
3Q24

Greater Oakland Office Market Overview



NEWMARK

Market Observations

Economy

- The East Bay’s unemployment rose by 140 basis points in the third quarter, and currently stands at 5.3%. This is 110 basis points higher than the national average.
- Job growth year-over-year was highest in the education and health, construction, and government. The information, manufacturing, and financial services sectors showed the largest decreases in employment.

Major Transactions

- ZoNexus leased 13,841 square feet in Richmond.
- Rookstock leased 12,206 square feet in Lake Merritt in Oakland.
- BART purchased 2000 Broadway (86,875 sf) from Kaiser for \$25.5 million, or \$294 per square foot.
- Asian Health Services purchased 200 Webster St. (27,099 sf) from Lloyd Klein for \$6.5 million, or \$240 per square foot.
- Felton Institute purchased 401 Grand Ave. (37,567 sf) from Amarok Capital for \$6.88 million, or \$183 per square foot.
- Behring Companies purchased 1950 Franklin St. (445,914 sf) from Kaiser for \$14.35 million, or \$32 per square foot.

Leasing Market Fundamentals

- Net absorption in the third quarter of 2024 totaled negative 120,703 SF. This is the 9th 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.
- Vacancy increased by another 60 basis points to 22.6%.

Outlook

- We anticipate more distressed properties will go back to their lenders as vacancy rates remain elevated, rental rates continue to decline and improvement costs remain high.
- Tenants in the market have a vast array of options to choose from as asking rates continue to drop. The most cost-effective deals for tenants in the market are the transactions where some or all of the second-generation improvements are utilized.

1. Economy
2. Leasing Market Fundamentals
3. Appendix

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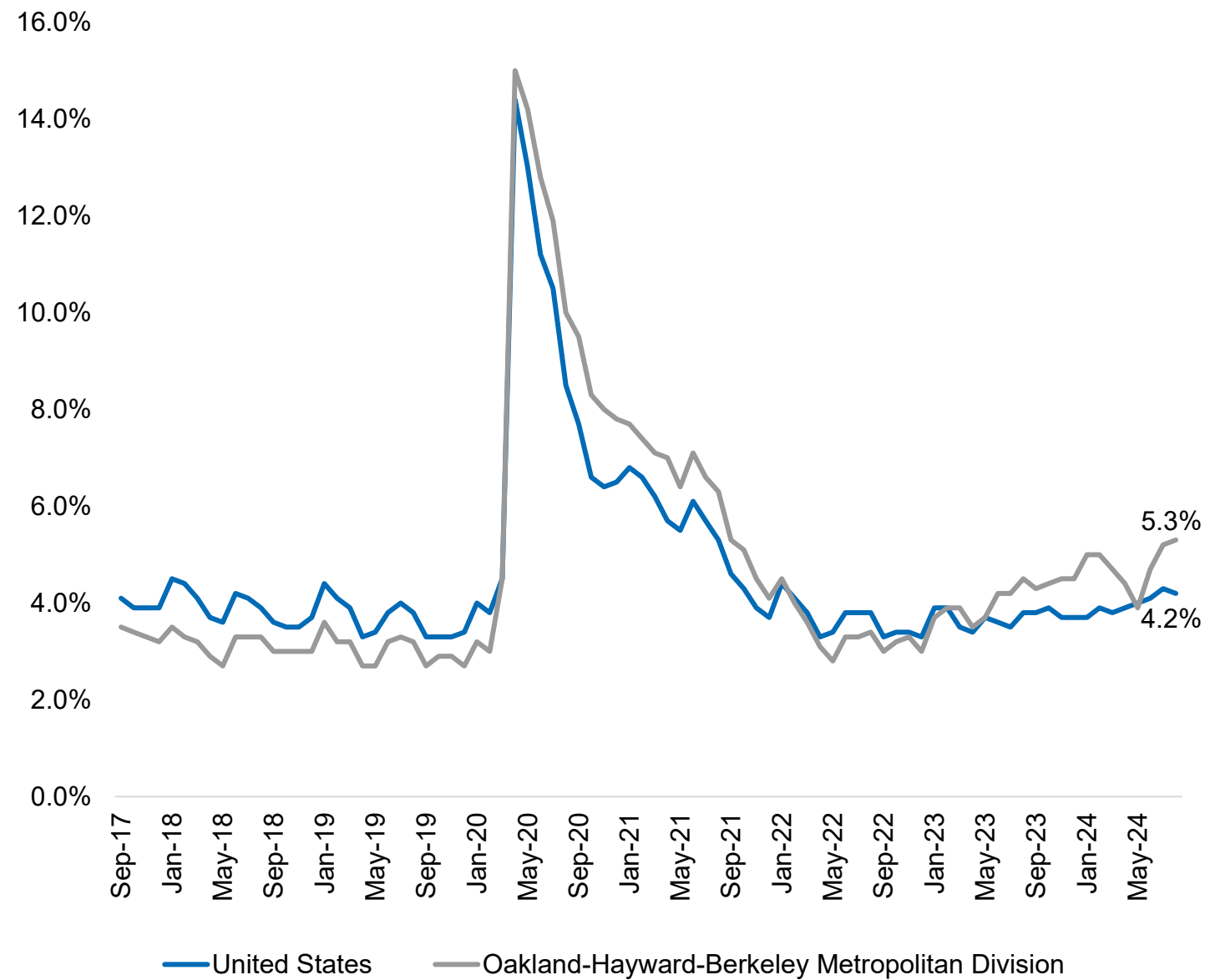
Economy



