

4Q23

# 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 this year was highest in the construction, health, and other services industries. The information, financial services, and business and professions 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 Sutter Health, renewing 34,766 square feet at 2000 Powell in Emeryville.
- The largest sale was 48603 Warm Springs Blvd, in Fremont. Hines bought the 141,500 square foot building for \$40,400,000.

## Leasing Market Fundamentals

- Net absorption in the fourth quarter of 2023 totaled negative 72,928 SF. This is the seventh 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 fourth quarter of 2023. Life science makes up most of the active construction.
- Availability increased 30 basis points to 23.9% as space returning to the market continues to outpace new leasing. Vacancy however decreased by 20 basis points to 20.4%
- Asking rents decreased to \$4.44 as tenants continue to be drawn to Class A space.

## Outlook

- While the market has begun to stabilize, 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.
- Asking rents are expected to further decline as buildings continue to return to lenders.
- The flight to quality will continue for tenants as they seek out 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.
- Vacancy in the Jack London Square and Oakland Airport submarkets are expected to stay relatively low due to the wide range of low-cost options available to tenants.
- Given the lack of large transactions completed in 2023, we anticipate the majority of the leases completed in 2024 will be less than 10,000 RSF.

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# Economy

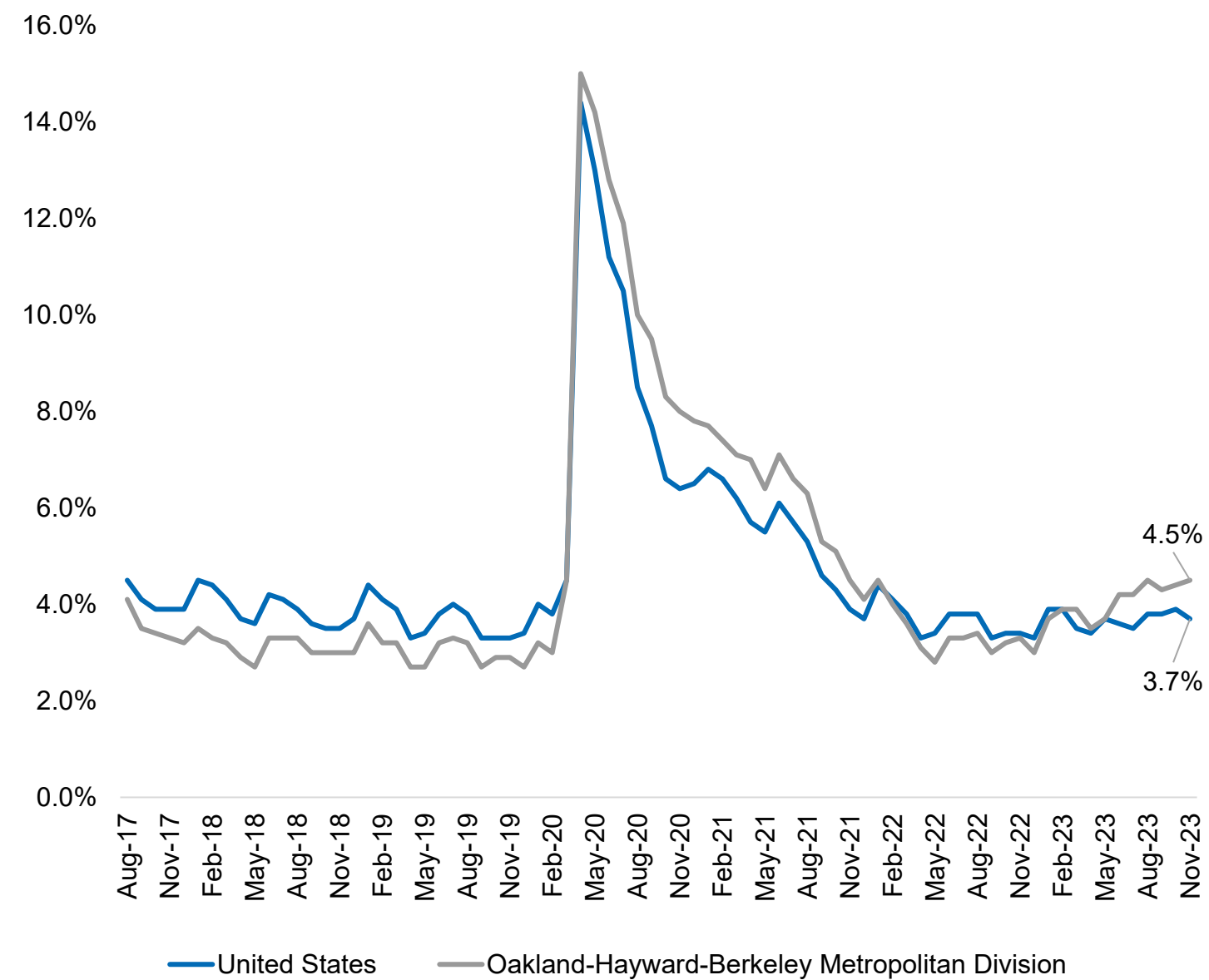




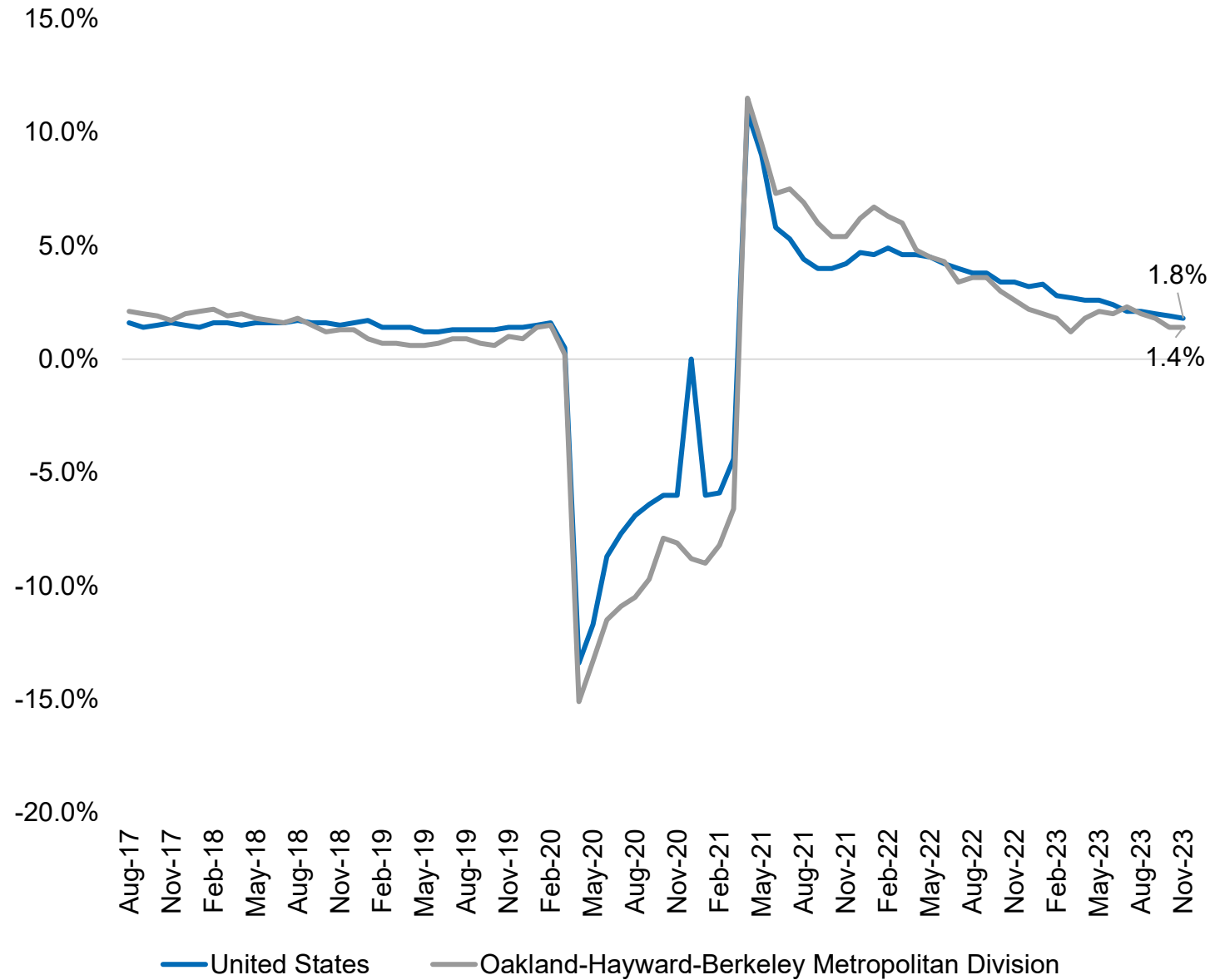
# Metro Employment Trends Signal A Slowing Economy

The current unemployment rate for the East Bay Area is 150 basis points higher than it was at the end of 2022, and at 4.5% is 80 basis points higher than the National average.

