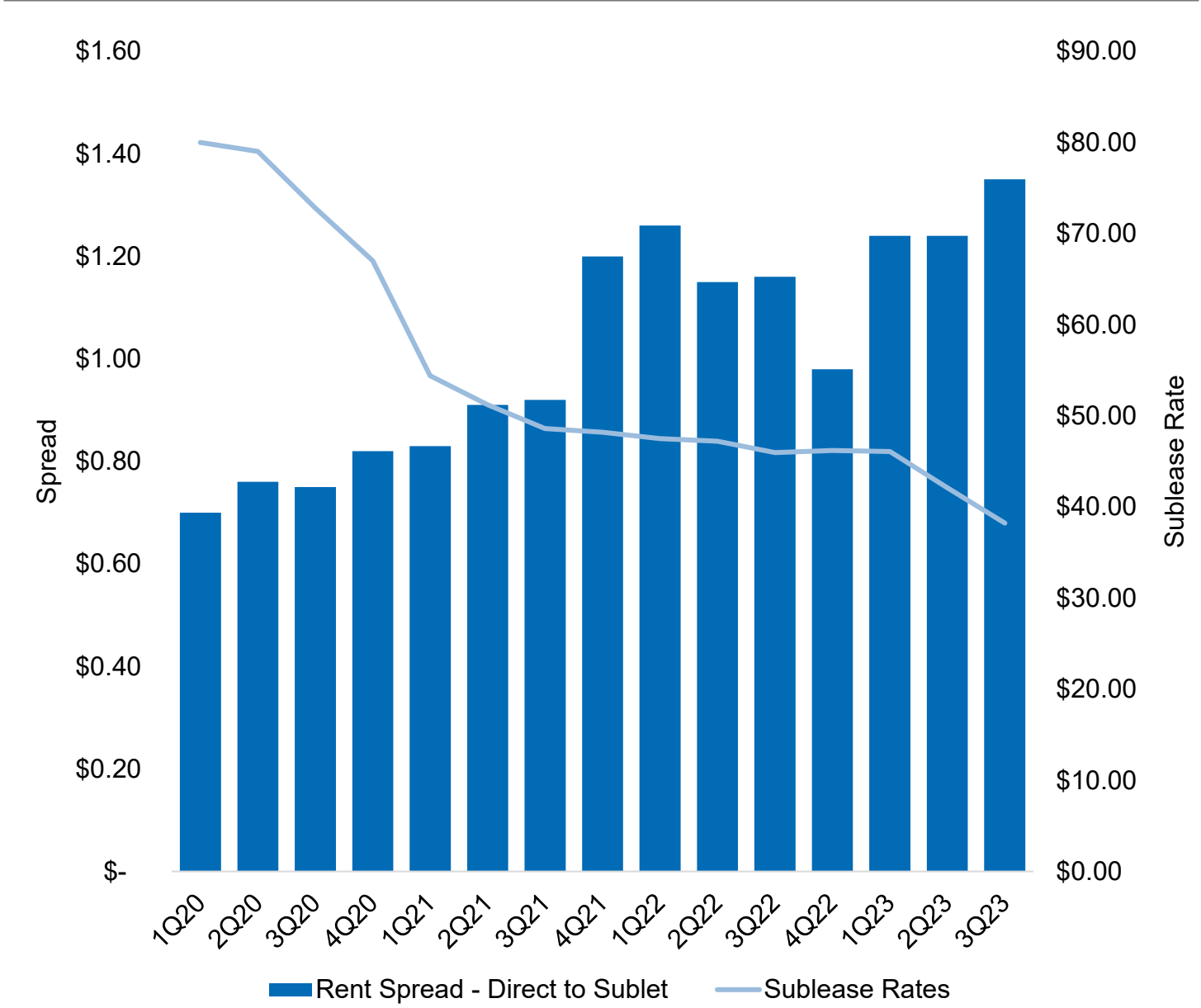
Flight to Quality Continues as Rents Decrease

Tenants in the market continue to prioritize Class A space in the Greater Oakland market. While rents continue their decline, spaces surrounded by amenities and public transit access prove to remain in demand. Sublease rents continue to decline as the spread between direct and sublease rents increase.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Leasing Activity Cools

Leasing activity in the Greater Oakland market continues to cool through the end of the third quarter. Life science leasing in Alameda continues to make up a significant portion of new leases in the third quarter.

Notable 3Q23 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Iota Biosciences	400 Wind River Way	Alameda – Marina Village	Direct Lease	53,545
Life science conversion.				
Delta Dental	1333 Broadway	Oakland – City Center	Renewal	24,525
Pow.bio	850 Marina Village Parkway	Alameda – Marina Village	Direct Lease	24,255
Being used as a life science space.				
East Bay Community Energy Authority	1999 Harrison Street	Oakland – Lake Merritt	Direct Lease	20,977
East Bay Community Energy Authority	1999 Harrison Street	Oakland – Lake Merritt	Sublease	20,755
CellFE, Inc	1000 Atlantic Avenue	Alameda – Marina Village	Direct Lease	6,946
Being used as a life science space.				

Source: Newmark Research

3Q23

Appendix



Greater Oakland Office Market Statistics



Please reach out to your
Newmark business contact for this information

For more information:

Benjamin Lewis

Research Analyst

Oakland Research

Benjamin.Lewis@nmrk.com

Greater Oakland

1111 Broadway, Suite 100

Oakland, CA 94607

t 510-923-6200

New York Headquarters

125 Park Ave.

New York, NY 10017

t 212-372-2000

nmrk.com

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