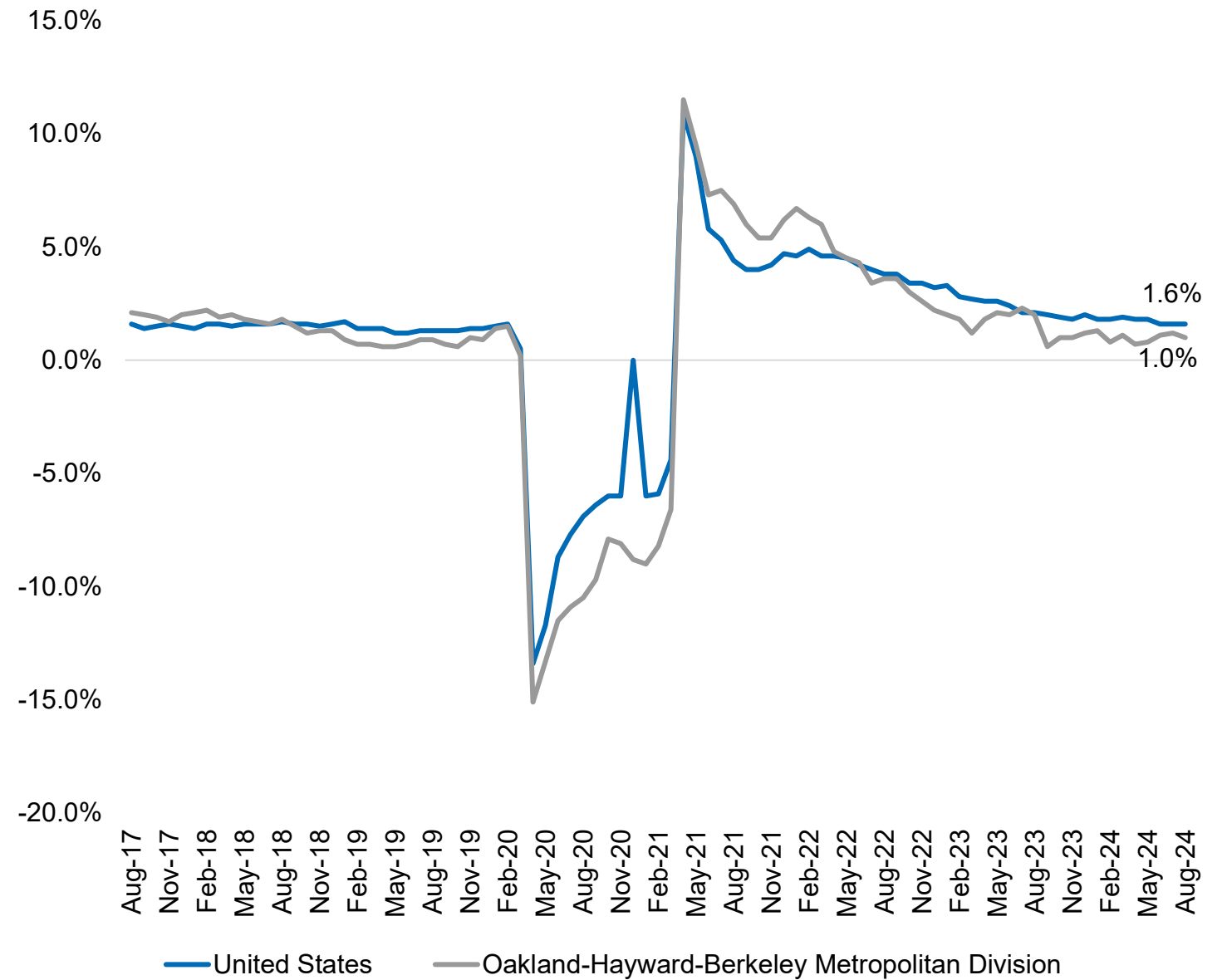
Metro Employment Trends Signal A Slight Comeback

The current unemployment rate for the East Bay Area is 30 basis points higher than it was at the beginning of 2024, and at 5.3% is 110 basis points higher than the national average. Unemployment rates remain above pre-pandemic levels.