Unemployment Rate, Non-Seasonally Adjusted



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

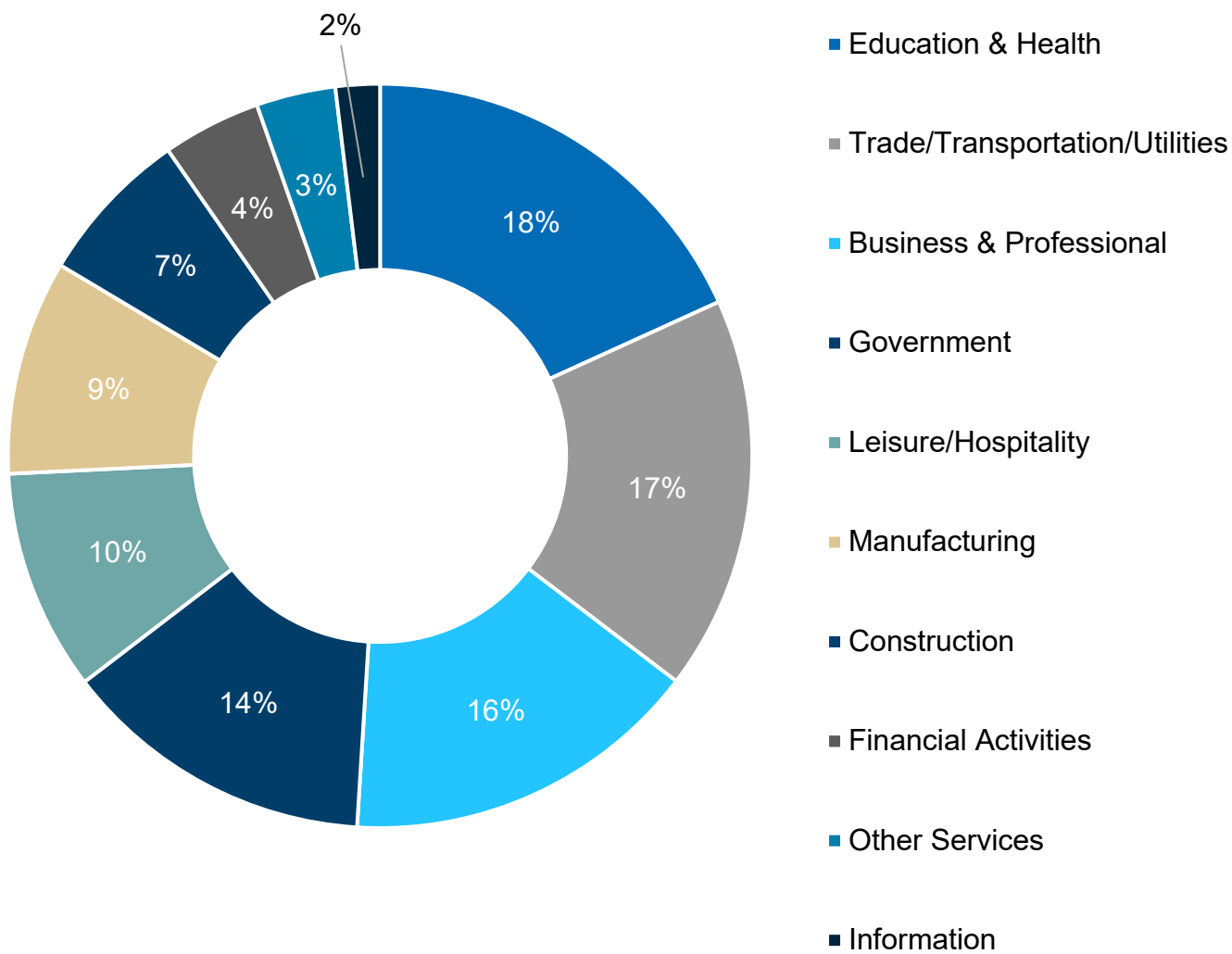


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

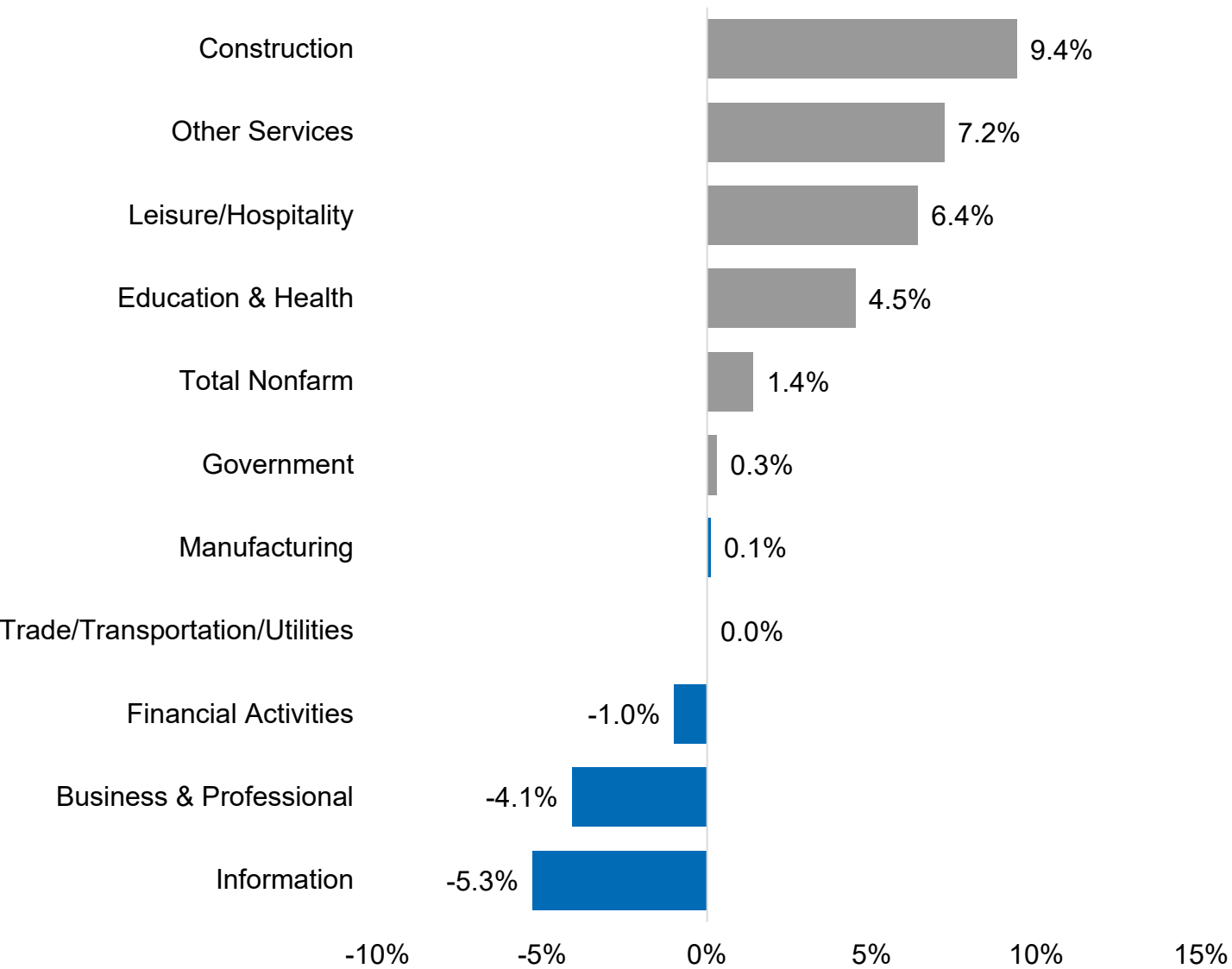
# Office-Using Employment Down

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, November 2023



