
4Q24

Greater Oakland Office Market Overview



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Market Observations

Economy

- The East Bay’s unemployment decreased by 50 basis points in the fourth quarter, and currently stands at 4.8%. This is 60 basis points higher than the national average.
- Job growth year-over-year was highest in the education and health and government. The information, manufacturing, and financial services sectors showed the largest decreases in employment.

Major Transactions

- Abbott Labs leased the entire 50,523 square foot building at 1620 S Loop Road in Alameda, the largest lease of the fourth quarter.
- Voleon Capital Management subleased 44,178 square feet of space in Berkeley.
- Harmit Mann purchased 333 Hegenberger Road and 303 Hegenberger Road from Ares Management Corp for \$13 million, of \$64.44/SF.
- UC Office of the President purchased 2120 University for \$17.0 million or \$344.65/SF.
- Kaiser is downsizing its HQ at CIM’s Ordway building from 366K SF to 236L SF.
- Blox Ventures bought the note for a condo interest in 7 floors of the office building located at 6001 Shellmound for \$7 million or ~\$65/sf. They are anticipated to foreclose on the note and take ownership of the building.
- A joint venture between the Lakeside Group and Rubicon Point Partners acquired 180 Grand Ave for \$30 million or \$107.61 per square foot in a deed-in-lieu trade after acquiring the debt.

Leasing Market Fundamentals

- Net absorption in the third quarter of 2024 totaled negative 18,899 SF. This is the 10th 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 2024. Life science makes up most of the active construction.
- Vacancy remained steady at 22.5%

Outlook

- We anticipate more distressed properties will go back to their lenders as vacancy rates continue to elevate, rental rates continue to decline, and improvement costs remain high. More distressed assets will come to market for sale in 2025 providing insight into the current value of office buildings in the area.
- 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 the second-generation improvements are utilized.

1. Economy
2. Leasing Market Fundamentals
3. Appendix

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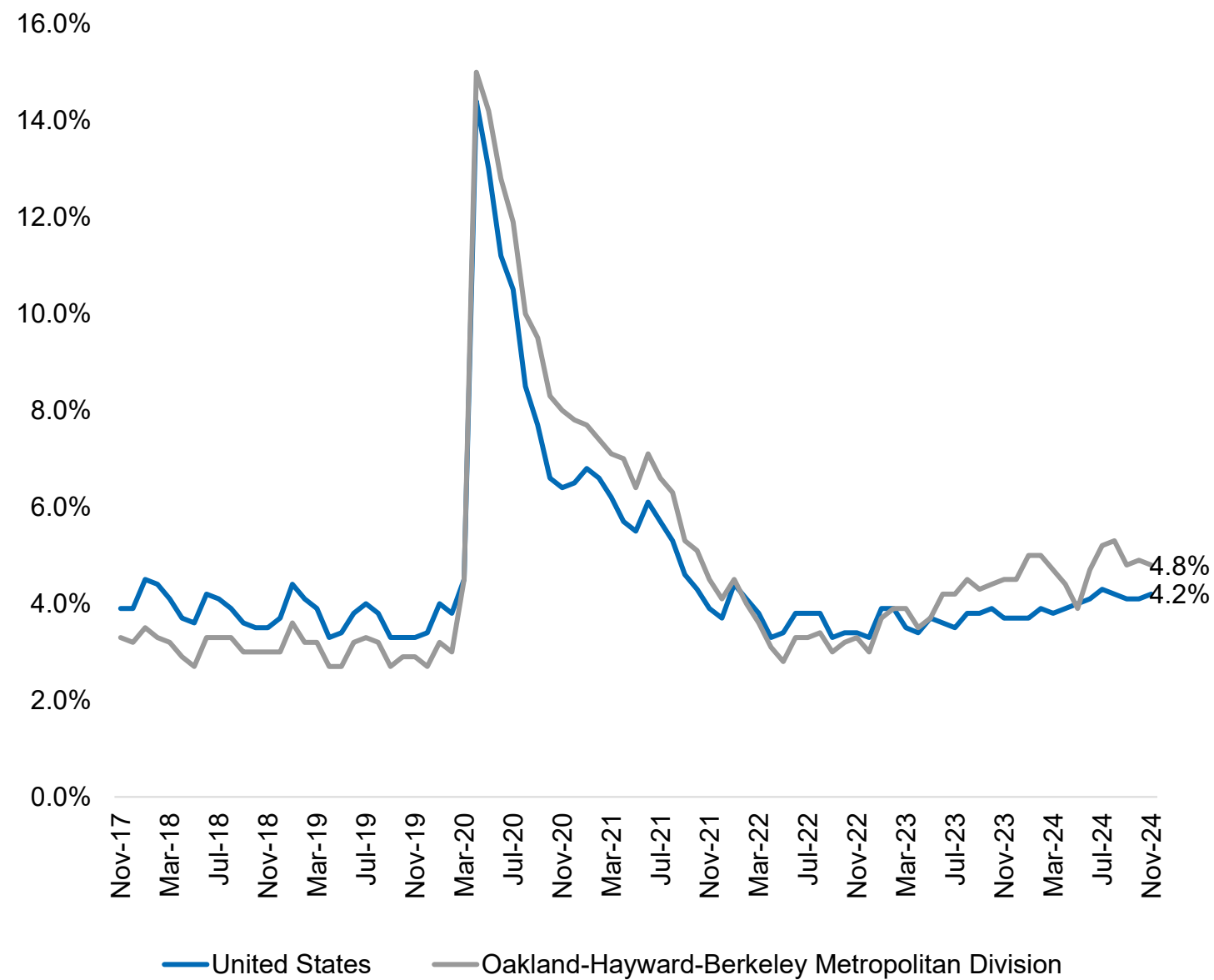
Economy