Unemployment Rate, Non-Seasonally Adjusted



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

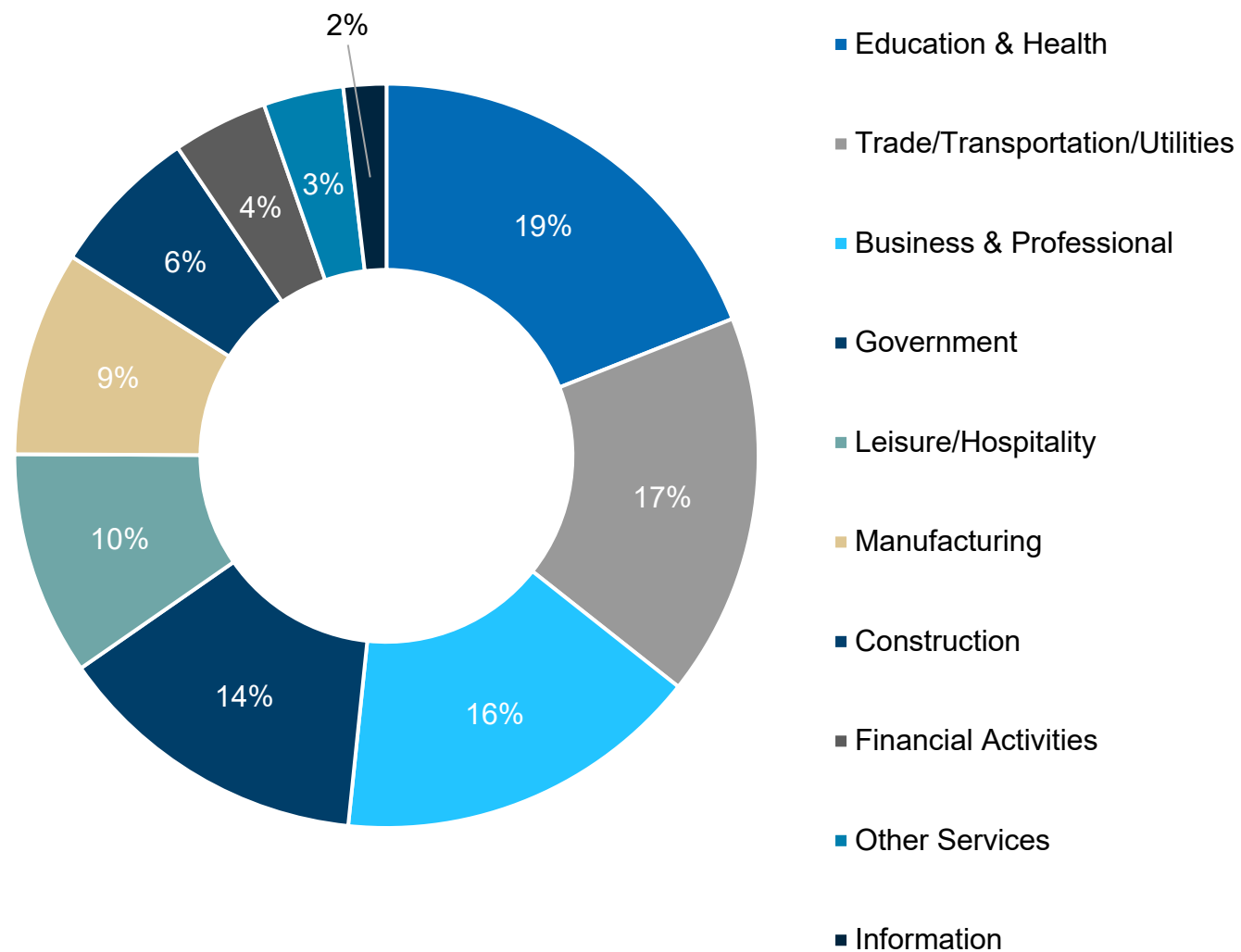


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

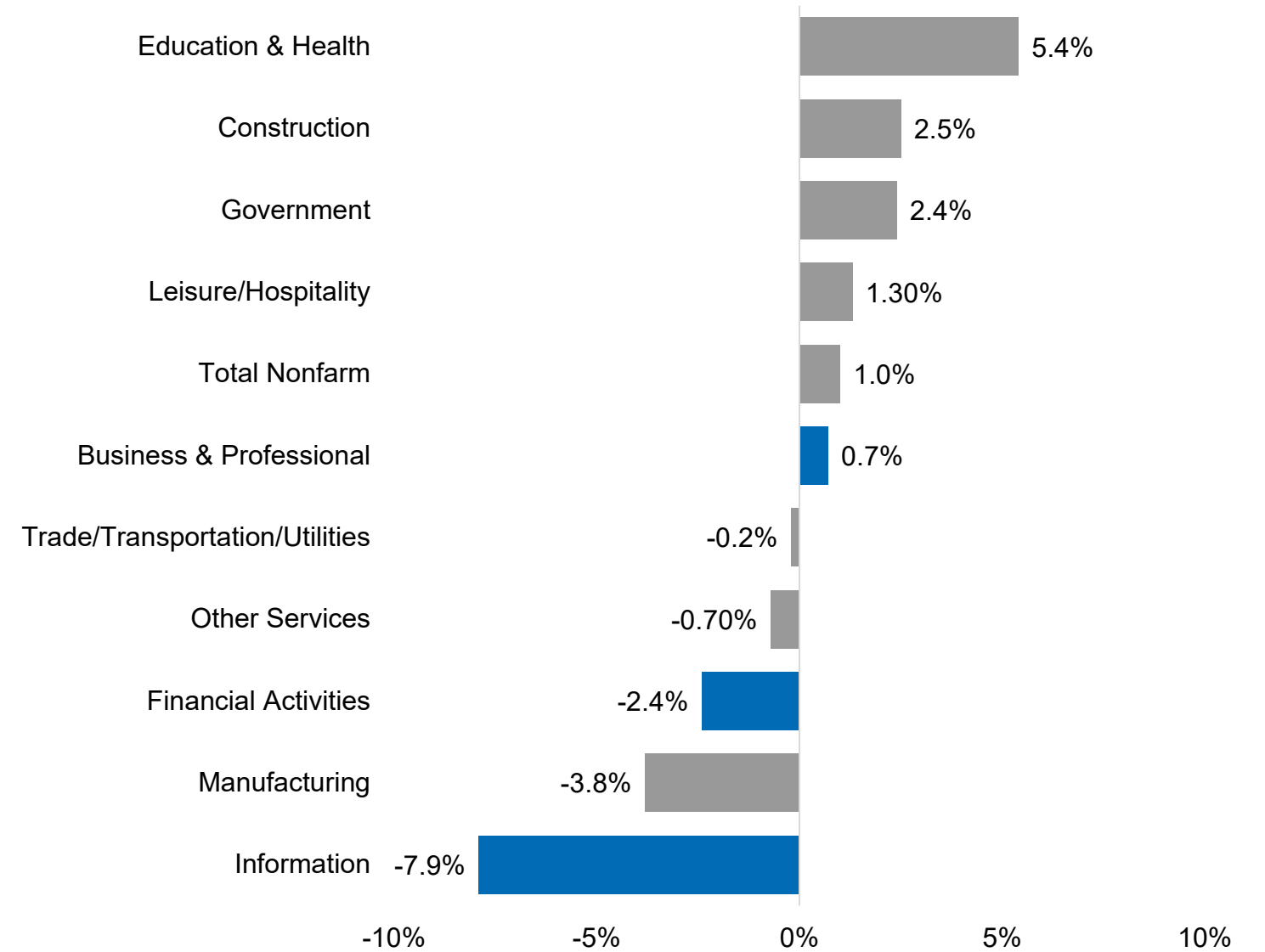
Office-Using Employment Down

Information experienced the largest loss in growth for office using sectors year-over-year, while financial activities also experienced negative growth, and business and professional services increased slightly.