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

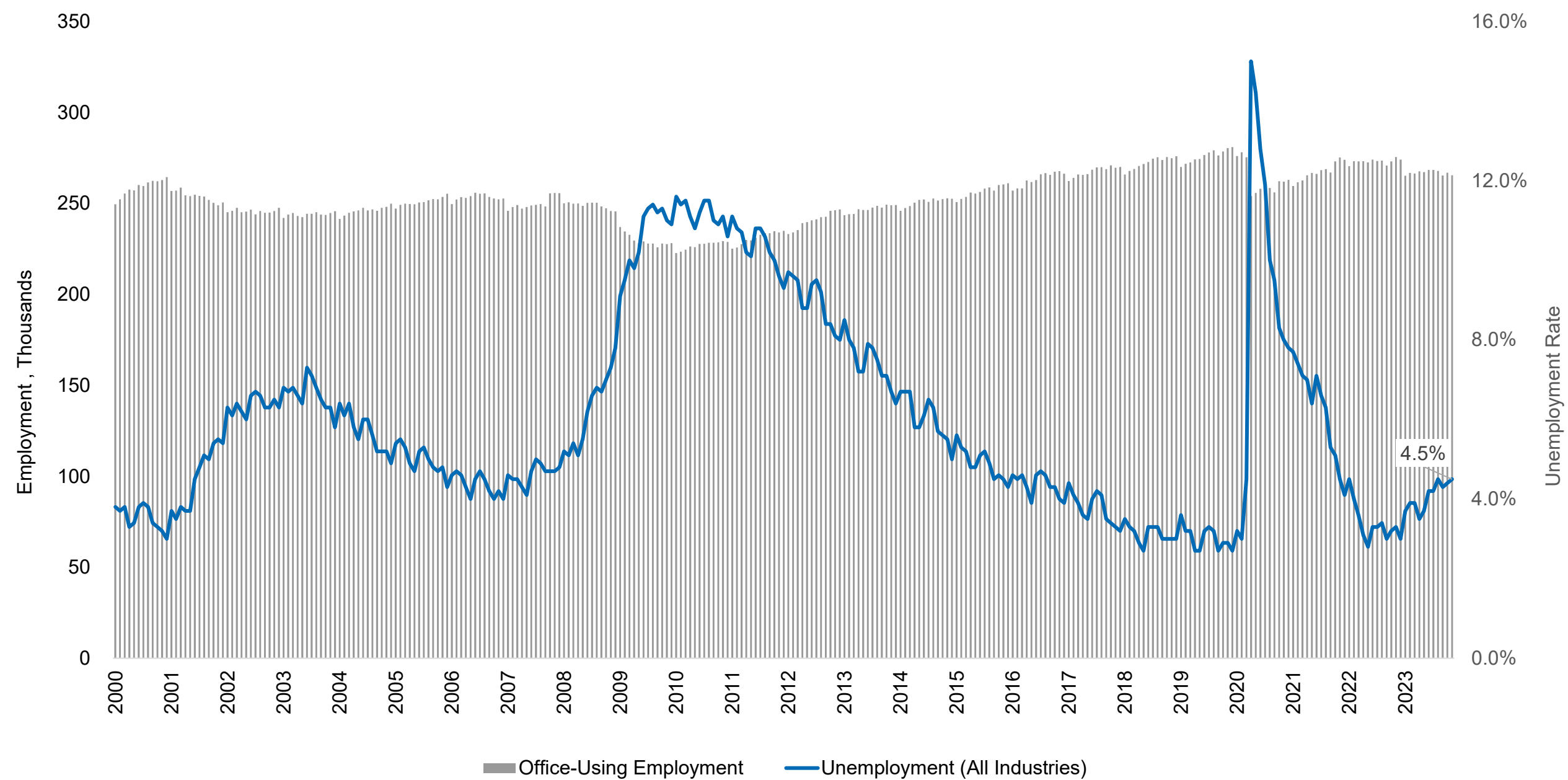


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

# 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. Office-using employment is currently close to 