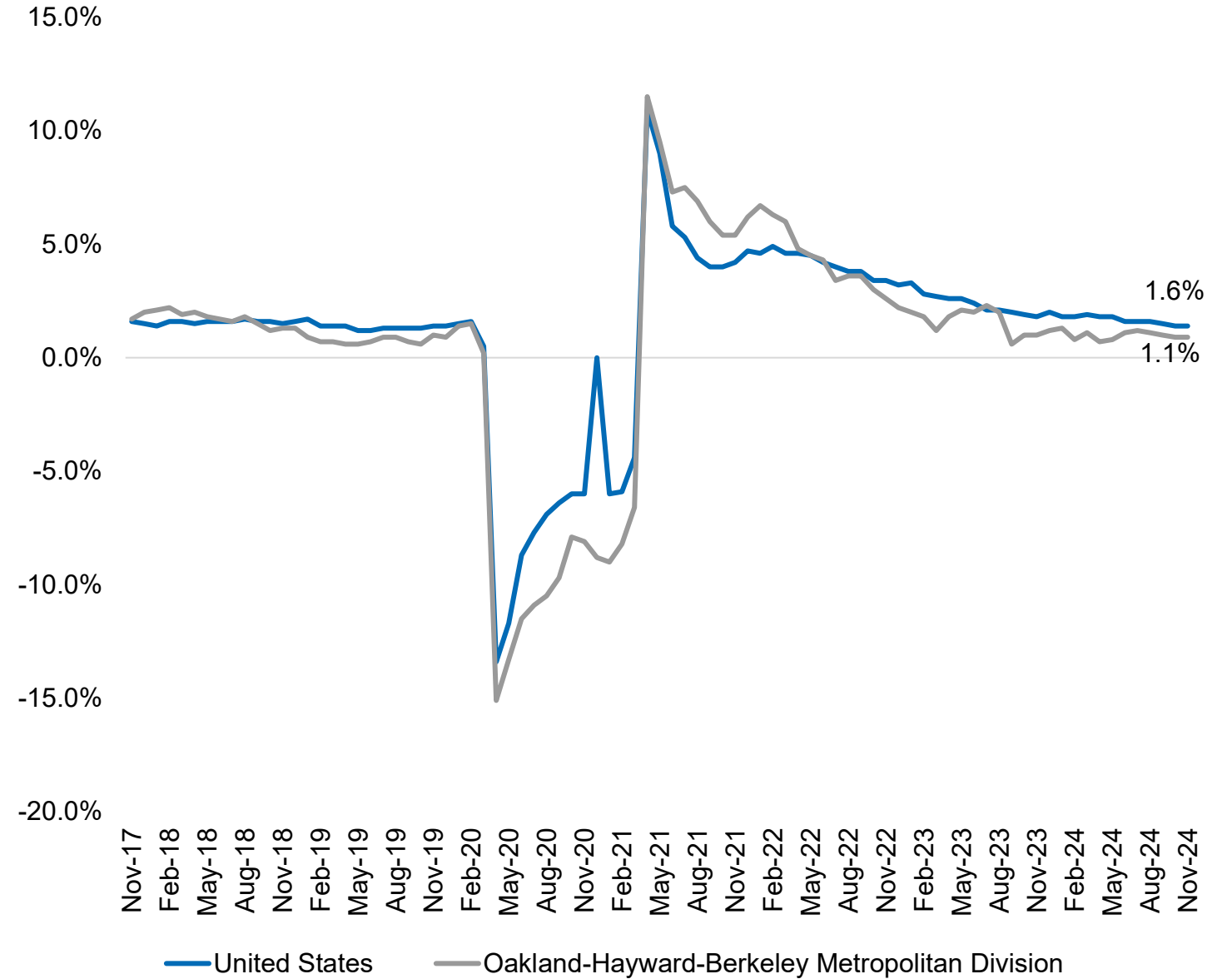
Metro Employment Trends Signal a Slight Comeback

The current unemployment rate for the East Bay Area is now 20 basis points higher than it was at the beginning of 2024, and at 4.8% is 60 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

