
2Q24

Greater Oakland Office Market Overview



NEWMARK

Market Observations

Economy

- The East Bay’s labor market remained strong amid shifting macroeconomic conditions. In the East Bay, the unemployment rate in May was 3.9%, which is the first time that the East Bay’s unemployment has been less than the National average since January 2023.
- Job growth year-over-year was highest in the education and health, other services, and leisure and government. The information, construction, and manufacturing sectors showed the largest decreases in employment.

Major Transactions

- Center 21 experienced a significant amount of leasing activity in Q2 at 2101 Webster Street, with The Federal Bureau of Investigation renewing their 76,737 square foot lease and with Everlaw renewing their lease for 48,687 SF.
- ELF Cosmetics leased 27,831 square feet at 601 12th Street.
- Telecare Corporation extended their lease of 26,142 square feet at 1080 Marina Village Parkway.
- Silverado Contractors leased 20,242 square feet at 2200 Powell Street.

Leasing Market Fundamentals

- Net absorption in the second quarter of 2024 totaled negative 96,204 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 second quarter of 2024. Life science makes up most of the active construction.
- Availability saw no change, while vacancy increased by another 60 basis points to 22.0%.
- Asking rents decreased further to \$4.33 as landlords continue trying to fill their vacancies.

Outlook

- Rumors are that the \$94.8M non-performing office note for the 15 story 278,000 SF Class A office property at 180 Grand will sell for around \$105/SF. The property had previously 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 will follow suit in the coming months.
- Tenants in the market are continuing to seek good value opportunities in the marketplace that offer significant tenant improvements or very attractive second-generation office spaces that only need cosmetic improvements.
- The number of distressed properties has continued to increase in the second quarter. This trend should continue given the amount of pressure the high vacancy rate in Oakland is putting on landlords.

1. Economy
2. Leasing Market Fundamentals
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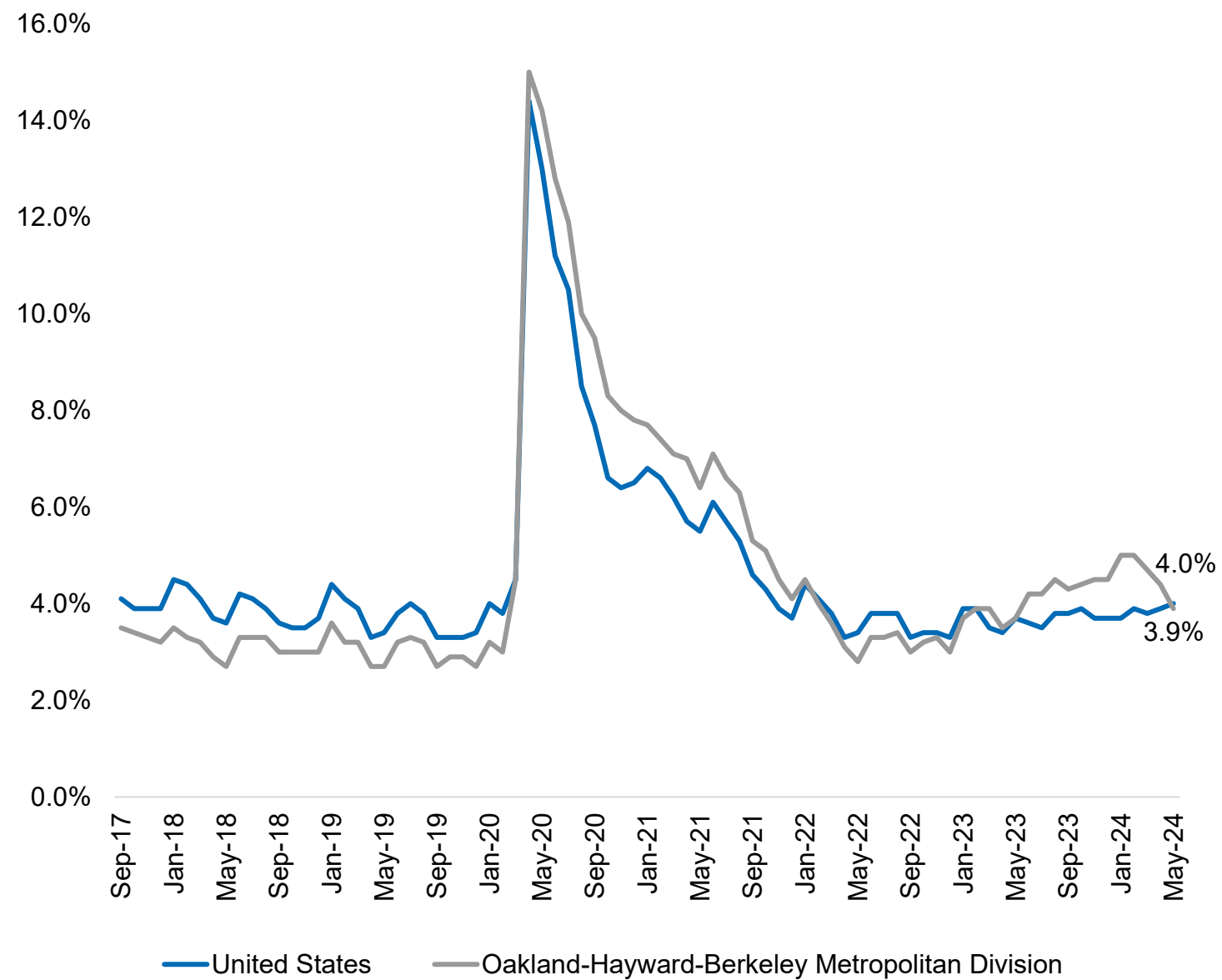
Economy