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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# Leasing Market Fundamentals

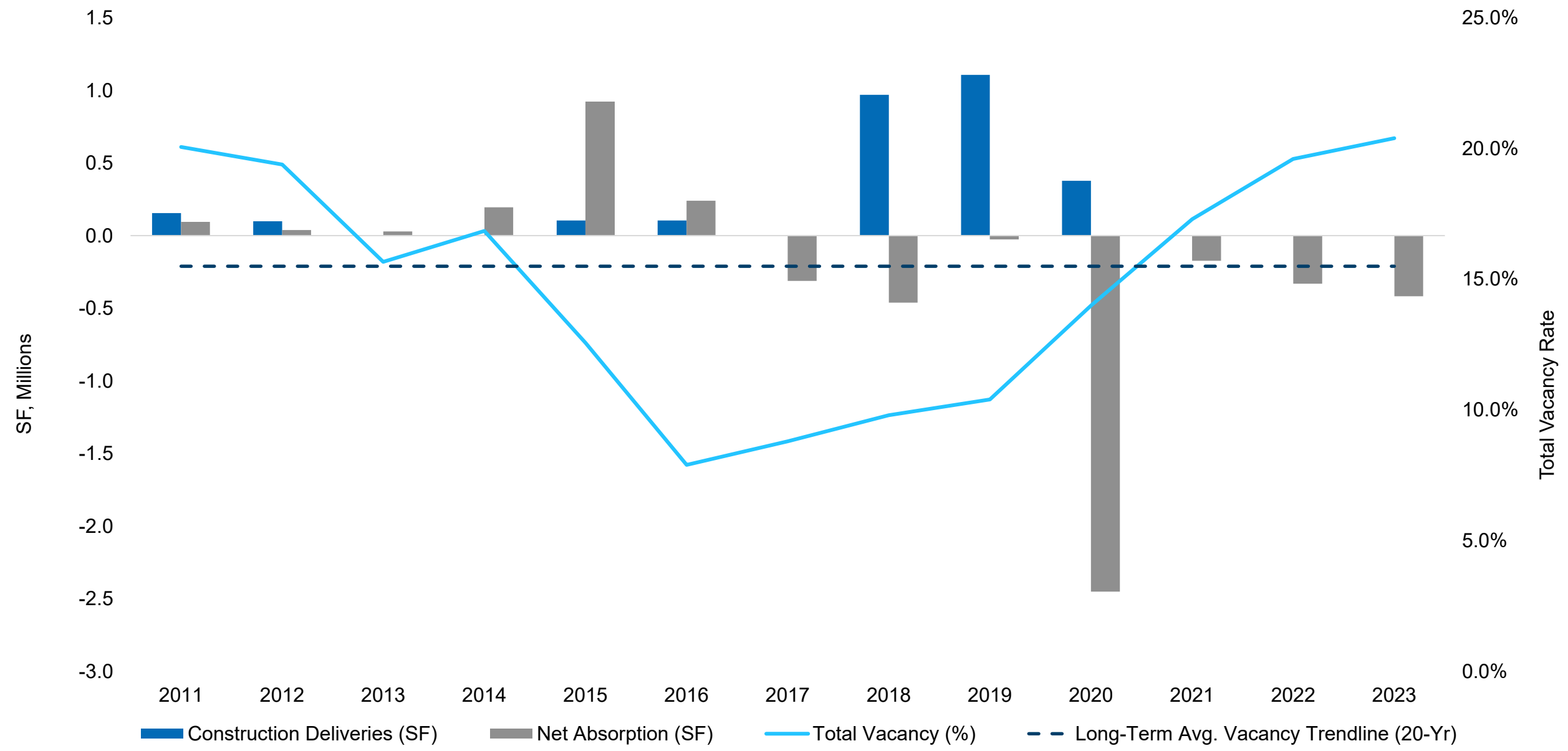




# Vacancy Continues to Rise

Vacancy rates slightly decreased to 20.4% in the fourth quarter of 2023. Leasing activity remained slow.