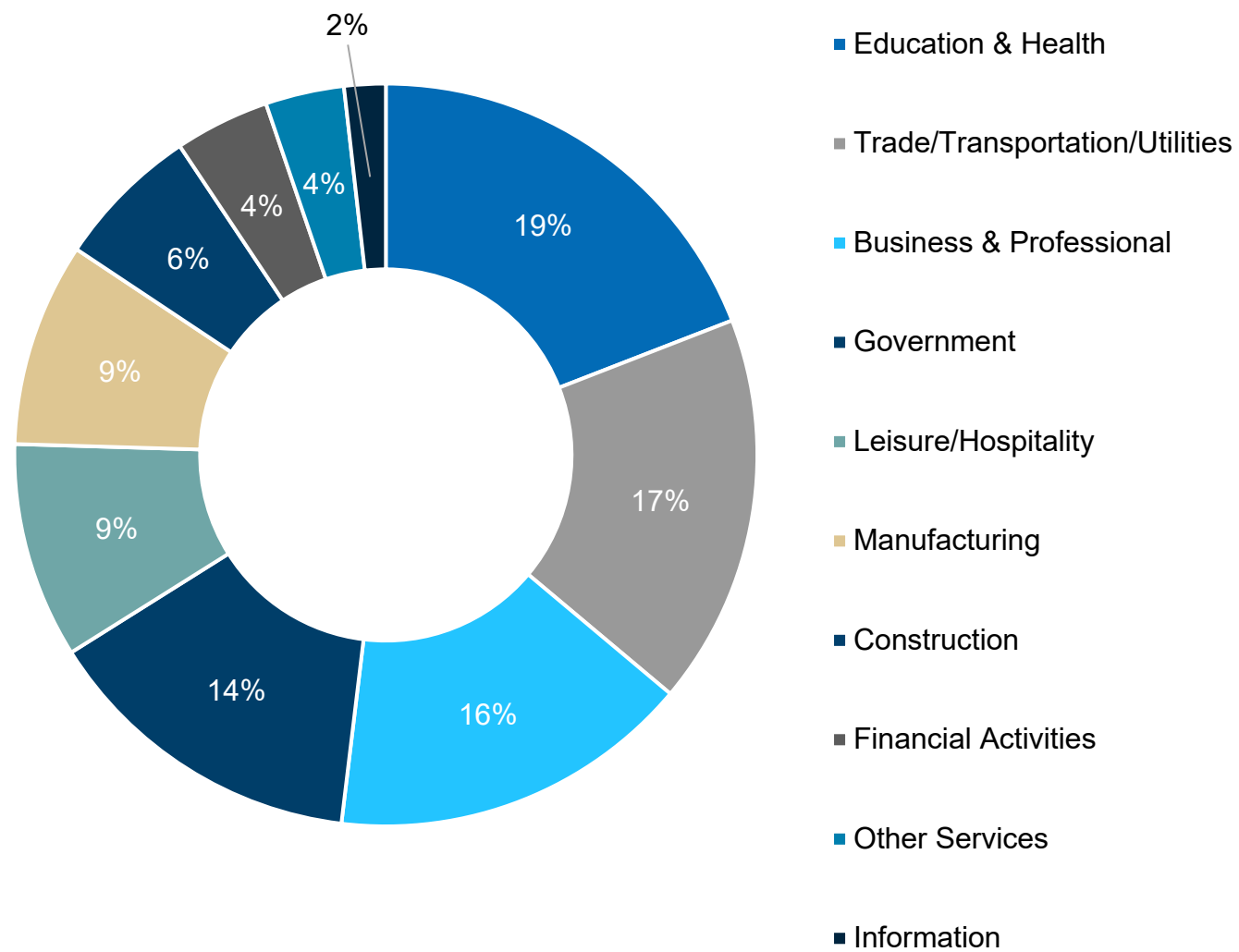


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

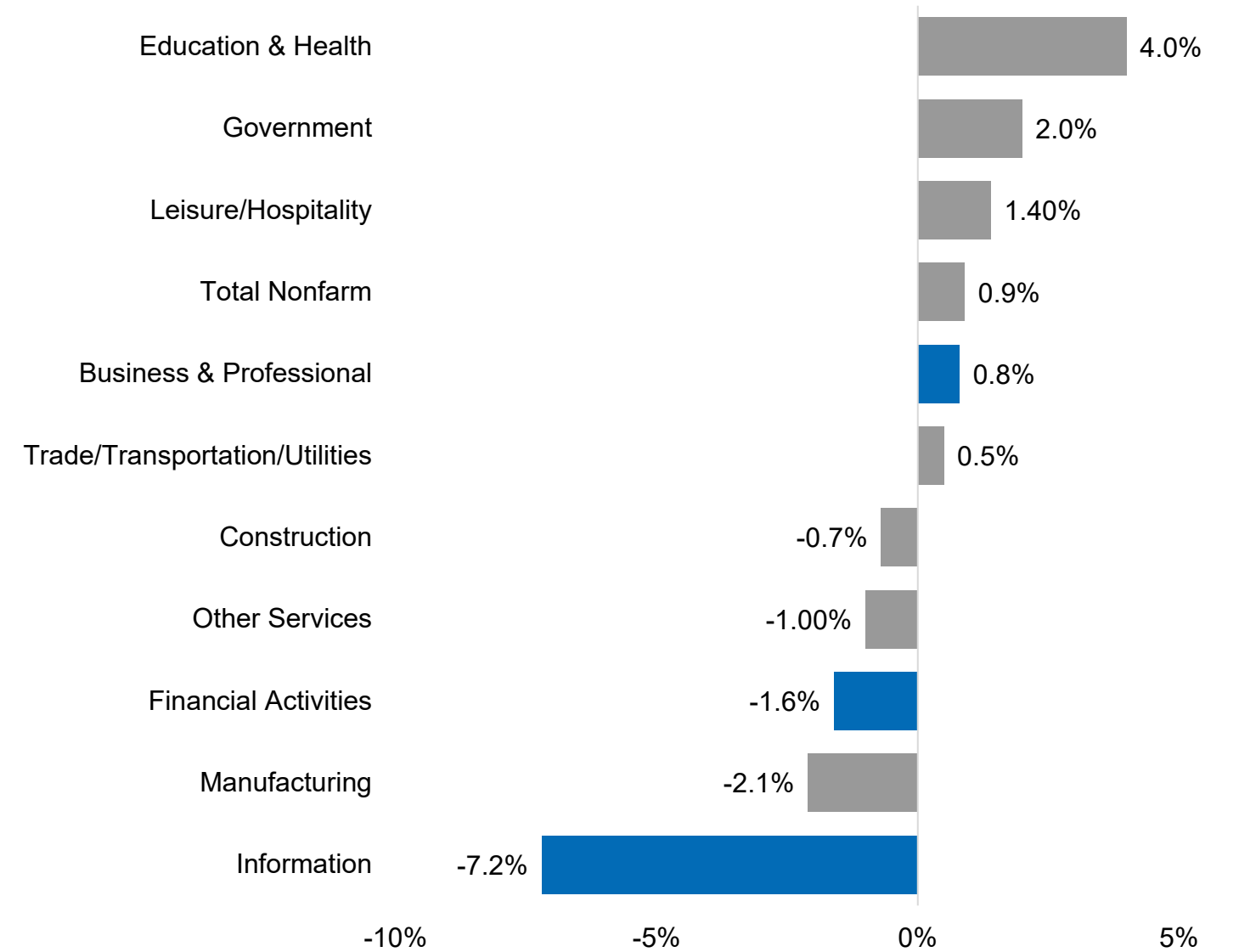
Office-Using Employment Down

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, November 2024



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

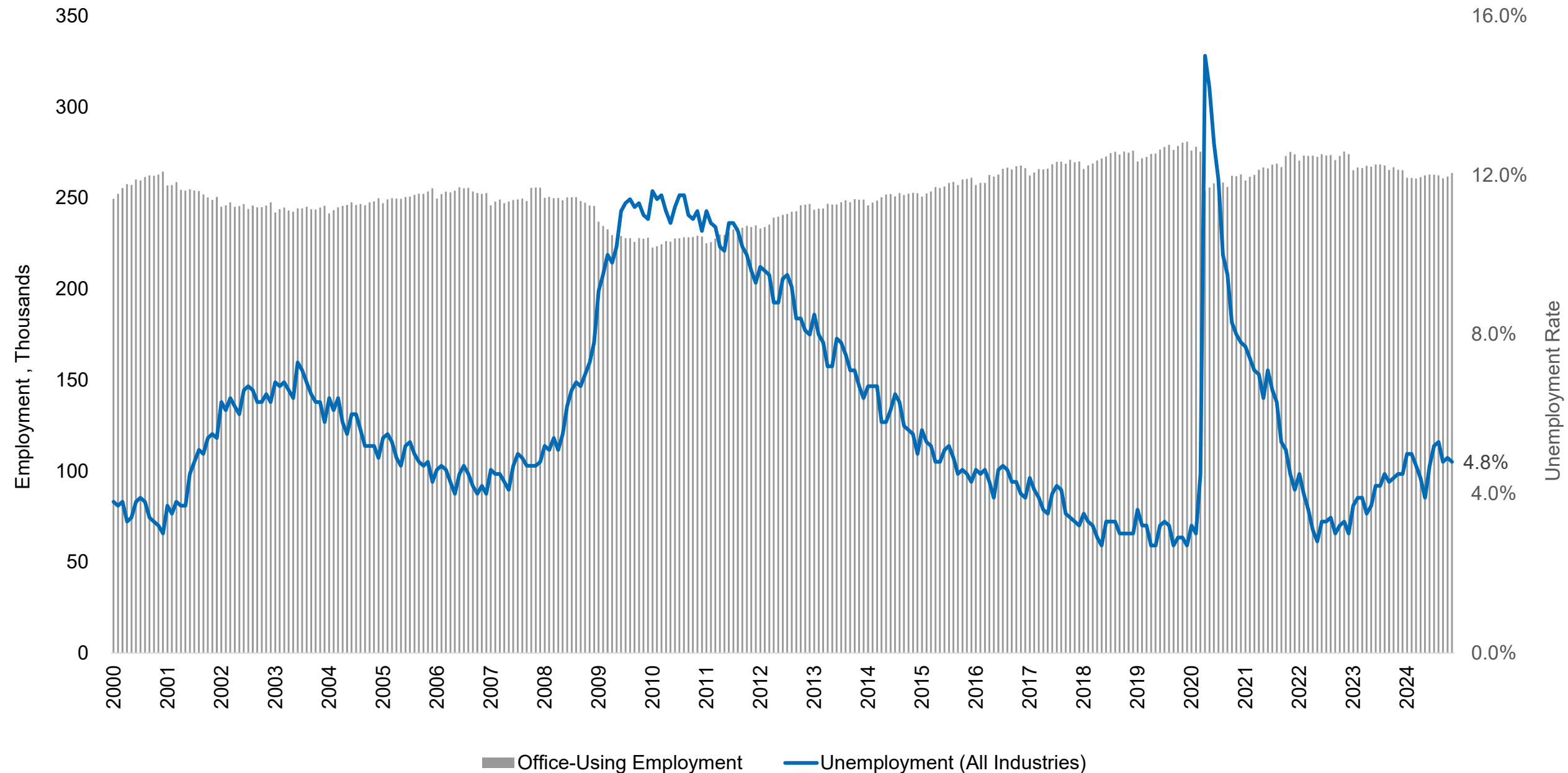


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