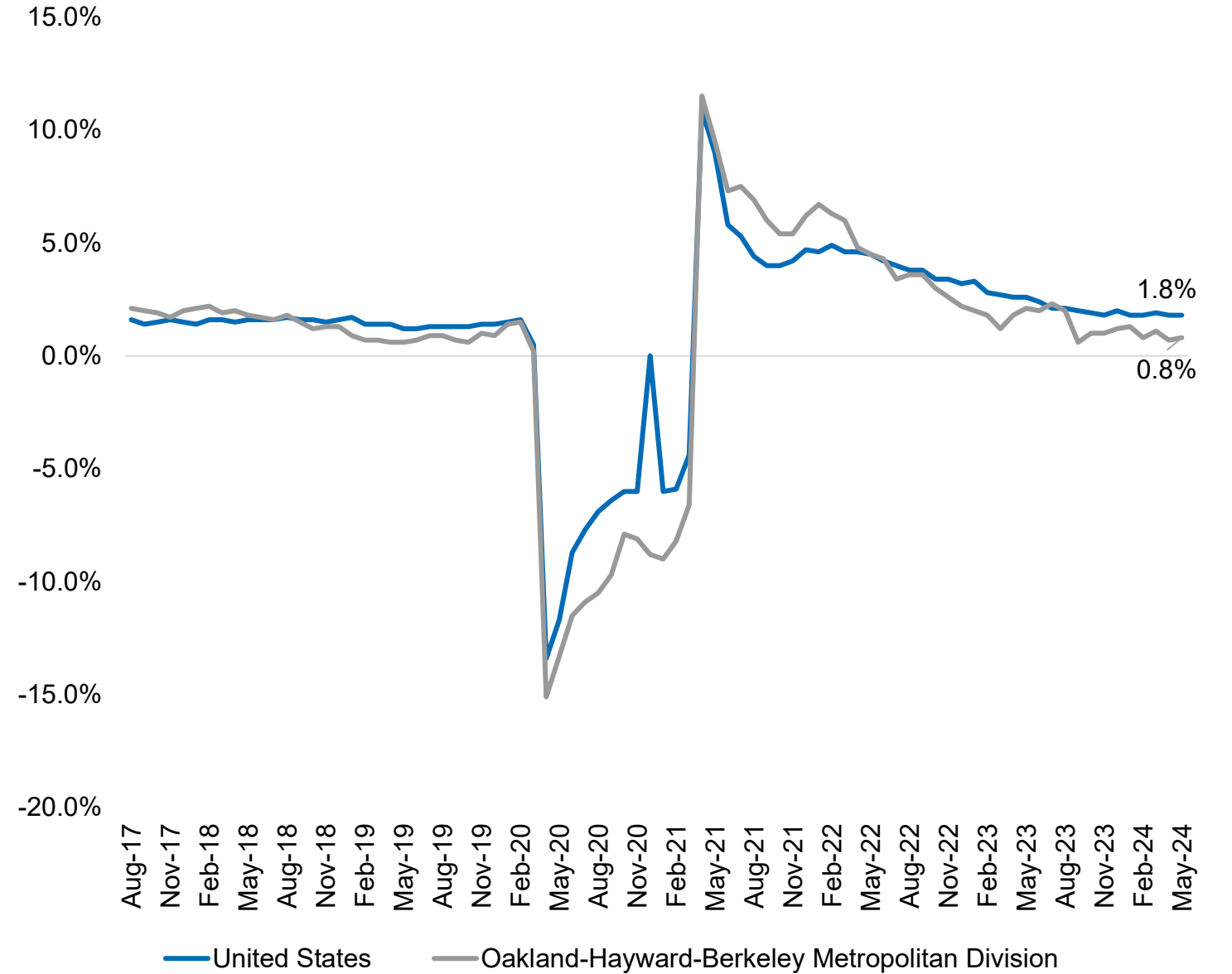
Metro Employment Trends Signal A Slight Comeback

The current unemployment rate for the East Bay Area is 110 basis points lower than it was at the beginning of 2024, and at 3.9% is 10 basis points lower than the national average. Although unemployment rates remain above pre-pandemic levels, the second quarter of 2024 is showing positive workforce trends.