Employment by Industry, August 2024



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

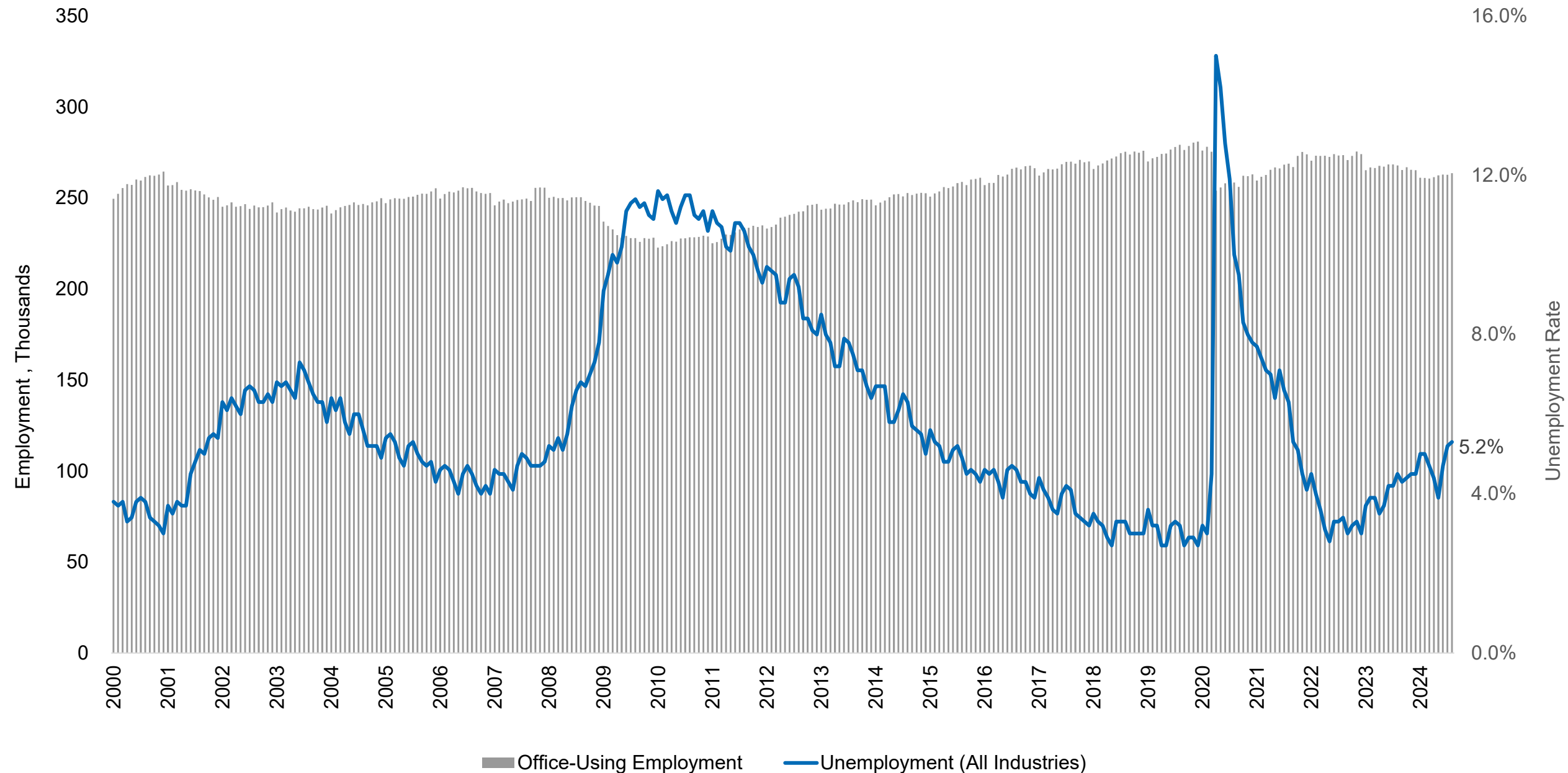


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

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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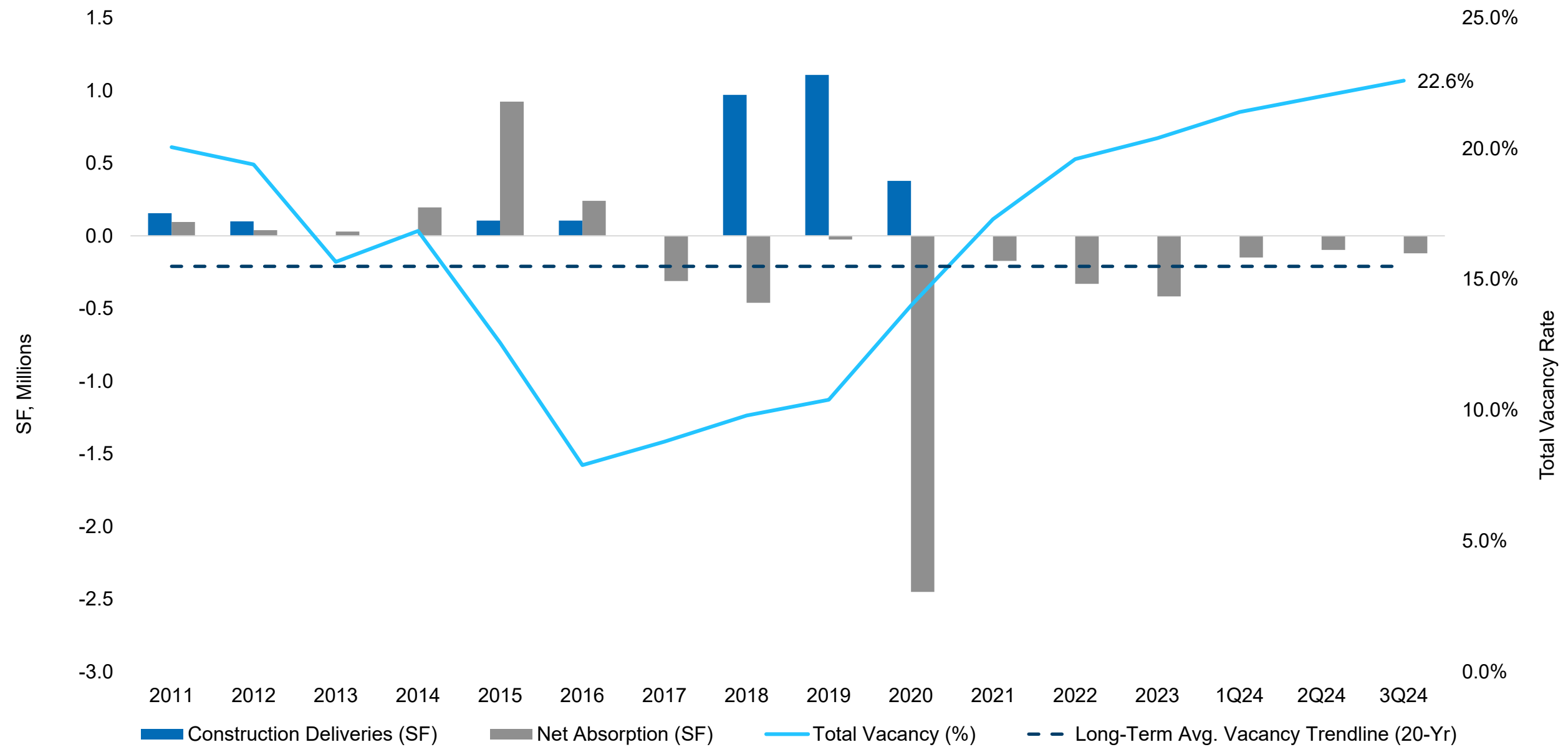
Leasing Market Fundamentals



Vacancy Continues to Rise

Vacancy rates continued to increase to 22.6%, vacancy has increased by 120 basis points since the beginning of 2024 as leasing activity remained slow.