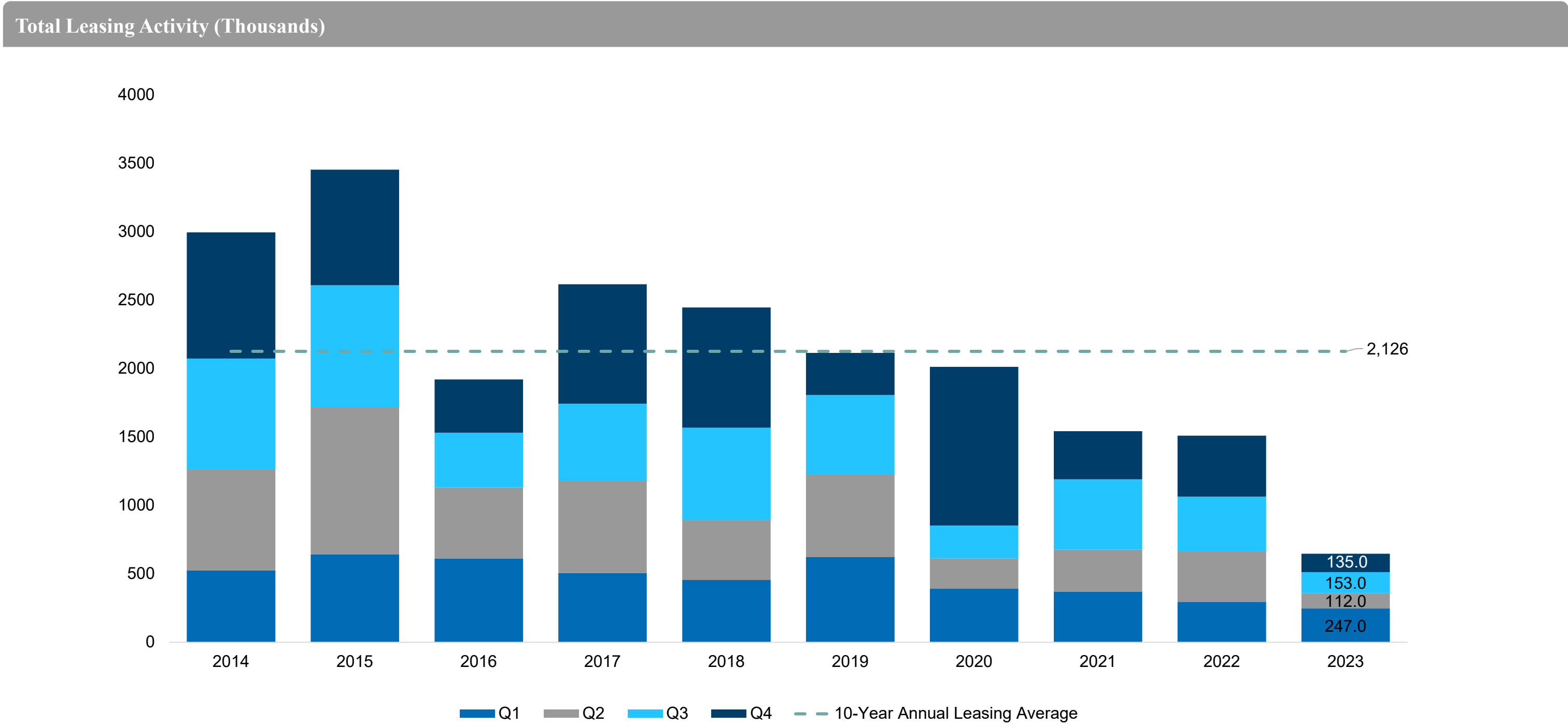
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

# Leasing Activity Has Slowed

Leasing activity decreased further in the fourth quarter of 2023, and 2023 overall experienced less leasing activity compared to recent years.



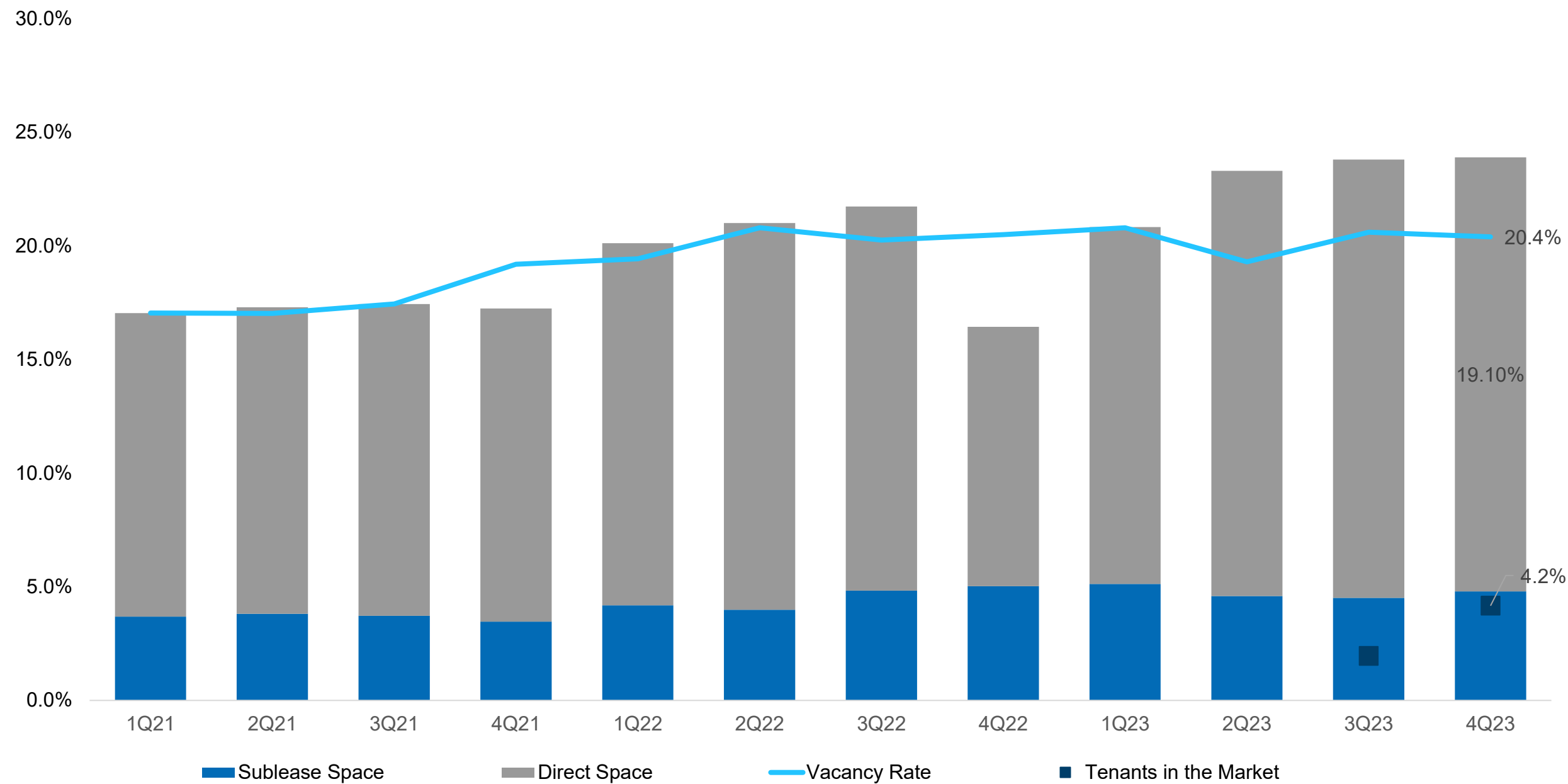
Source: Newmark Research, CoStar



# Availability Continues to Increase in the Market

Vacancy plateaued while tenant demand experienced a slight increase. 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