Unemployment Rate, Non-Seasonally Adjusted



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

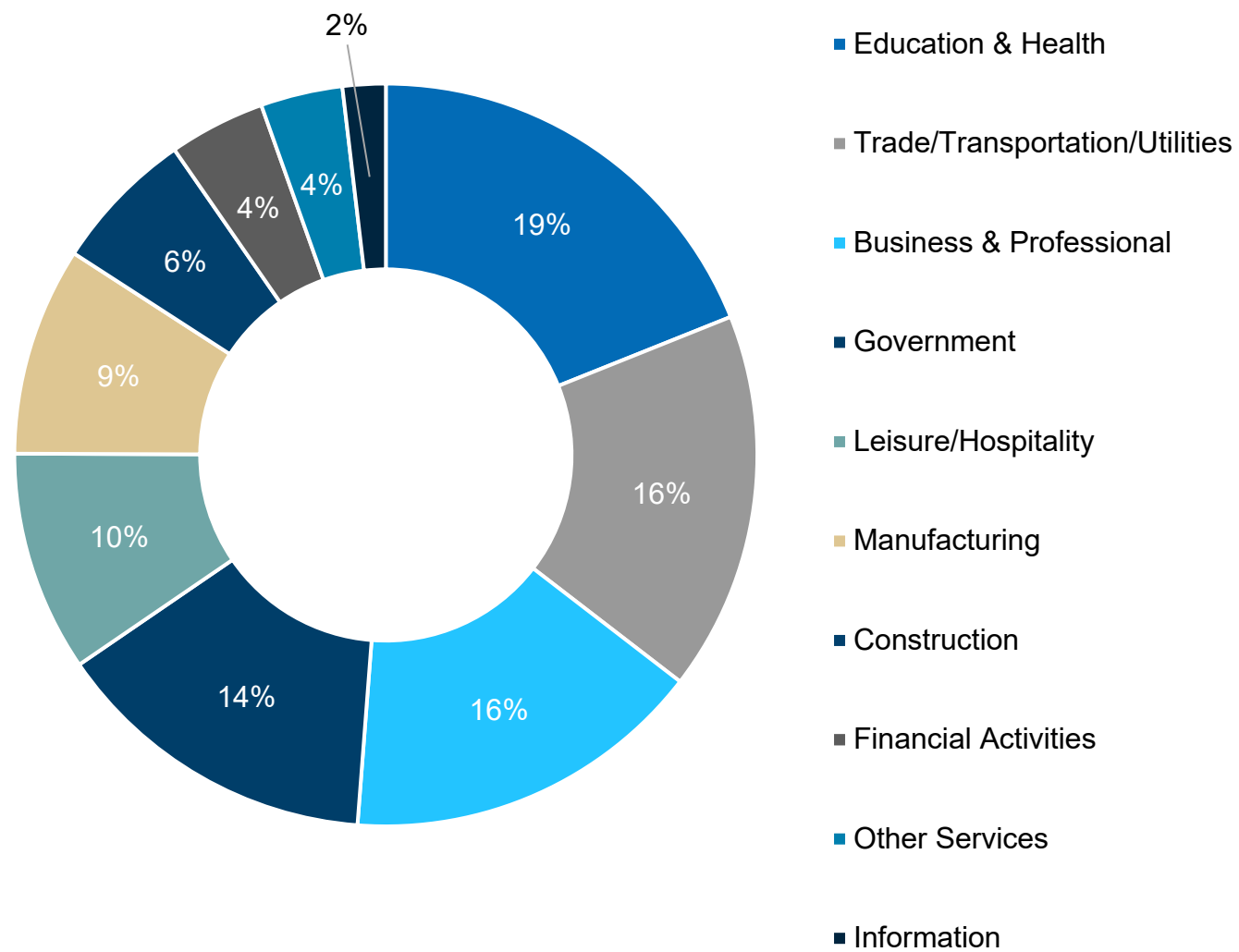


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

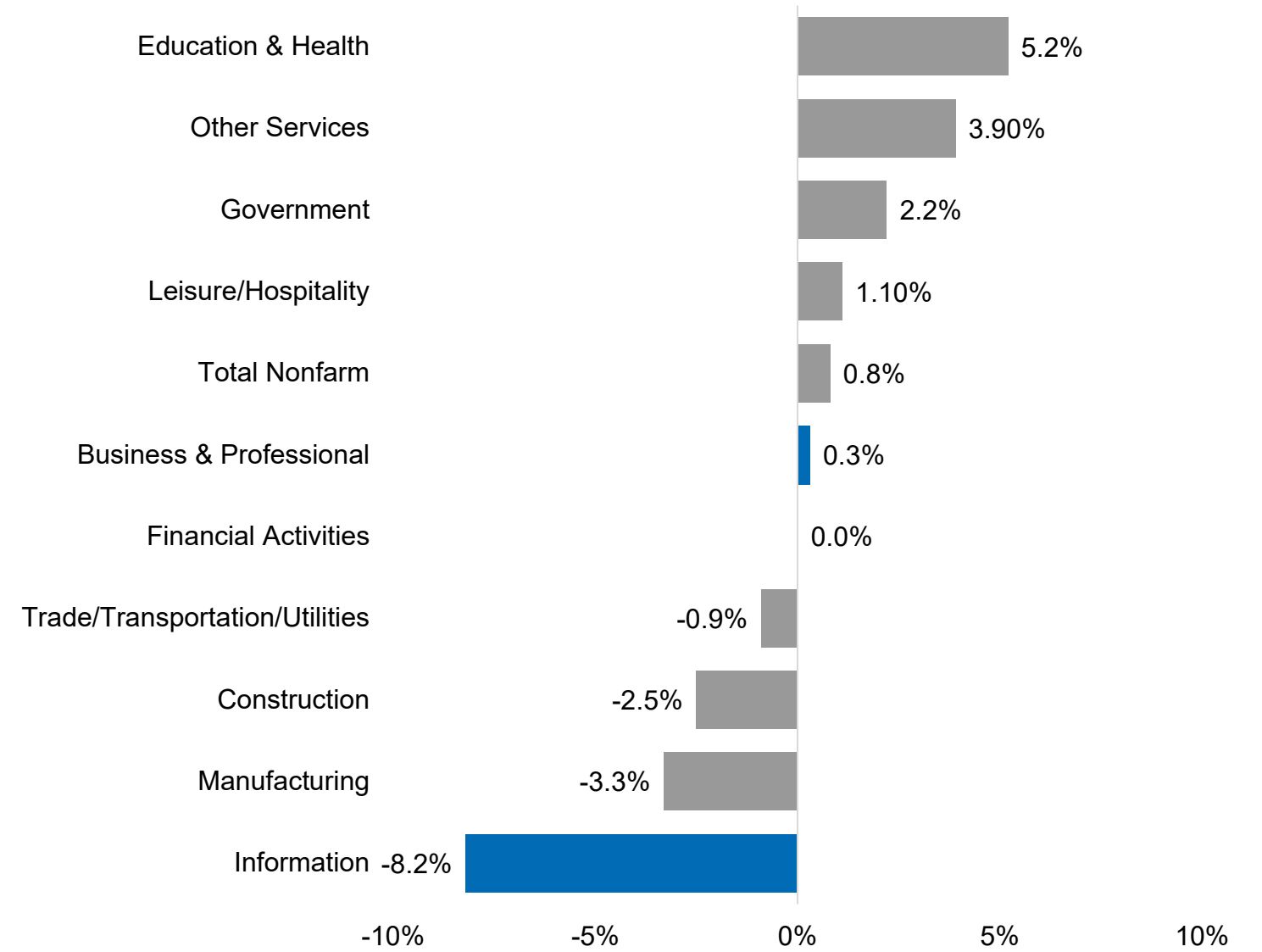
Office-Using Employment Down

Information experienced the largest loss in growth for office using sectors year-over-year, while financial activities experienced no growth, and business and professional services showed slight growth.