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 15 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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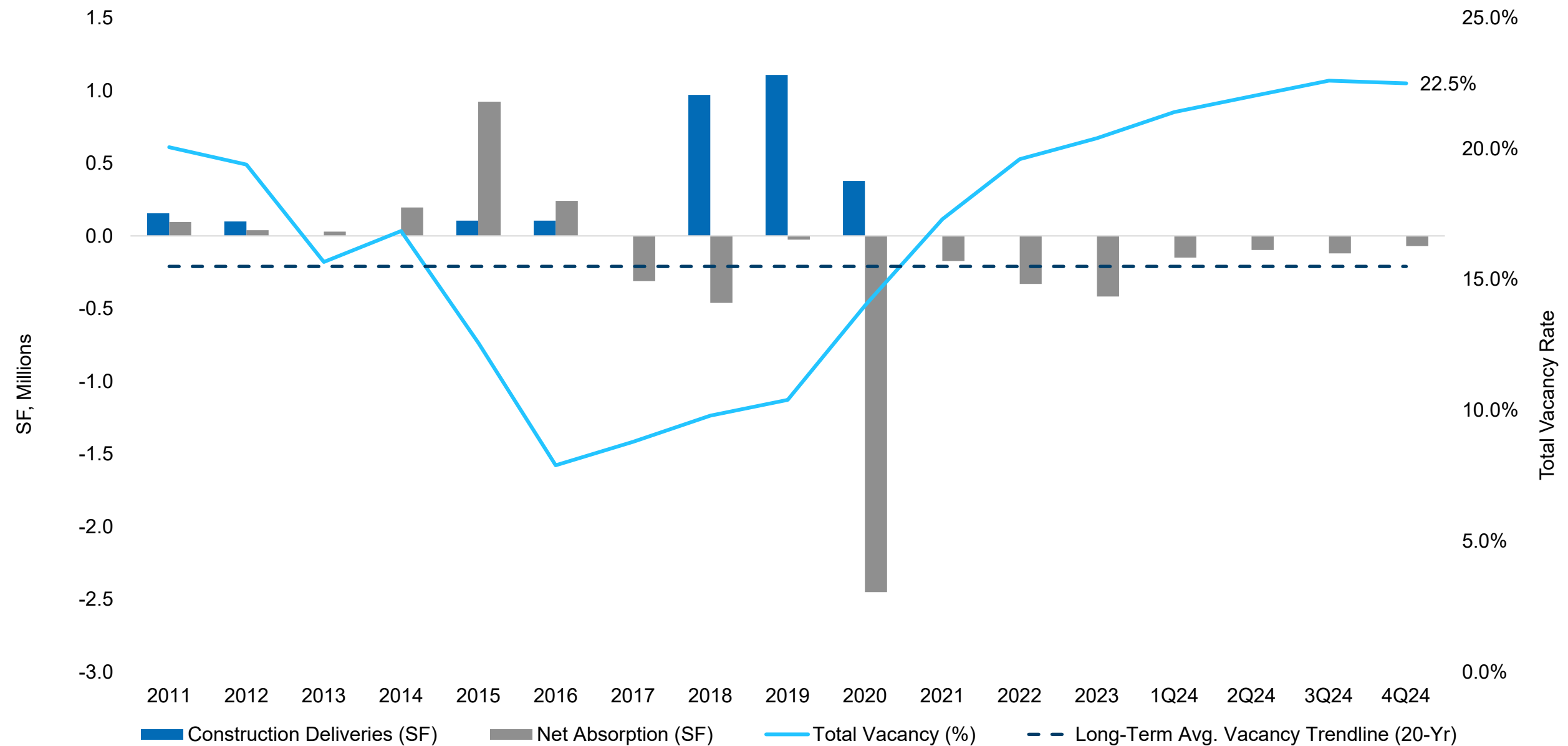
Leasing Market Fundamentals



Vacancy Continues to Rise

Vacancy rates remained steady at 22.5%. Vacancy has increased by 110 basis points since the beginning of 2024 and has been impacted by slow leasing activity.