Historical Construction Deliveries, Net Absorption, and Vacancy

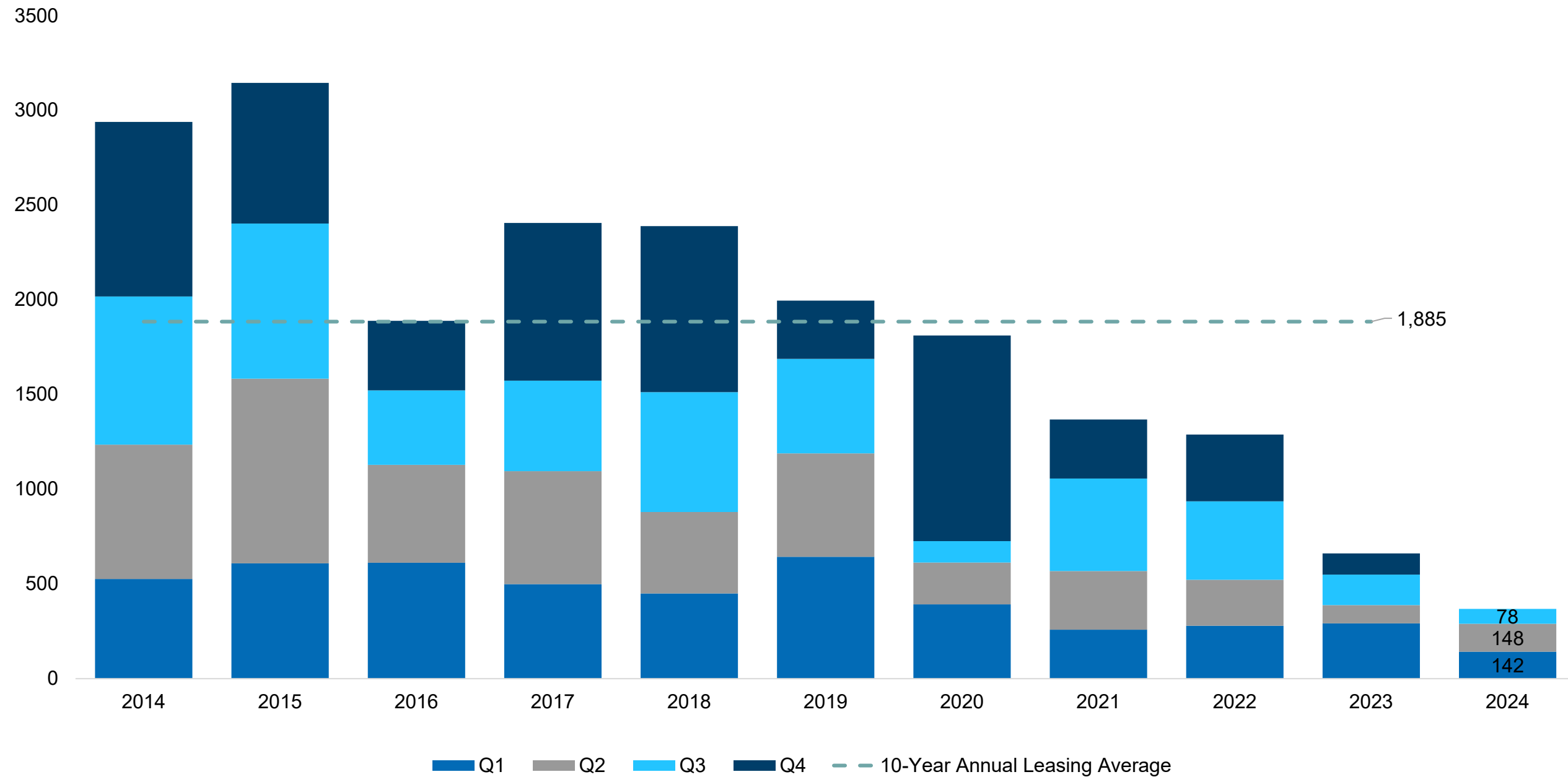


Source: Newmark Research

Leasing Activity Remained Slow

The third quarter of 2024 remained slow with nearly half the amount of square footage leased from last quarter.

Total Leasing Activity (Thousands)