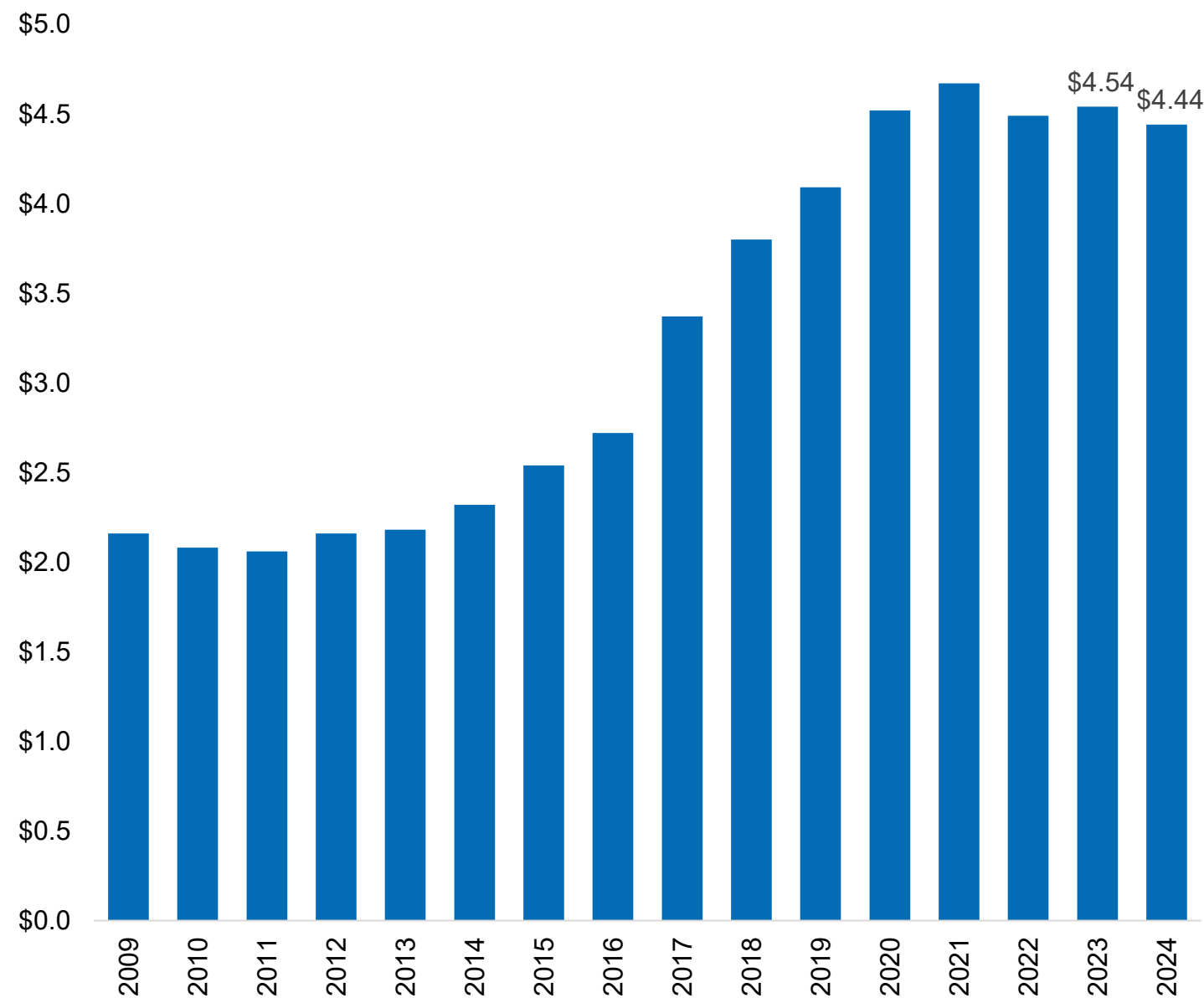


Source: Newmark Research

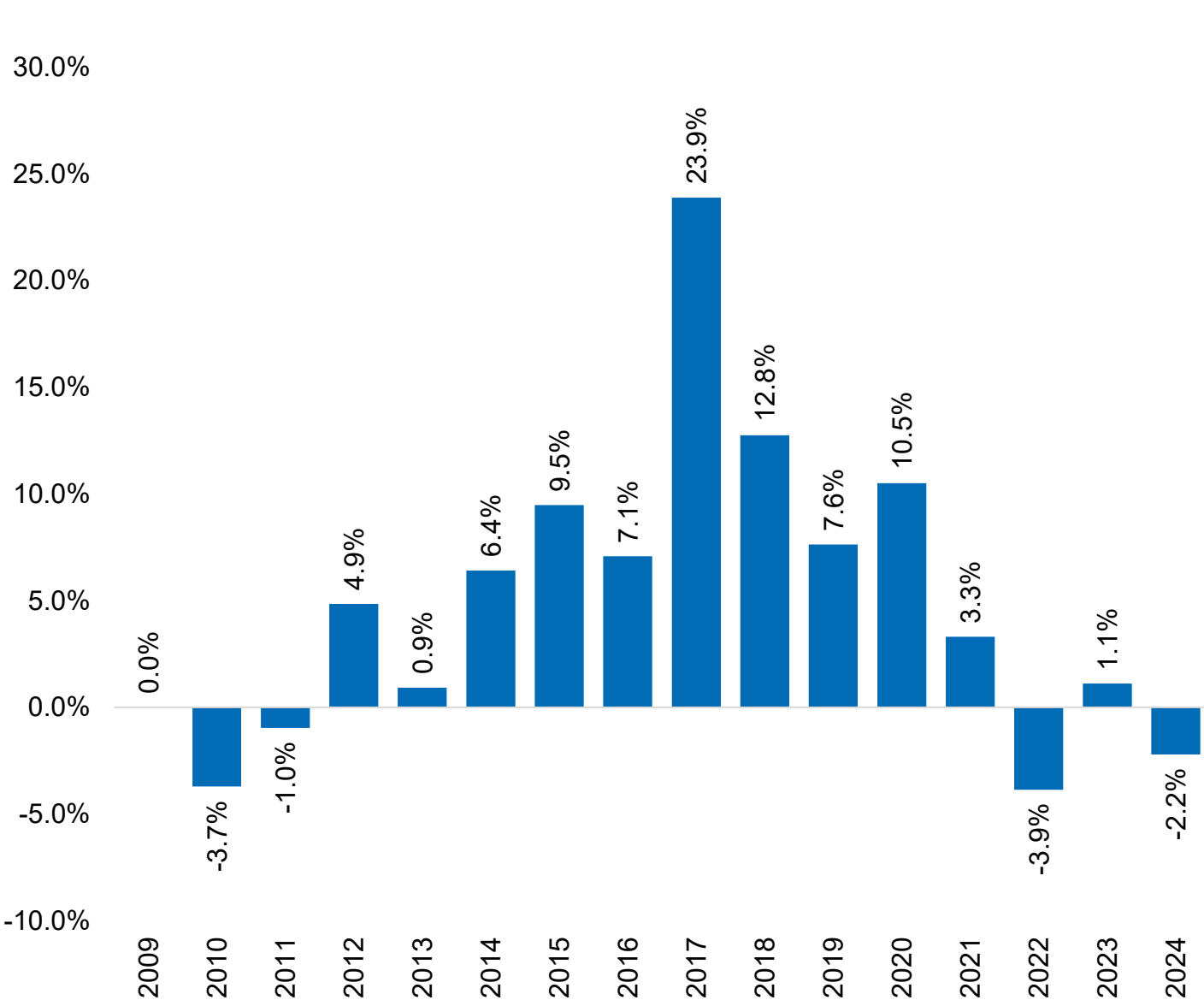
# Rents Decrease in the Fourth Quarter

Rents decreased in the fourth quarter, 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