Employment by Industry, May 2024



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

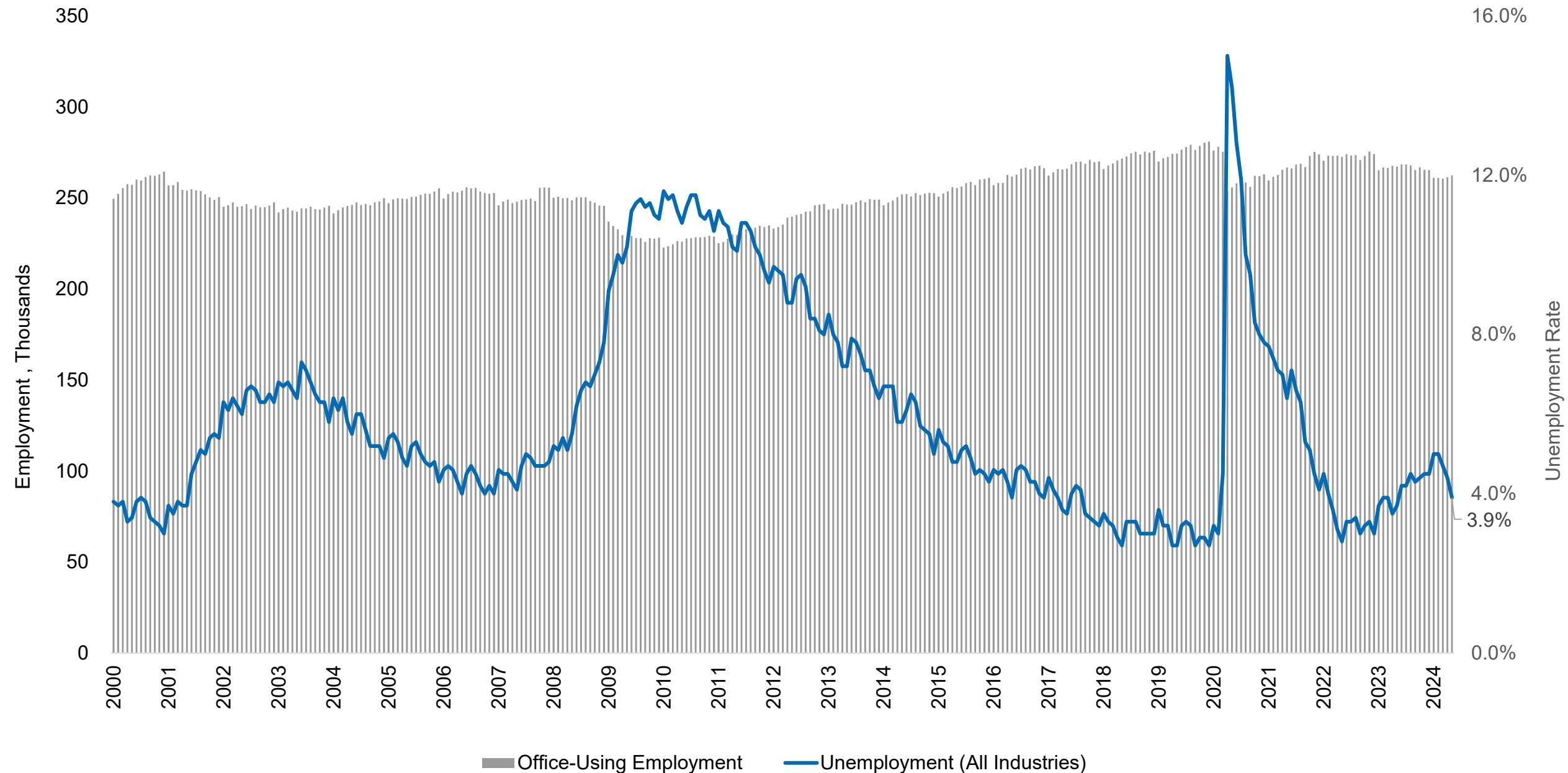


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

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 thousand 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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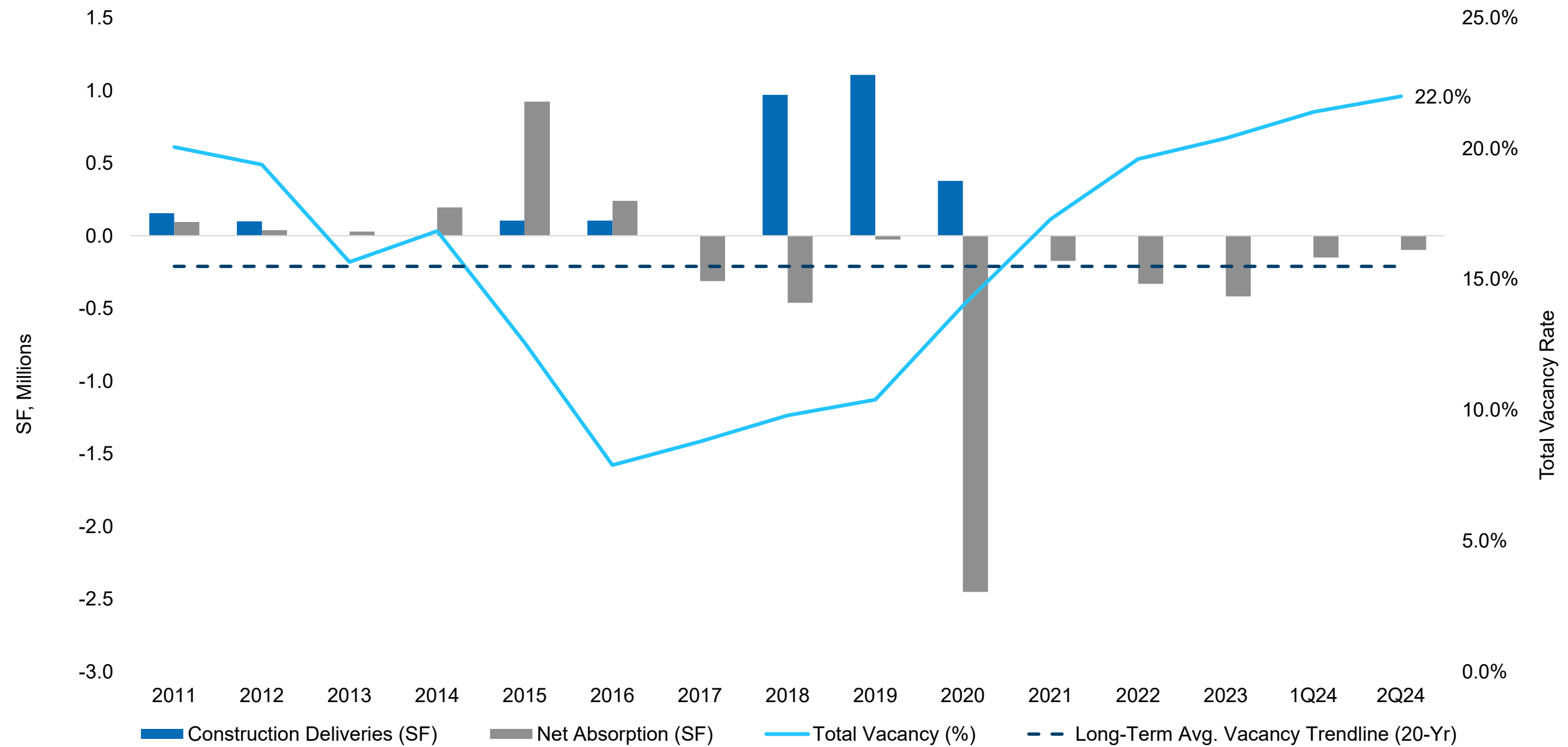
Leasing Market Fundamentals



Vacancy Continued to Rise

Vacancy rates continued to increase to 22.0%. Vacancy has increased by 60 basis points since the beginning of 2024 as leasing velocity has remained slow.

Historical Construction Deliveries, Net Absorption, and Vacancy

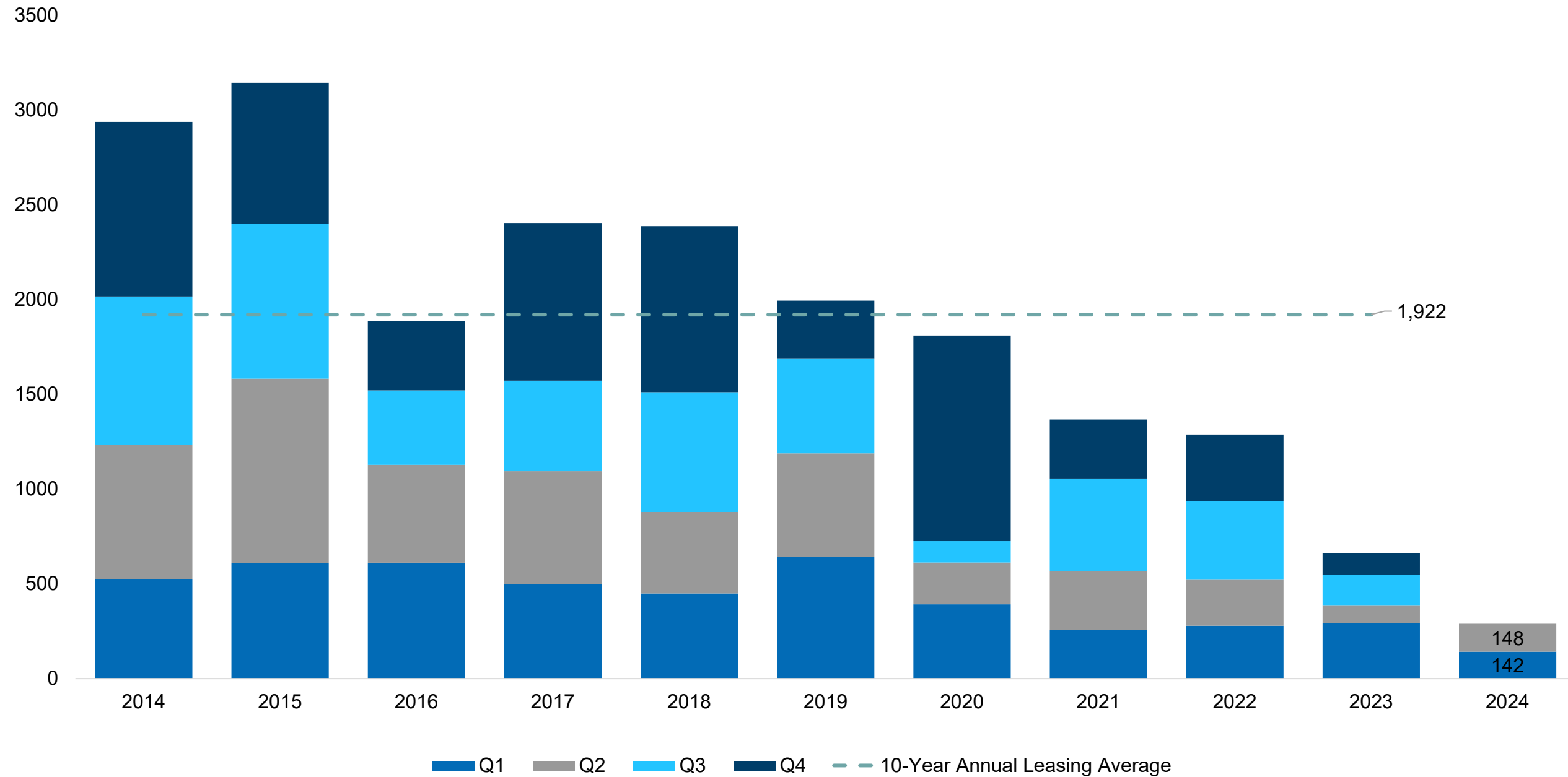


Source: Newmark Research

Leasing Activity Remained Slow

The second quarter of 2024 remained slow, however the total square footage leased was slightly more than the first quarter of 2024.