Source: Newmark Research, CoStar



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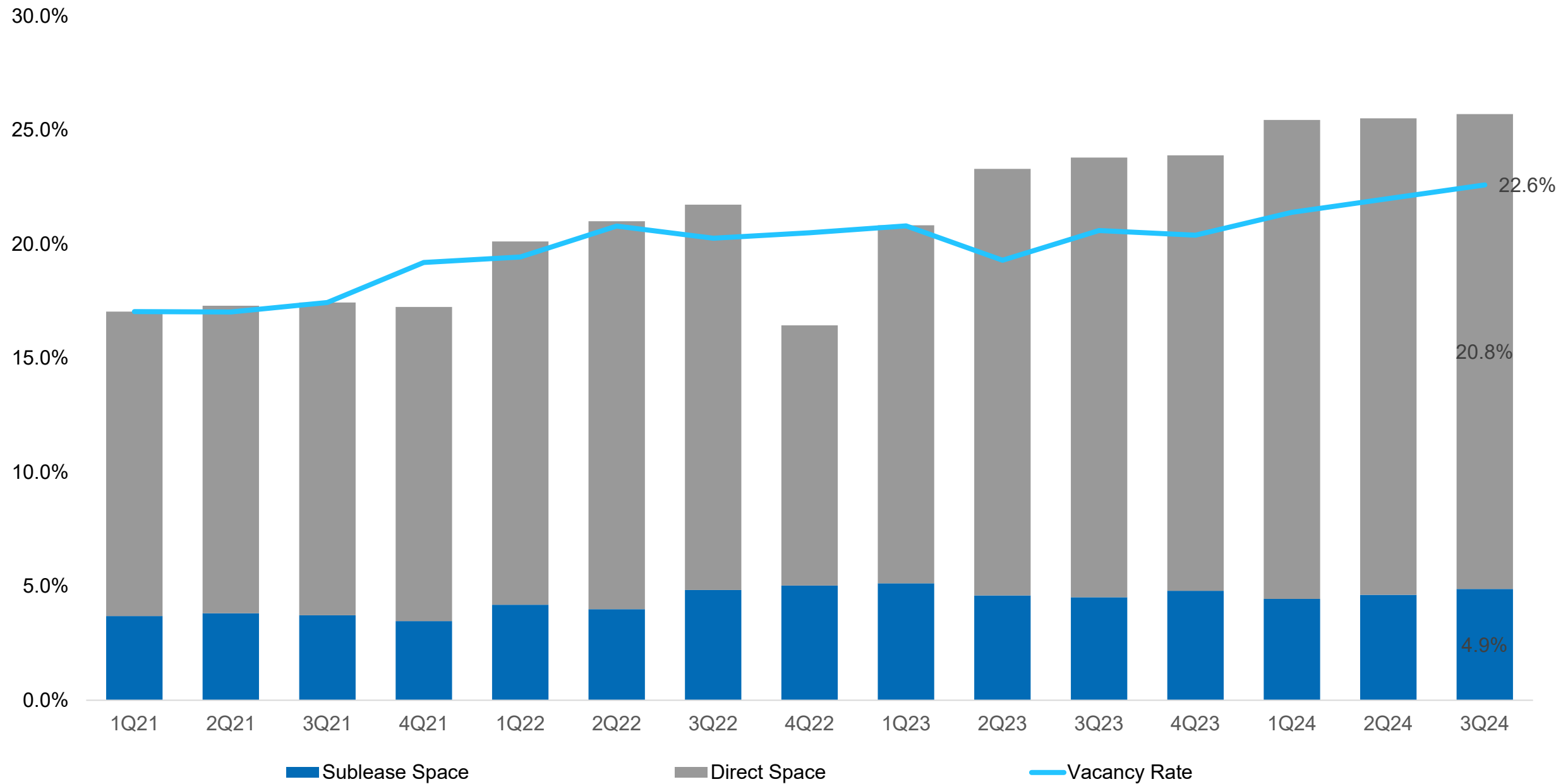


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Availability Continues to Increase in the Market

With more tenants continuing to move out of Oakland, vacancy rose to 22.6%. 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