Historical Construction Deliveries, Net Absorption, and Vacancy

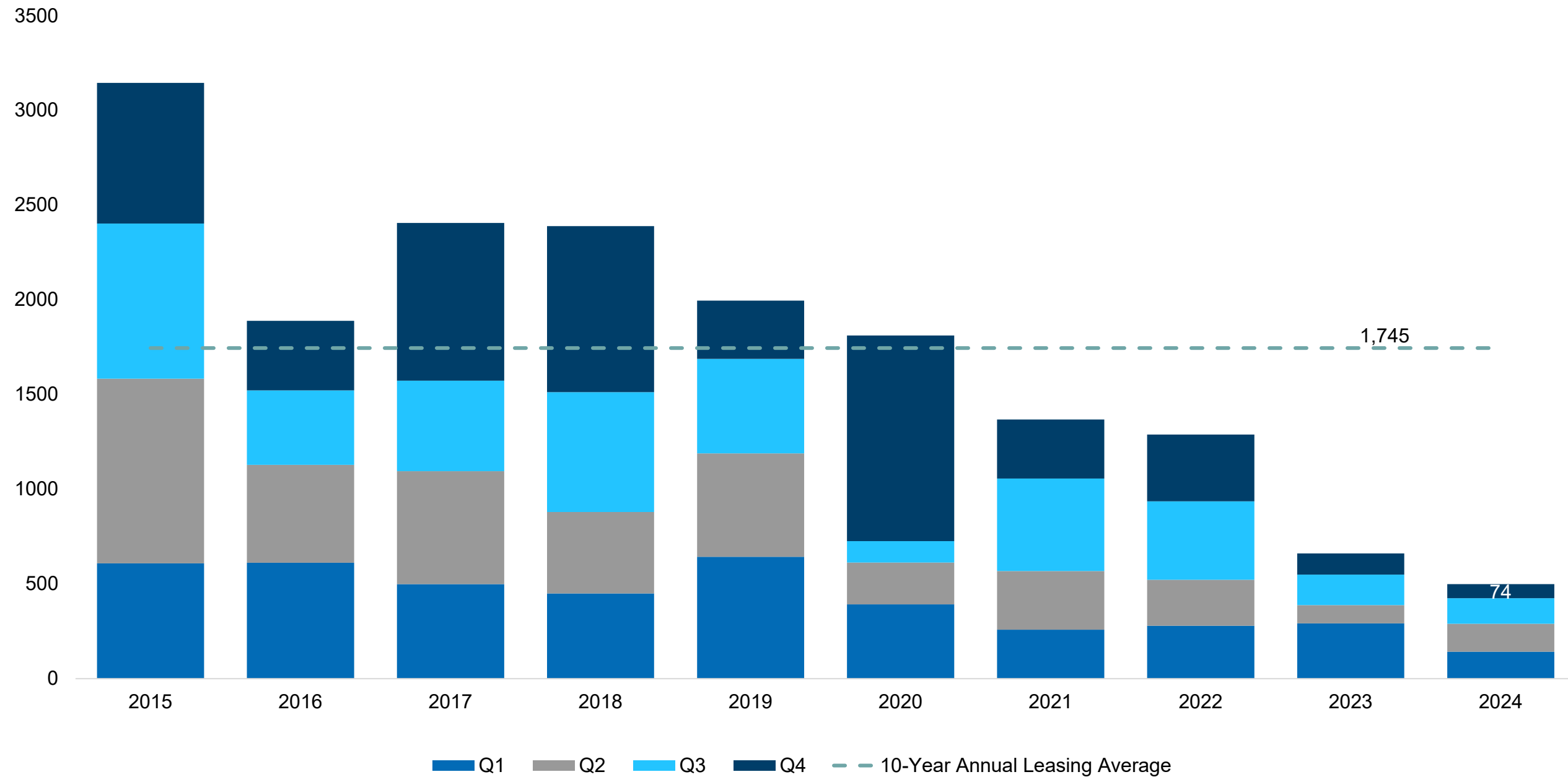


Source: Newmark Research, CoStar

Leasing Activity Remained Slow

The fourth quarter of 2024 was one of the slowest leasing quarters on record, at 500K SF. Overall leasing for the year was just 29% of the average annual leasing over the ten years.

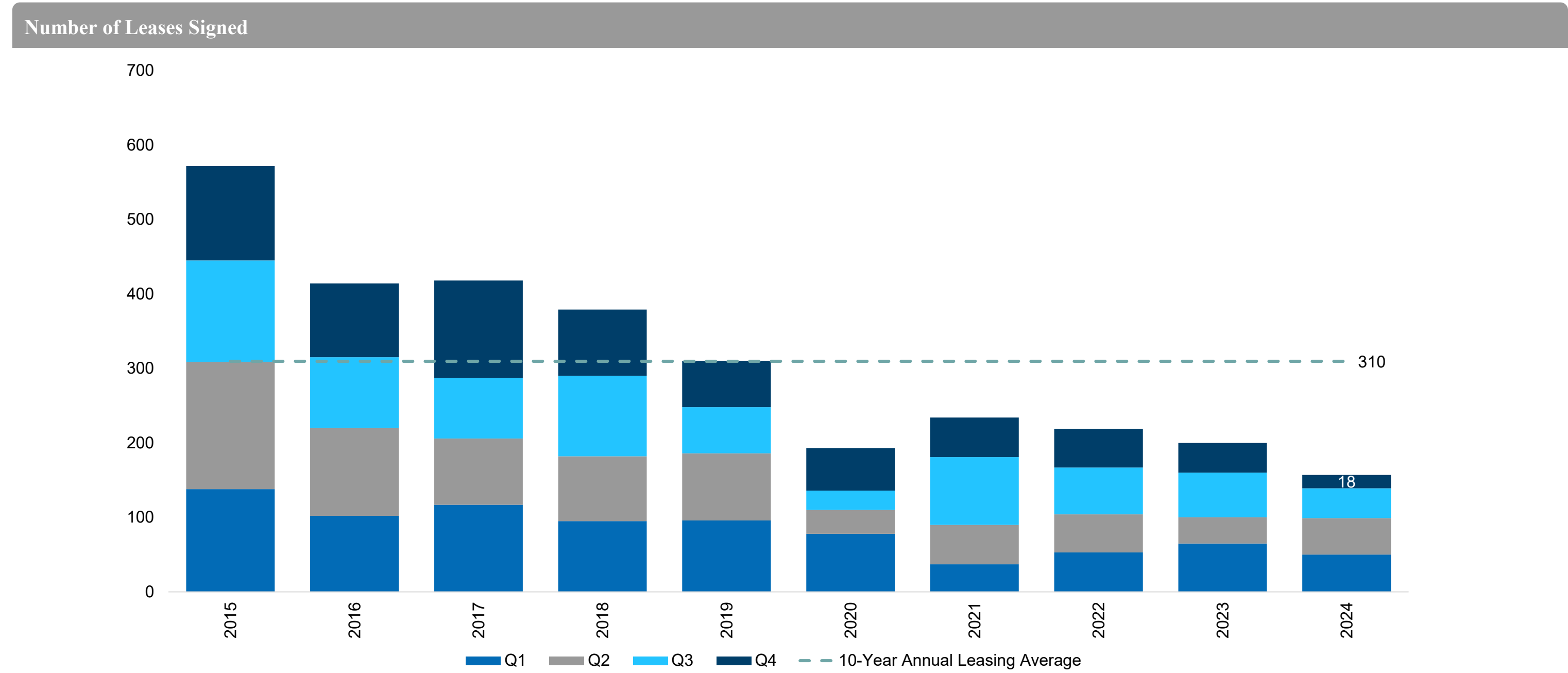
Total Leasing Activity (Thousands)



Source: Newmark Research, CoStar

Leases Are Smaller, and Fewer Are Being Signed

Overall leasing slowed down even further in the fourth quarter, with record few leases signed. The overall number of leases signed in 2024 was about half the ten-year annual average. In addition to fewer leases being signed, the average size of the leases have been shrinking as well. The average lease size over the last 10 years is about 5,600 square feet, while the average lease size in 2024 was just under 3,200 square feet.