Total Leasing Activity (Thousands)

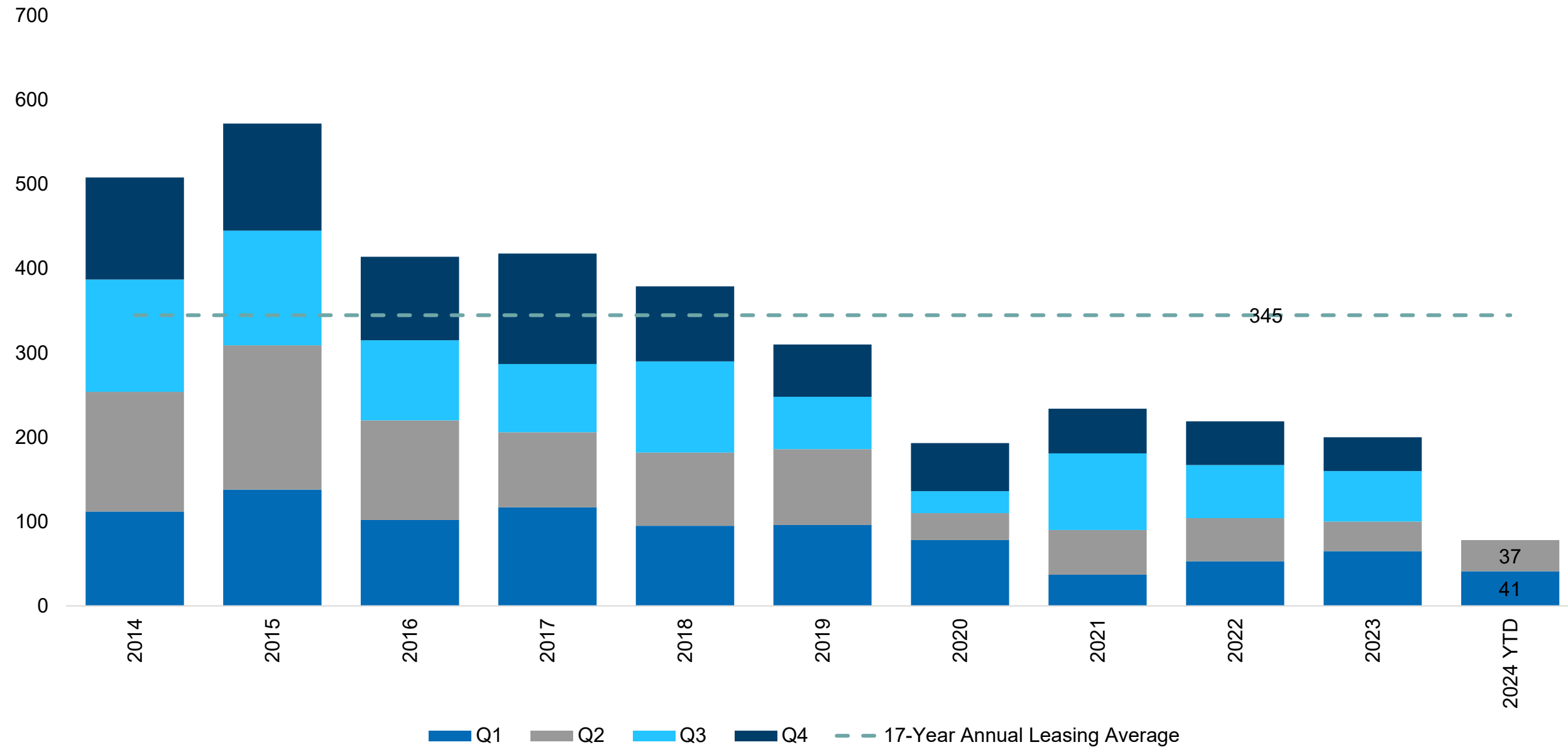


Source: Newmark Research, CoStar

Fewer Leases Signed

Overall leasing has slowed down in the second quarter, with fewer being signed than the first. However, the average lease size increased by about 15% over the first quarter to an average of 4,000 square feet.

Number of Leases Signed

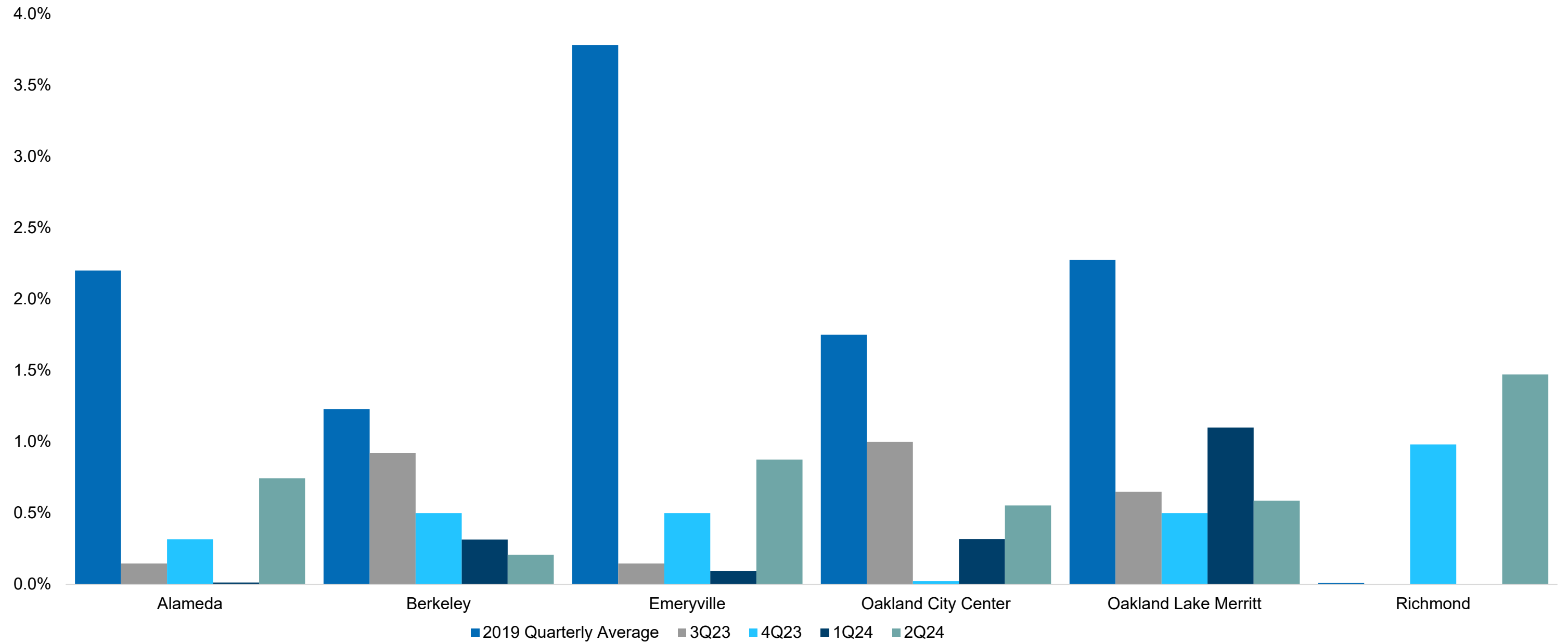


Source: Newmark Research, CoStar

Non-CBD Submarkets Continue to Underperform

Emeryville and Richmond experienced the largest amount of leasing activity in the second quarter of 2024, with the lowest activity in Berkeley.