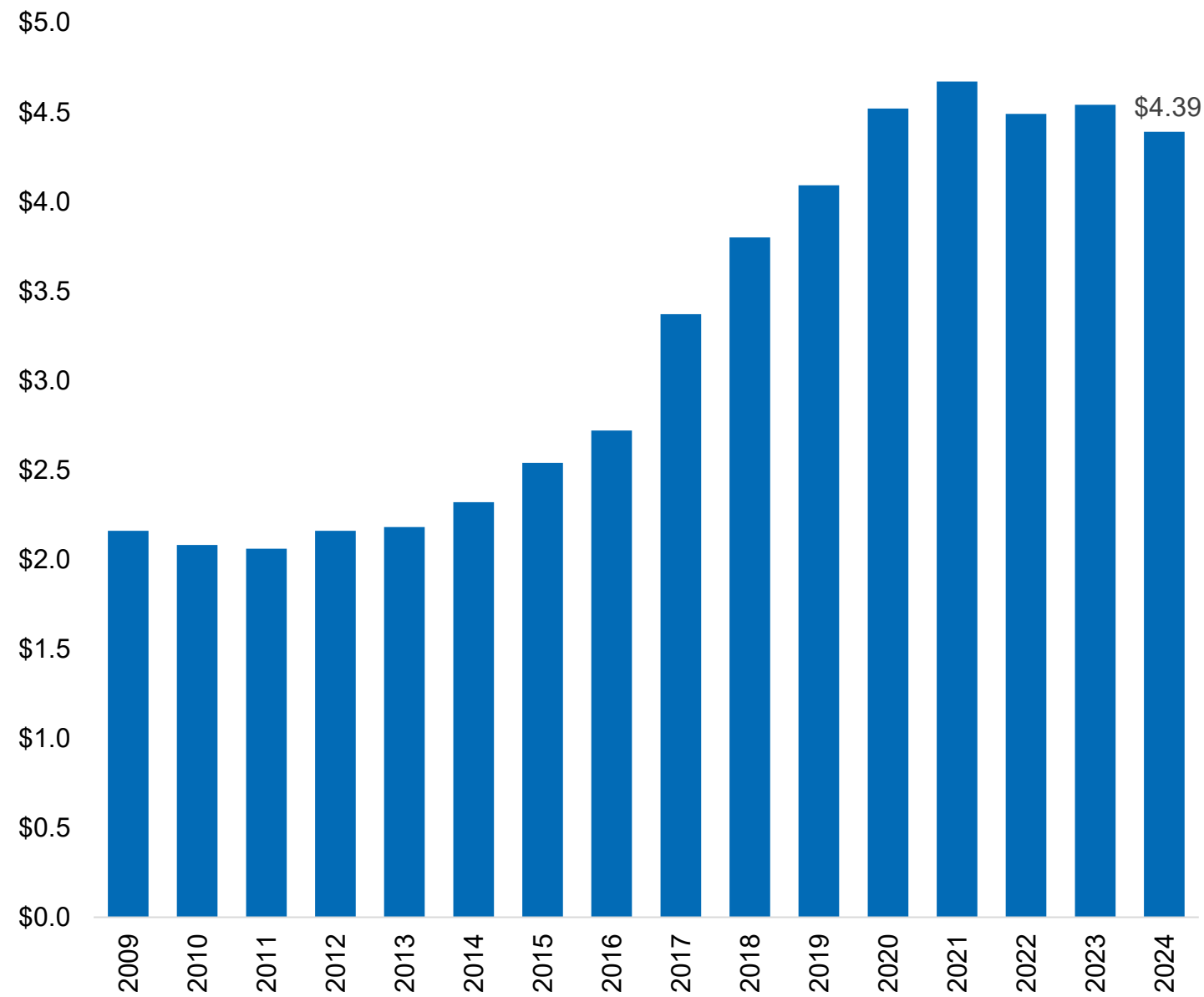


Source: Newmark Research

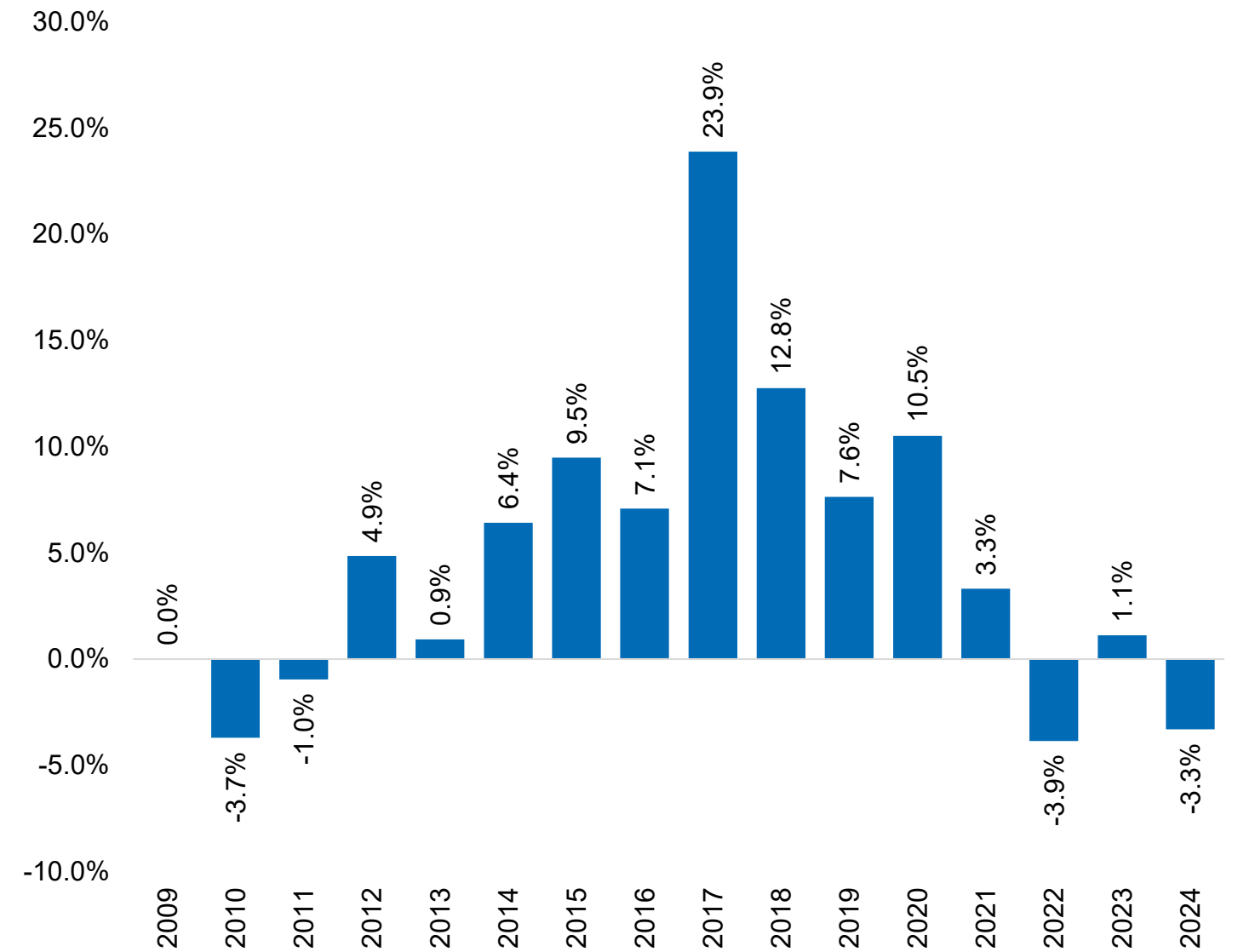
Rents Increase Slightly in the Third Quarter

Rents increased in the third quarter of 2024, primarily driven by an increase in Class A rents. Tenants continue to prioritize convenience and security when looking for new space.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