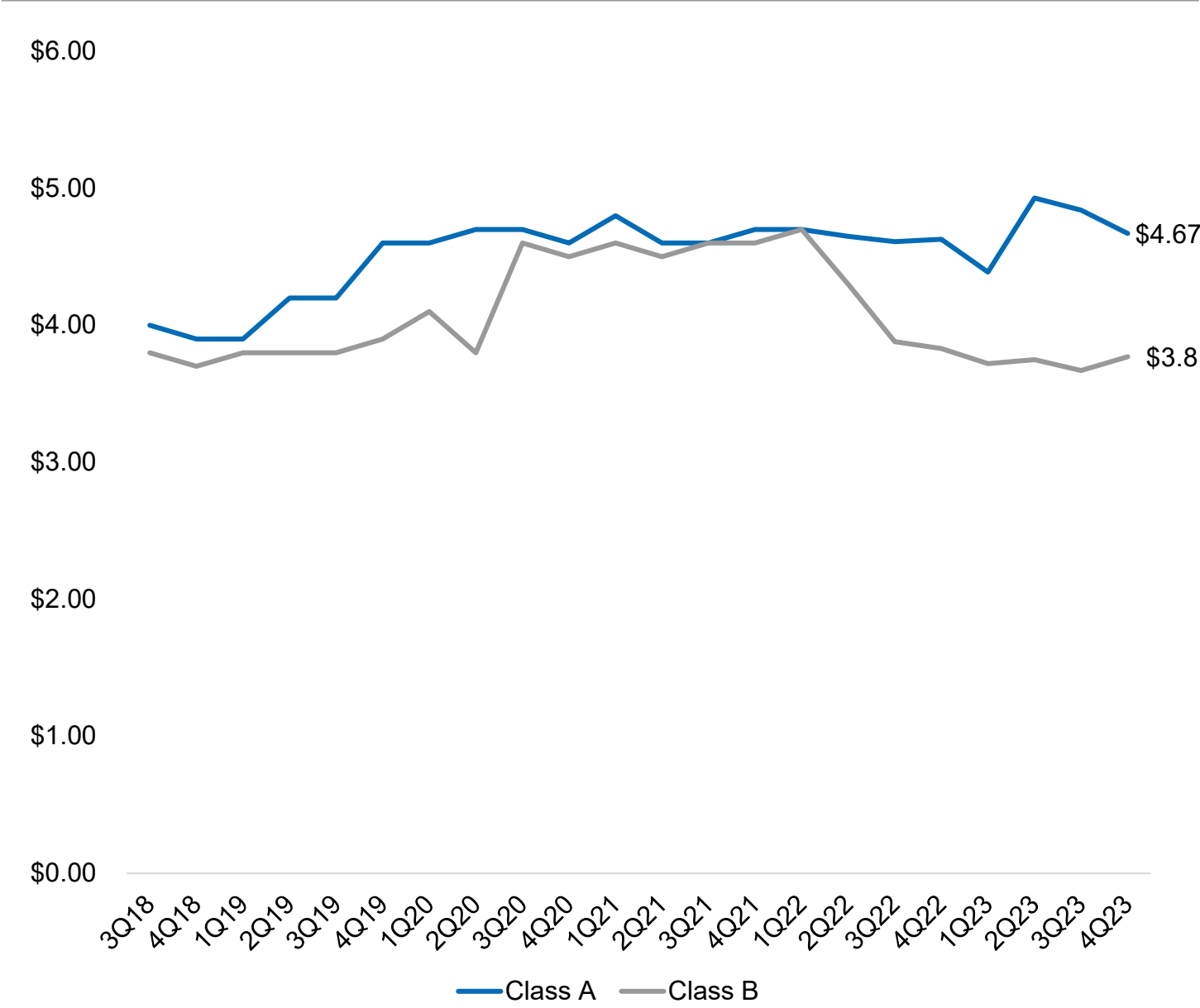
Source: Newmark Research, CoStar



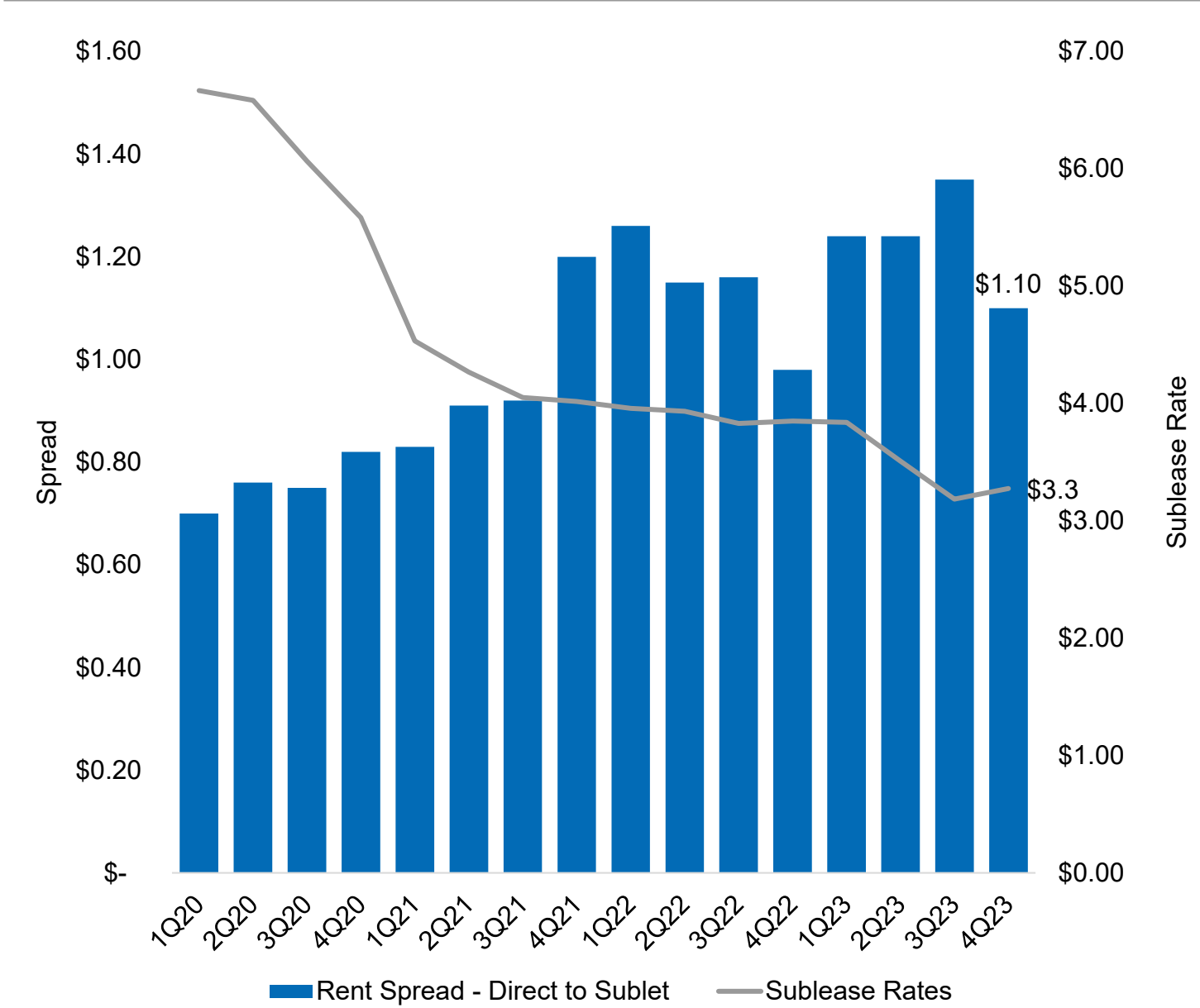
# Class A vs. B Rents

Tenants in the market continued to prioritize Class A space in the Greater Oakland market. While rents continued their decline in Class A, we saw a slight increase in Class B asking rates. Spaces surrounded by amenities and public transit access prove to remain in demand. Sublease rents increased slightly for the first time in 3 years, causing the spread between direct and sublease decreased slightly.

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 end of the fourth quarter, and the majority of leases were less than 10,000 square feet.

## Notable 4Q23 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Sutter Health	2000 Powell	Emeryville	Renewal	34,766
SunPower	880 Harbour Way S.	Richmond	Direct Lease	20,669
EarthGrid PBC	1150 Brickyard Cove Road	Richmond	Direct Lease	12,000
Tetra Tech	1999 Harrison	Oakland – Lake Merritt	Renewal/downsizing	11,136
Pyatok Architects Inc.	360 22 <sup>nd</sup> Street	Oakland – Lake Merritt	Direct Lease	11,122
Hachette Book Group, Inc.	555 12 <sup>th</sup> Street	Oakland – City Center	Direct Lease	9,318
MSA Architecture + Design Inc	360 22 <sup>nd</sup> Street	Oakland – Lake Merritt	Lease Extension	7,895