Leasing Activity as a Percentage of Inventory

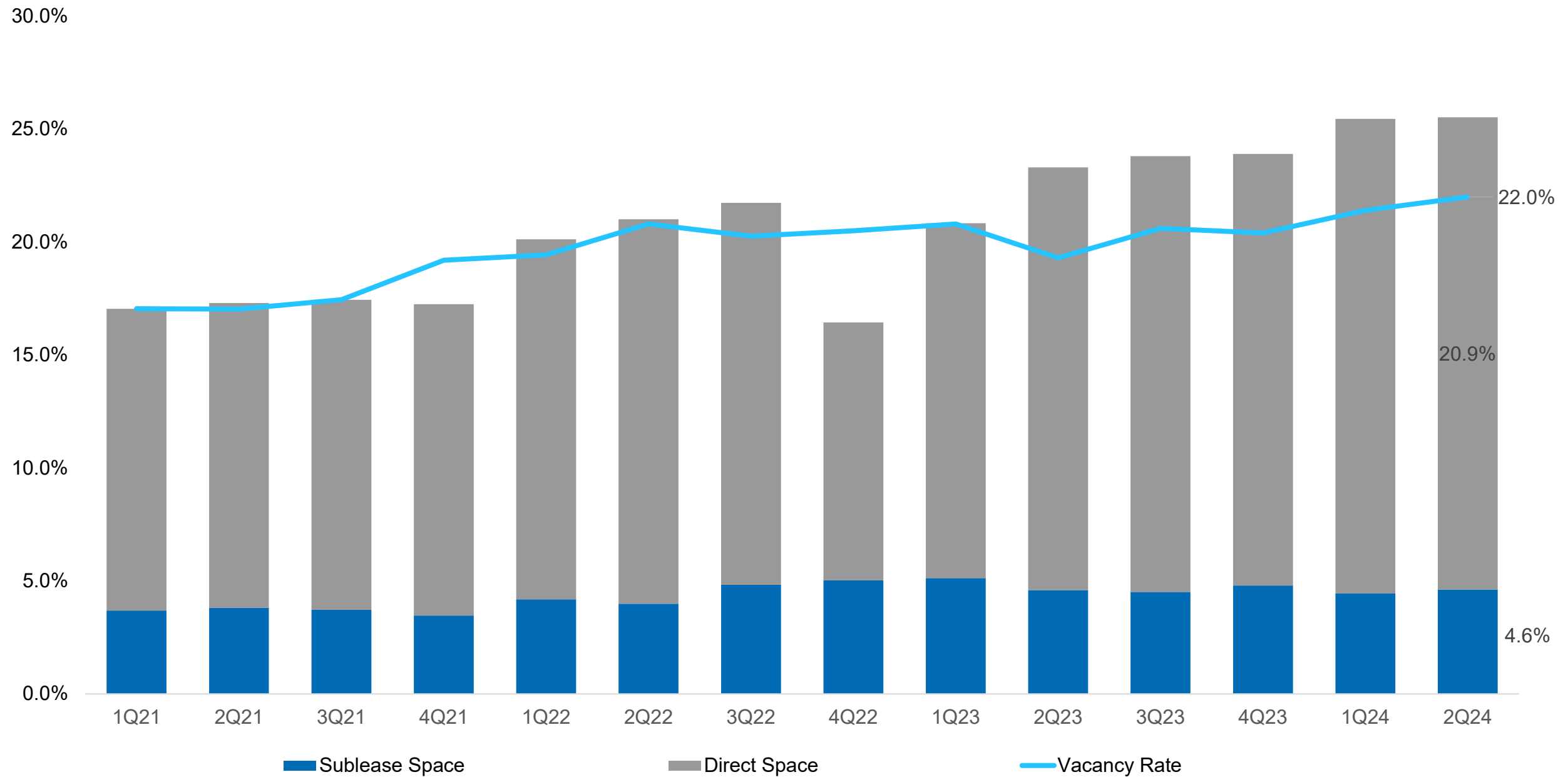


Source: Newmark Research, CoStar

Availability Continued to Increase in the Market

With more tenants continuing to move out of Oakland, vacancy rose to 22.0%. 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