Source: Newmark Research, CoStar

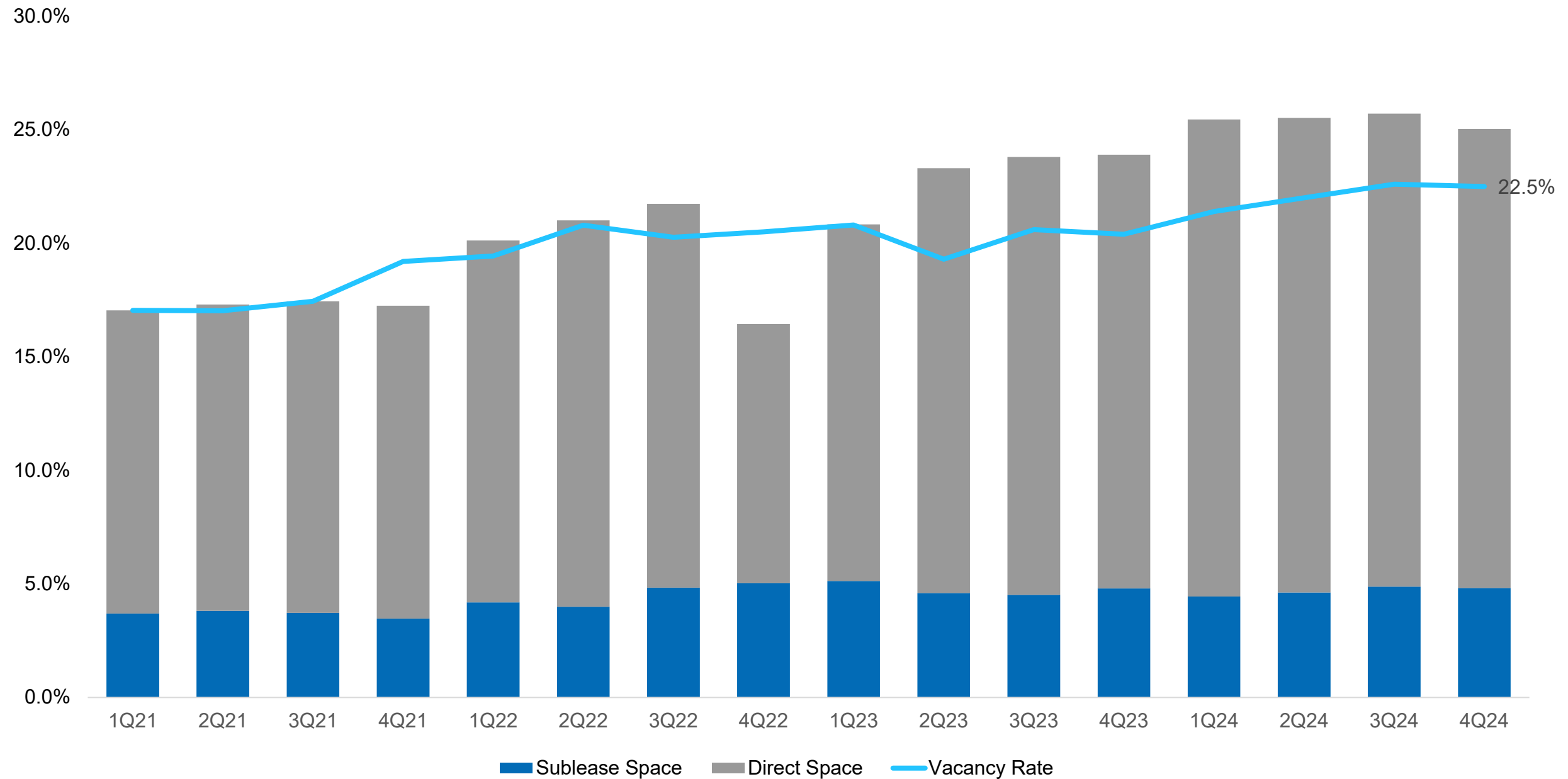


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Availability Continues to Increase in the Market

With more tenants continuing to move out of Oakland, vacancy is expected to continue to increase. While most tenants in the Greater Oakland market are looking for space that is 10,000 square-feet or smaller, the average lease size over the last ten years was about 5,600 square feet.