Source: Newmark Research



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# Appendix





# Greater Oakland Office Market Statistics

Overall Market Stats 4Q23

	Total Inventory (SF)	Total Availability (SF)	Sublease Availability (SF)	Total Availability Rate	Sublease Availability Rate	Total Vacancy Rate	Qtr Net Absorp. (SF)	Direct FS Asking Rent (Price/SF)
Alameda	3,673,078	348,218	14,699	9.5%	0.4%	6.9%	-77,130	\$2.53
Harbor Bay	2,025,446	115,285	1,620	5.7%	0.1%	5.0%	0	\$2.61
Marina Village	1,647,632	232,933	13,079	14.1%	0.8%	9.2%	-77,130	\$2.16
Berkeley	3,409,325	457,671	336,977	13.4%	9.9%	11.5%	10,447	\$3.45
Emeryville	4,225,119	1,281,947	558,664	30.3%	13.2%	26.0%	-1,049	\$5.07
Oakland	14,494,645	4,324,320	615,586	29.8%	4.2%	25.6%	1,589	\$4.68
Airport	2,046,495	158,656	16,039	7.8%	0.8%	6.4%	-3,674	\$2.30
Jack London Square	1,477,791	208,432	34,058	14.1%	2.3%	10.2%	-2,814	\$3.38
City Center	5,736,739	2,488,477	295,027	43.4%	5.1%	38.2%	12,724	\$4.79
Lake Merritt	5,233,620	1,468,755	270,462	28.1%	5.2%	23.6%	-4,647	\$4.84
Richmond	1,652,041	141,164	0	8.5%	0.0%	8.5%	-6,785	\$2.24
Greater Oakland	27,454,208	6,553,320	1,309,643	23.9%	4.8%	20.4%	-72,928	\$4.44

Source: Newmark Research

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