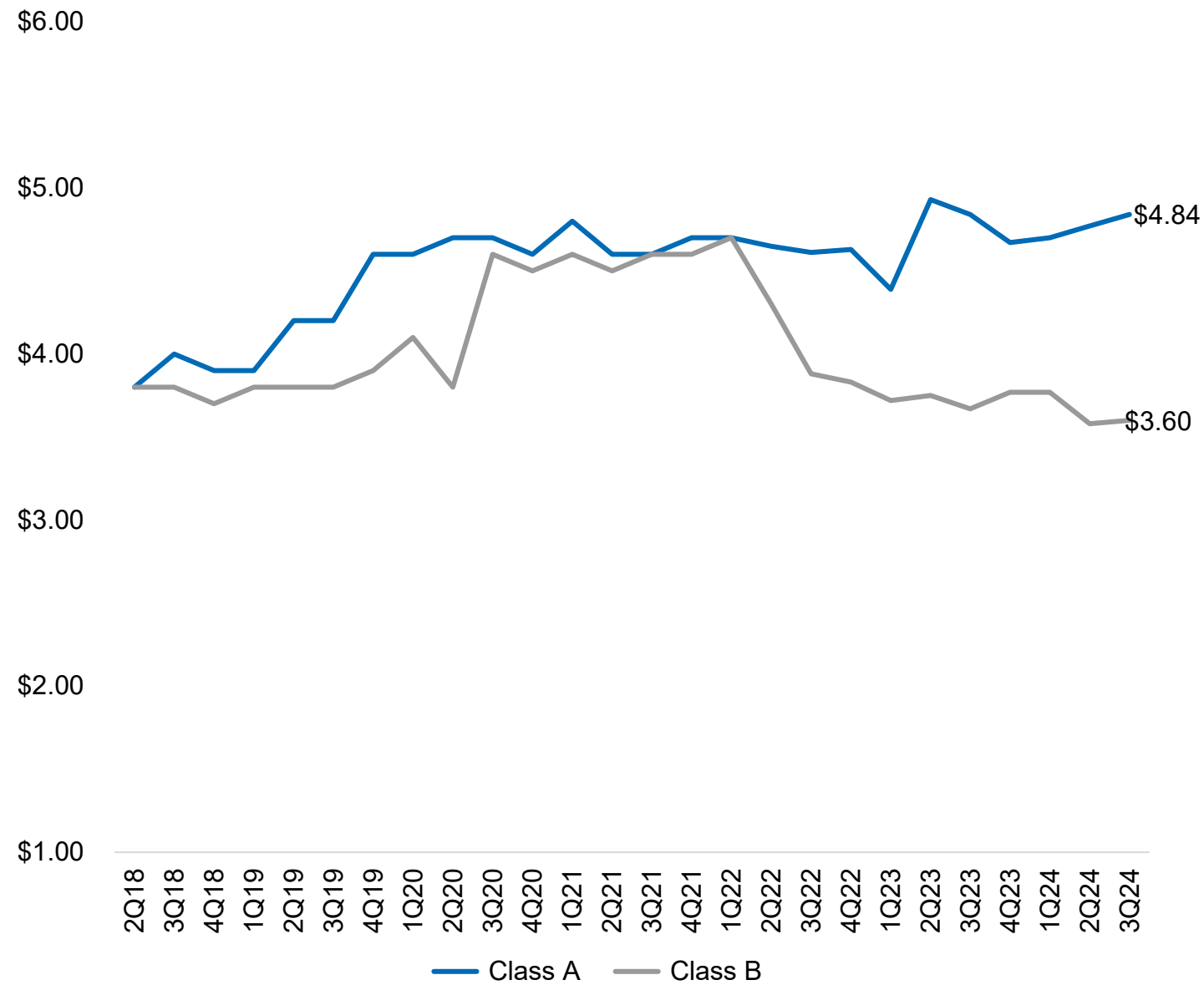


Source: Newmark Research, CoStar

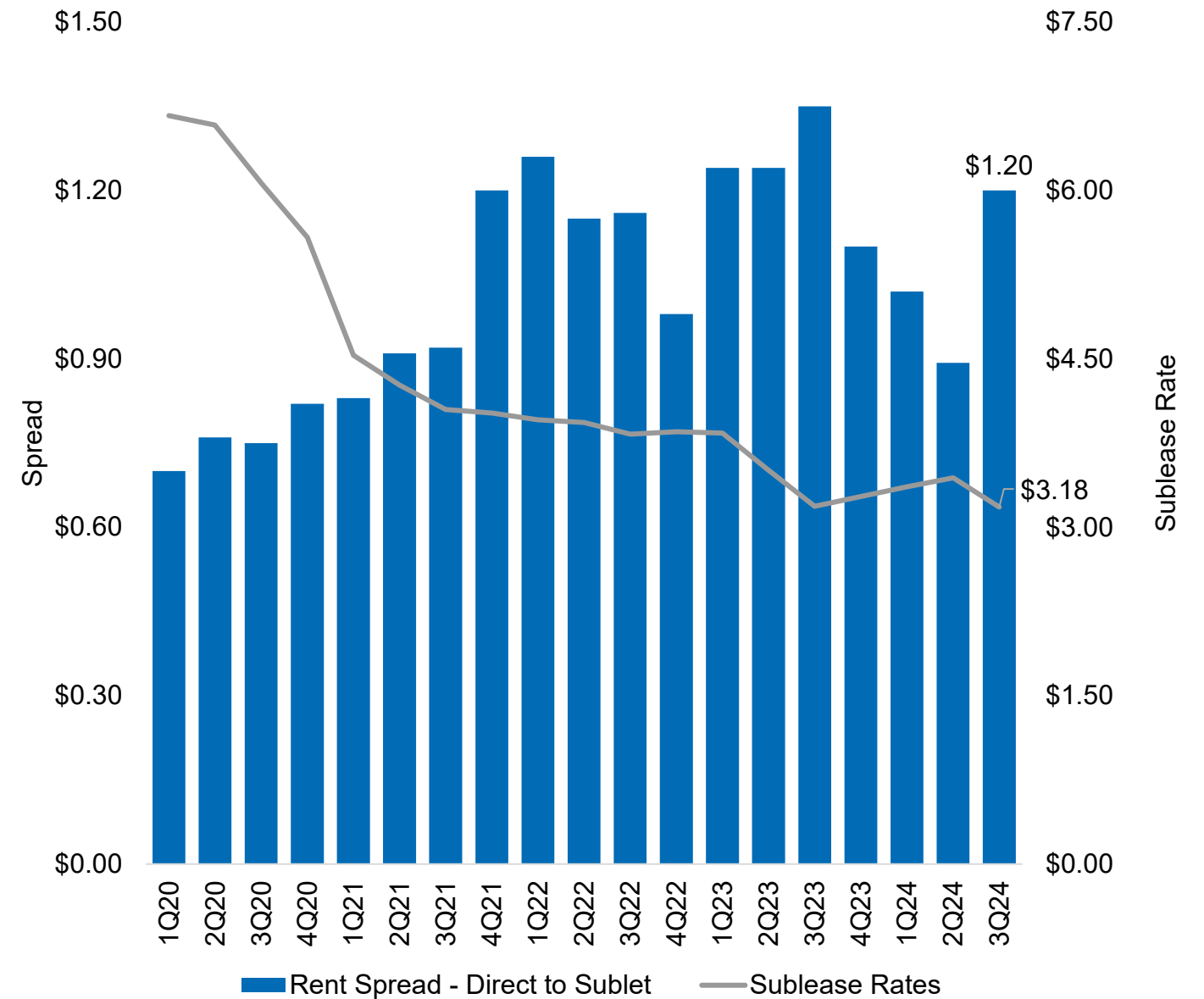
Class A vs. B Rents

More quality Class A space in the Greater Oakland market became available, causing the average rent to increase in the third quarter of 2024. Sublease rents took a notable dip throughout the third quarter causing the gap between direct and sublease rates to expand. The rent spread from direct to sublease increased by \$0.31.

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 third quarter for the most part, with a couple large transactions.

Notable 3Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
ZoNexus	3067 Research Drive	Richmond	Direct Lease	13,841
Rookstock	2001 Broadway	Oakland – Lake Merritt	Renewal	12,206
BioAge Labs	5885 Hollis Street	Emeryville	Direct Lease	10,479
The Norton Law Firm	300 Frank Ogawa Plz	Oakland – City Center	Direct Lease	10,035
Badass Labs	1650 Harbor Bay Parkway	Alameda – Harbor Bay	Lease Expansion	9,246

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Appendix





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