Available Space as a Percent of Overall Market

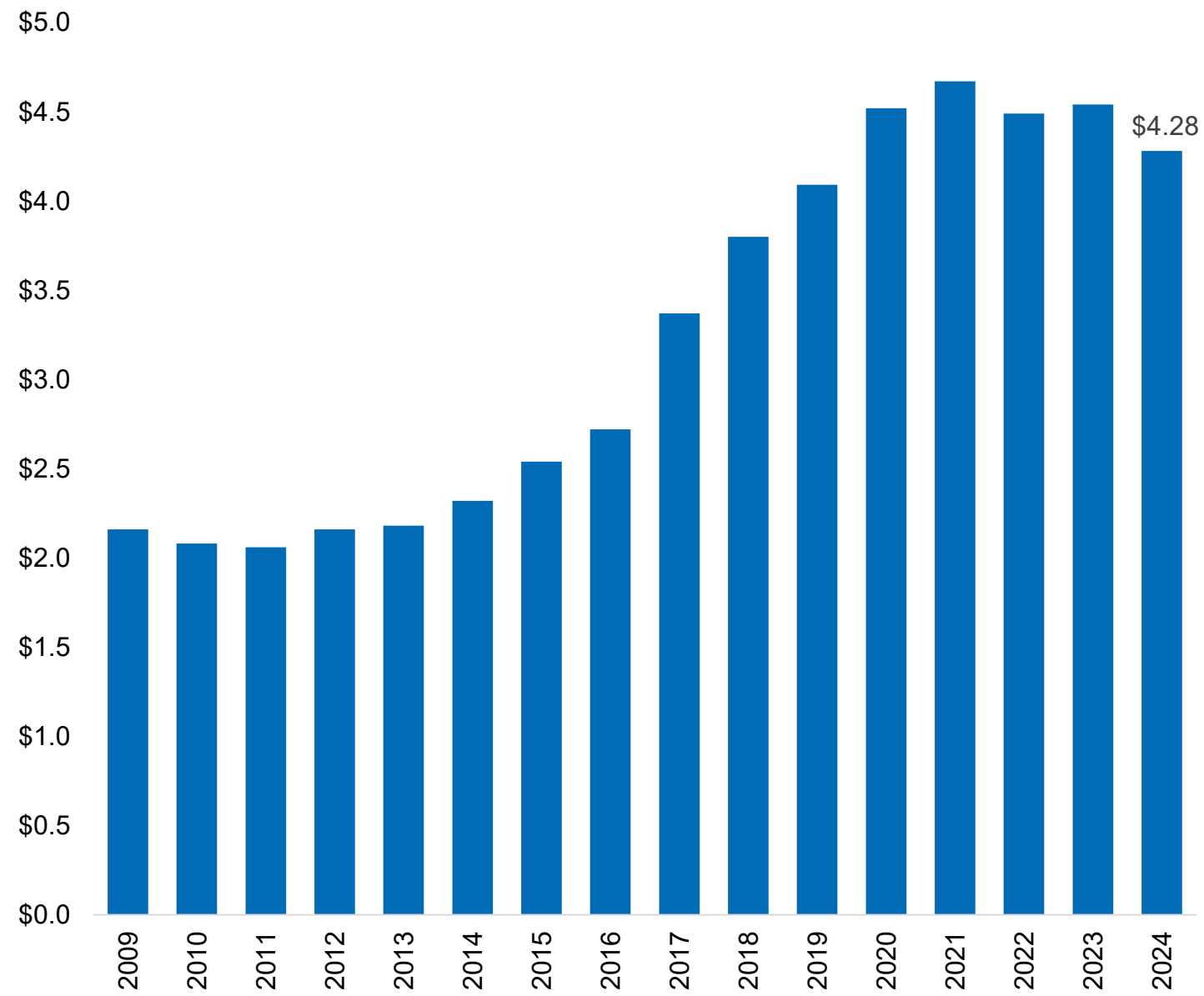


Source: Newmark Research, CoStar

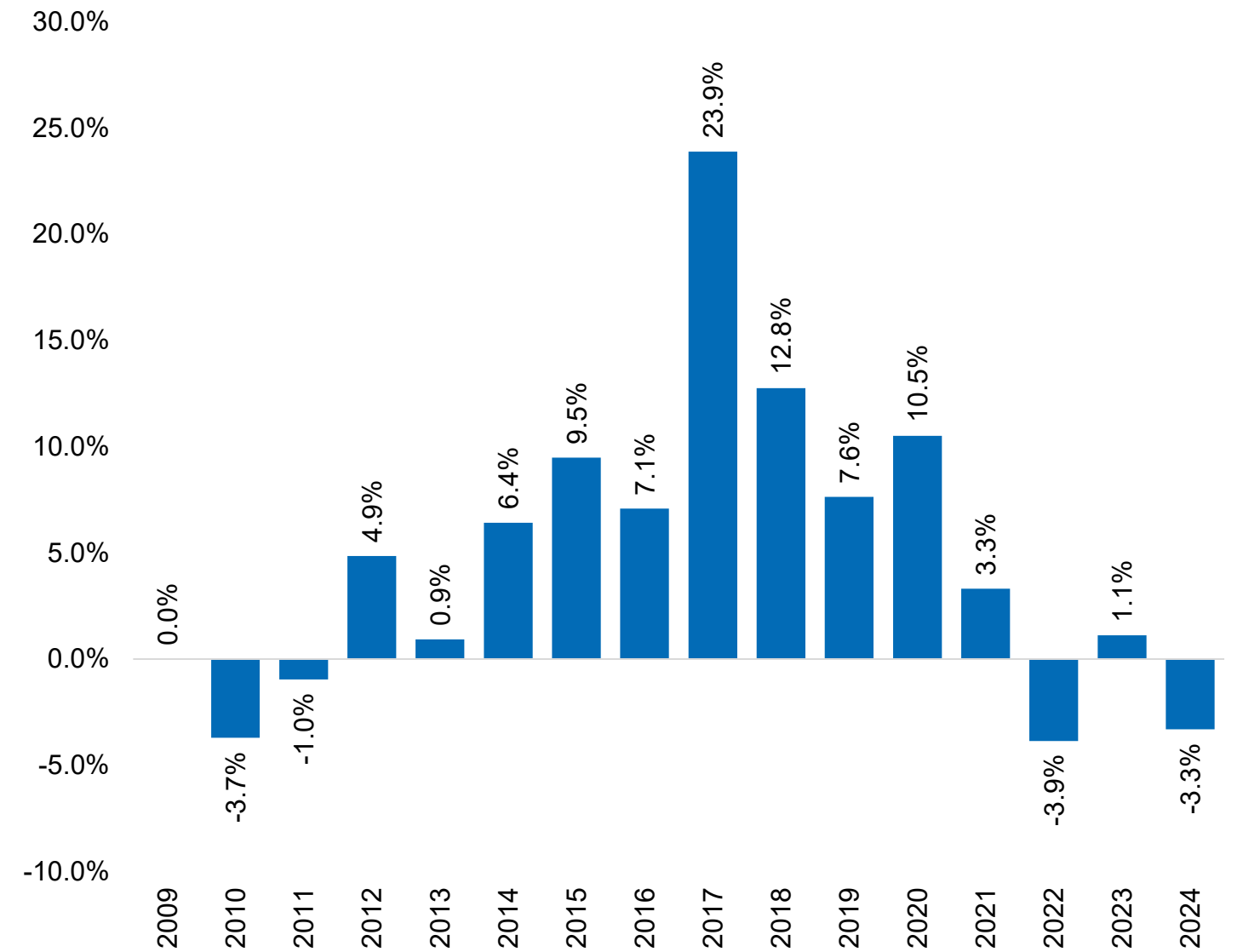
Rents Increase Slightly in the Third Quarter

Rents decreased significantly in the final quarter of 2024, signifying tenants leaving, buildings returning to lenders, and landlords decreasing rents. Tenants continue to prioritize convenience, amenities and security when looking for new space.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