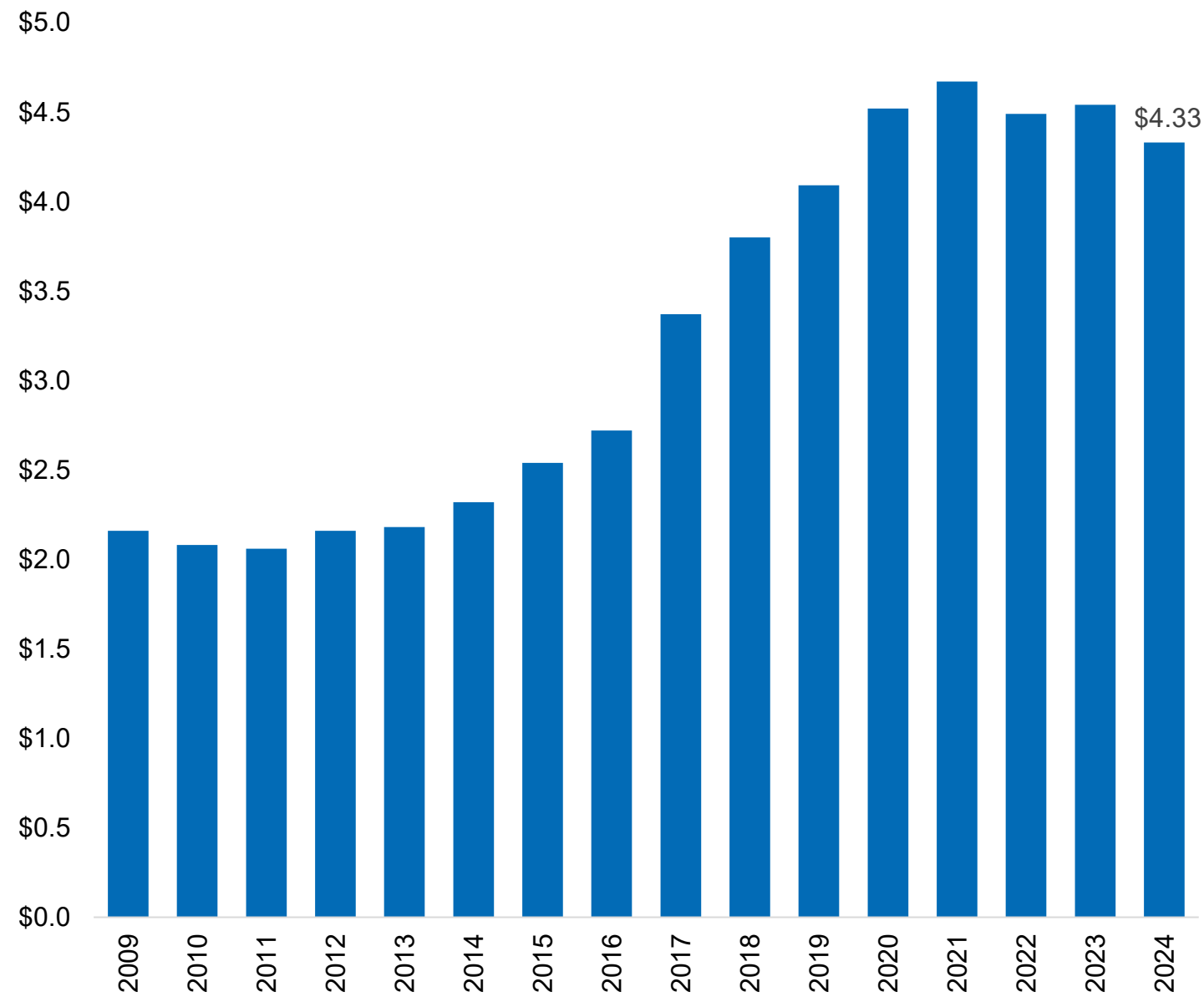


Source: Newmark Research

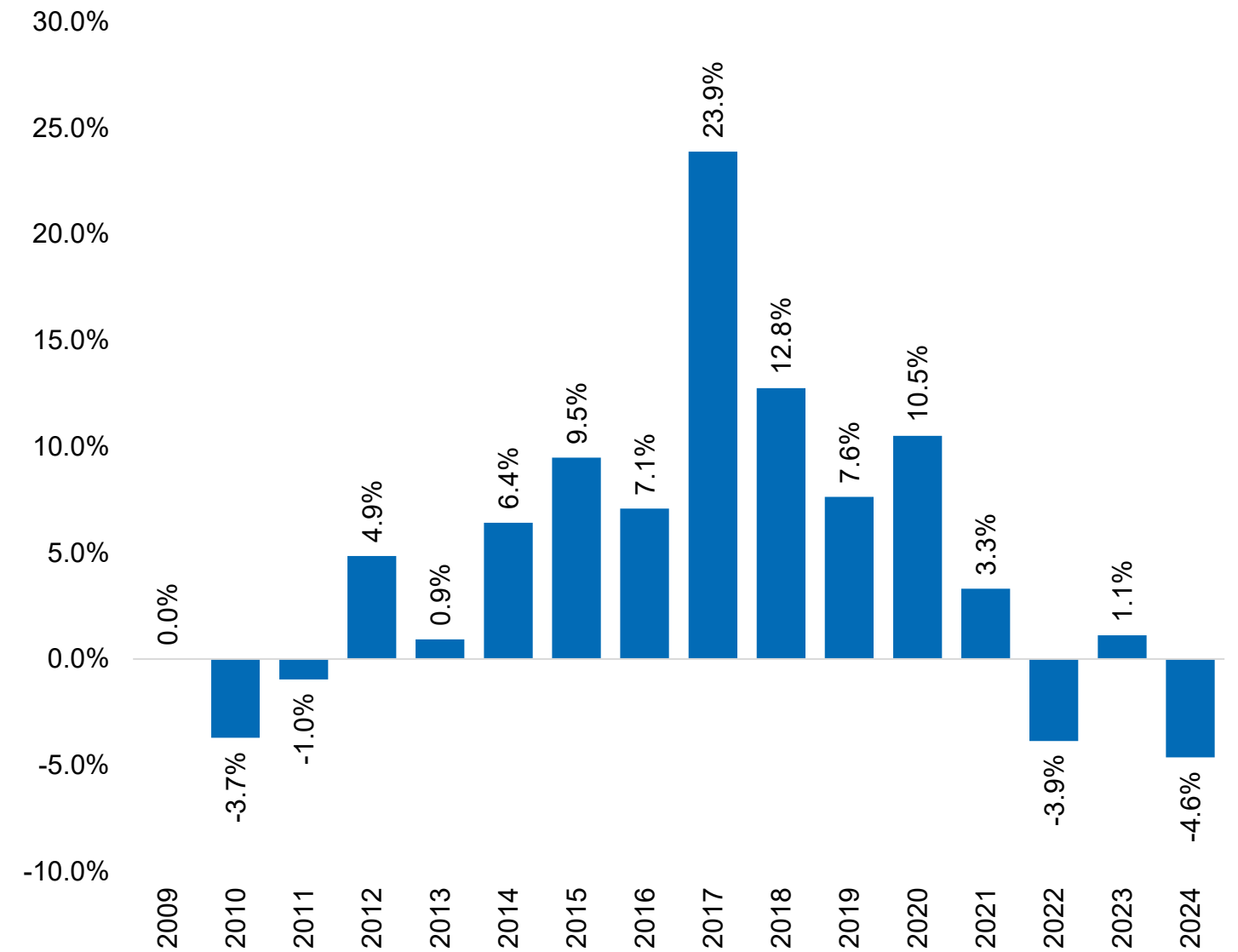
Rents Continued to Decrease in the Second Quarter

Rents decreased in the second quarter of 2024, primarily driven by a drop-in Class A rents. With Inventory decreasing over the quarter, 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

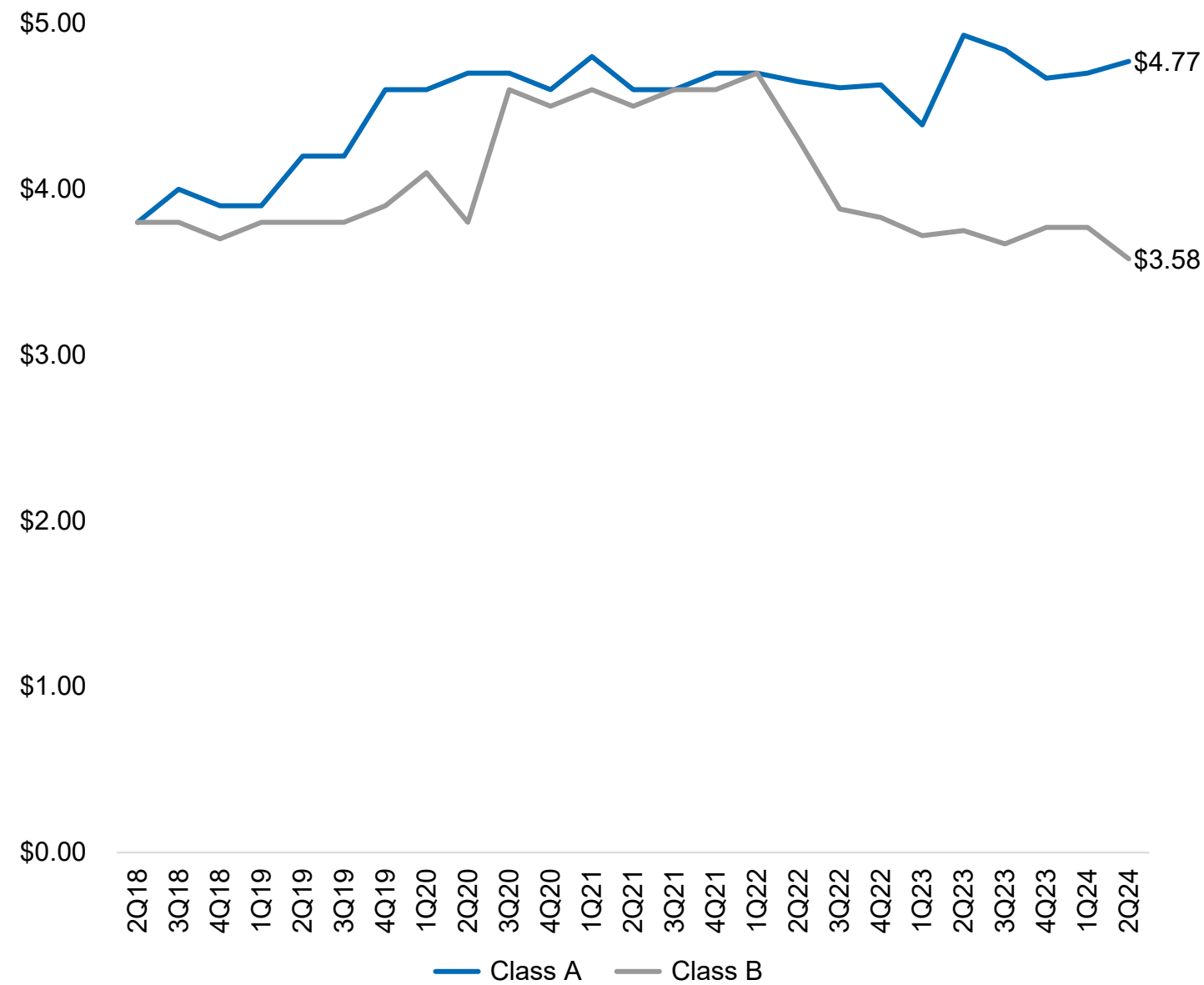


Source: Newmark Research, CoStar

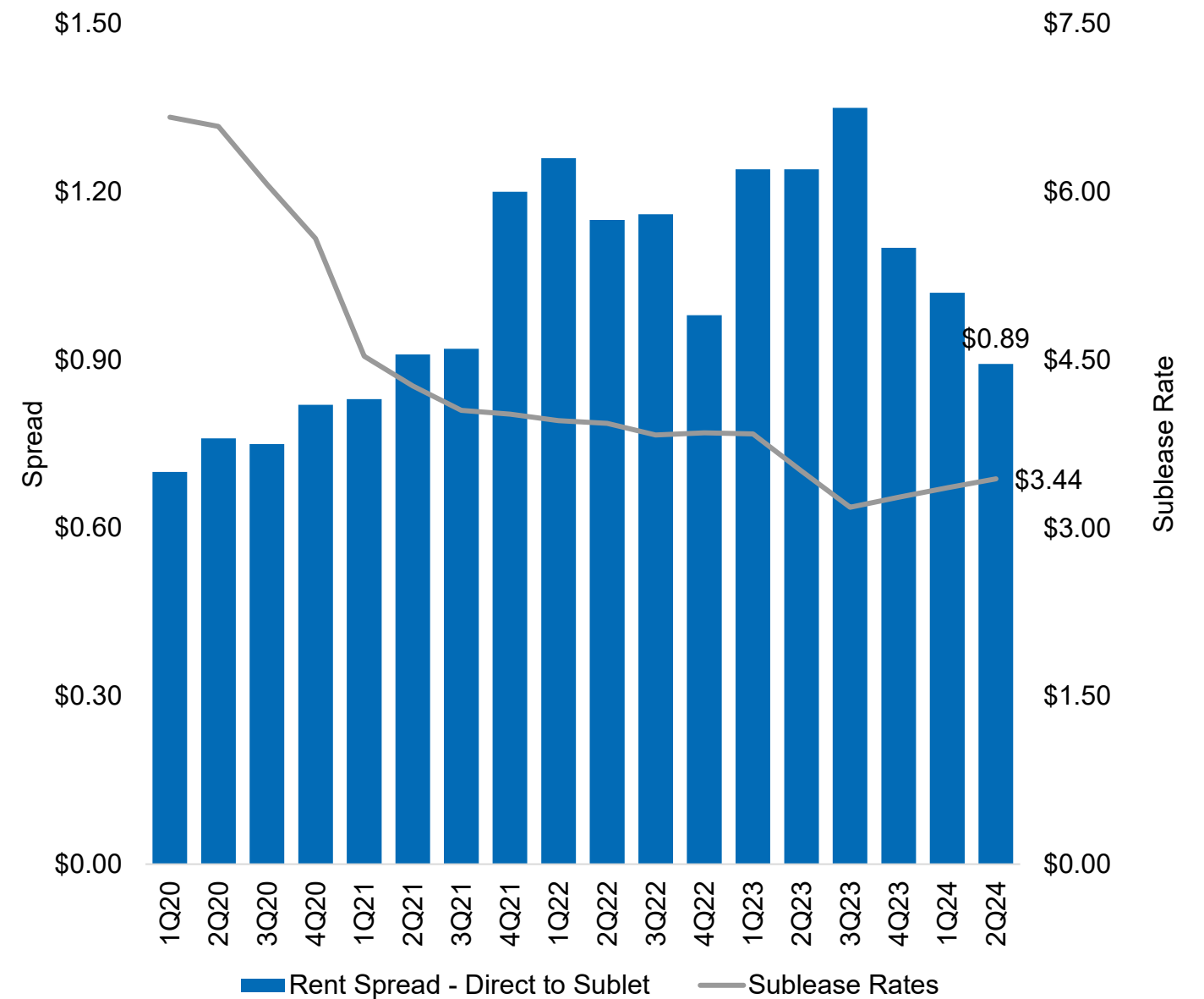
Class A vs. B Rents

Tenants in the market continued to prioritize Class A space in the Greater Oakland market, causing rents to remain steady with a slight increase in the second quarter of 2024. Spaces surrounded by amenities and public transit access prove to remain in demand. As sublease rents continued to increase slightly throughout the second quarter, the gap between direct and sublease rate reduced further. The rent spread from direct to sublease dropped by \$0.13.

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 second quarter for the most part, although there were a handful of transactions over 20,000 SF.

Notable 2Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Federal Bureau of Investigation	2101 Webster St	Oakland – Lake Merritt	Lease Renewal	76,737
Everlaw	2101 Webster St	Oakland – Lake Merritt	Lease Renewal	48,687
ELF Cosmetics	601 12 th Street	Oakland – City Center	Direct Lease	27,831
Telecare Corporation	1080 Marina Village Pkwy	Alameda – Marina Village	Lease Extension	26,142
Silverado Contractors	2200 Powell St	Emeryville – Emeryville	Direct Lease	20,242

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Appendix



Greater Oakland Office Market Statistics

Overall Market Stats 2Q24

	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	2,645,749	213,915	11,250	8.10%	0.43%	5.00%	11,622	\$2.72
Harbor Bay	1,375,391	15,513	0	1.10%	0.00%	1.10%	-4,000	\$2.65
Marina Village	1,270,358	198,402	11,250	15.60%	0.42%	9.10%	15,622	\$3.15
Berkeley	2,967,922	473,054	83,399	15.90%	2.80%	14.40%	-30,865	\$3.32
Emeryville	3,489,242	1,083,397	462,345	31.00%	13.25%	26.10%	21,446	\$4.67
Oakland	14,347,310	4,472,169	602,126	31.20%	4.19%	27.40%	-92,203	\$4.47
Airport	1,911,482	158,982	0	8.30%	0.00%	7.30%	2,912	\$2.43
Jack London Square	1,457,791	218,690	17,336	15.00%	1.18%	11.60%	-21,804	\$3.12
City Center	5,736,739	2,492,496	297,530	43.40%	5.18%	39.80%	-81,607	\$4.60
Lake Merritt	5,241,298	1,602,001	287,260	30.60%	5.48%	24.90%	9,016	\$4.71
Richmond	1,652,041	152,812	0	9.20%	0.00%	9.60%	-6,204	\$2.22
Greater Oakland	25,102,264	6,395,347	1,159,120	25.48%	4.62%	22.00%	-96,204	\$4.33

Source: Newmark Research

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