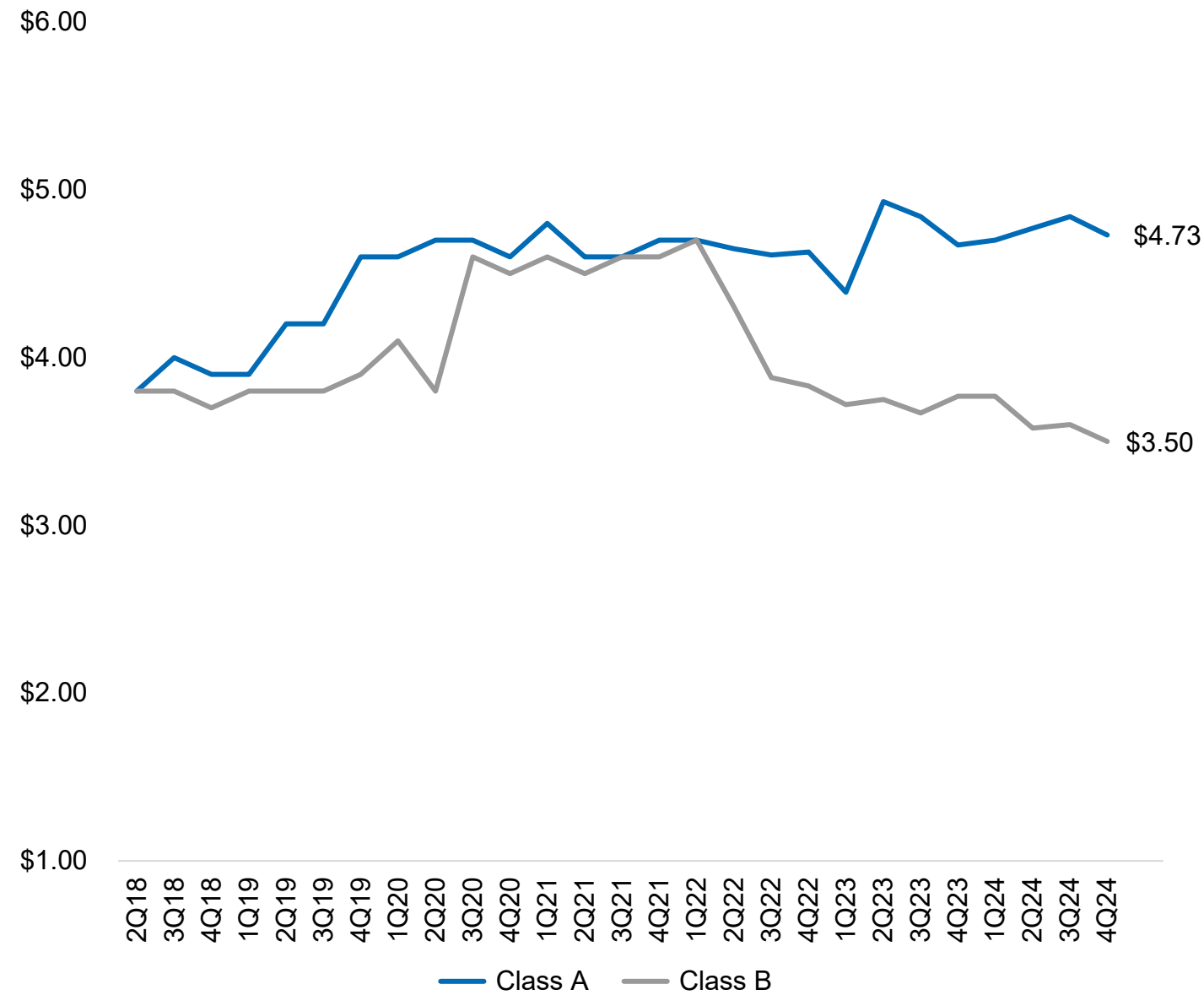


Source: Newmark Research, CoStar

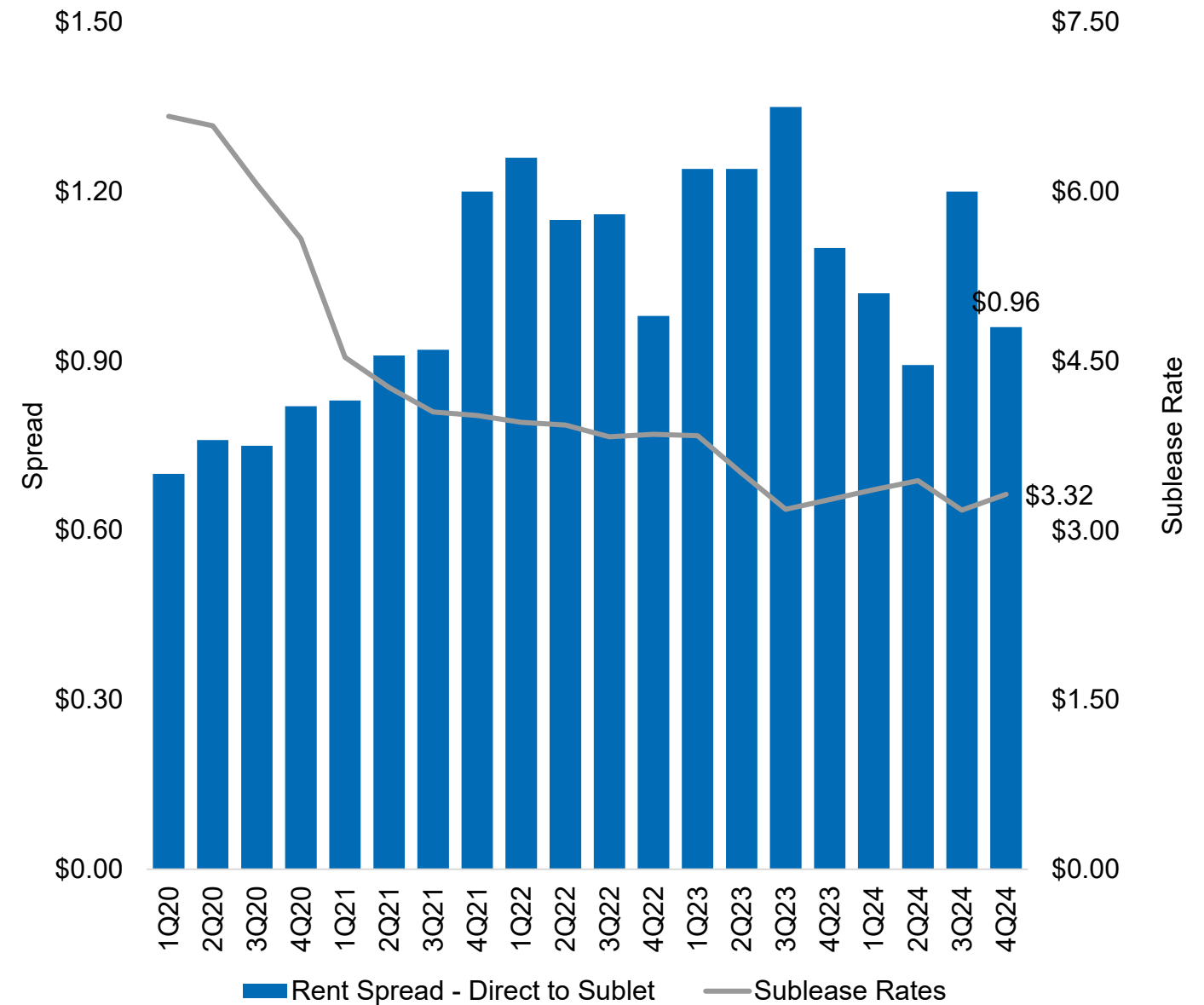
Class A vs. B Rents

Rents decreased for both classes in the fourth quarter of 2024. Spaces surrounded by amenities and public transit access have retained some demand. The rent spread from direct to sublease decreased by \$0.24.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Leasing Activity

There were four office lease transactions over 10,000 square feet in the Greater Oakland office market for the fourth quarter of 2024.

Notable 4Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Abbott Labs	1620 S Loop Road	Alameda – Harbor Bay	Direct	50,523
Voleon Capital Management	1919 Shattuck Avenue	Berkeley - Downtown	Sublease	44,178
Aralez Bio	2929 Seventh Street	Berkeley - West	Direct	17,000
Behavior Treatments Analysis Inc.	3055-3075 Research Drive	Richmond	Direct	13,445
National Union of Healthcare Workers	1250 45 th Street	Emeryville	Renewal	12,405
McCracken Stemerman & Holsberry LLC	475 14 th Street	Oakland – City Center	Renewal	7,875
A Better Way LLC	426 17 th Street	Oakland – Lake Merritt	Direct	6,997

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Appendix





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