

East Bay / Oakland

Quick Stats

14.2%
Class A Vacancy

12.2%
Class B Vacancy

\$4.87 fs
Class A
Average Asking Rate

\$3.86 fs
Class B
Average Asking Rate

The spread of COVID-19 and the containment policies throughout California and the U.S. continue to change rapidly. While information in this report is current as of the date written, the views expressed herein are subject to change and may not reflect the latest opinion of Avison Young. We are committed to you, our clients, and remain available for discussions and advice as your partners and to offer our latest insights.

Leasing and investment activity falls as tenants and investors transact only out of necessity.

- As of August, the unemployment rate for Alameda county was 9.8%. This reflects a significant decrease from the peak of 13.7% in May but continues to stay well above the 3% in February.
- The East Bay/Oakland overall office vacancy reflected a significant increase as COVID-19 continues to disrupt economic activity. The current overall vacancy of 12.5% represents a 178 basis point increase from the previous quarter. Sublease space on the market now makes up 19.7% of the total available square footage throughout this market.
- Since the beginning of the pandemic, sublease space has been in ample supply. In this market, sublease availability increased roughly 45% since mid-March. Technology, business service, and non-profit companies combined to contribute over 57% of the new sublease growth. There is concern about how this sublease space will be absorbed due to the continued remote work policies.
- Construction started on the campus expansion for Exelixis, a cancer biotech company, in Alameda. The 220,710-sf building could house up to 900 employees while they currently occupy a large portion of the Waterfront at Harbor Bay, a six-building campus, located next door.
- Investment activity remains elusive due to the slowing economy. The sale of 300 Lakeside, to TMG Partners, is progressing albeit at a slow pace. Late in the quarter, the University of California Regents placed 1111 Broadway on the market for sale. The Regents have owned the property since November 2014 and a new sale would represent the third time in the last seven years the asset has traded hands.
- The largest lease of the quarter was Perfect Day, a dairy food company, subleasing 112,008 sf from Aduro Biotech at 740 Heinz Avenue in Berkeley. They will occupy 60,000 sf by year end, an additional 37,000 sf in 2021, and the remainder of the building in 2022.

Trends to Watch

Subleases



Large subleases in San Ramon, Dublin, and Pleasanton could entice San Francisco tenants, and inner East Bay tenants, to bypass the Oakland market entirely for traditional suburban options with cheaper rent.

Construction



Upon completion of 1100 Broadway in Civic Center by year end, the campus expansion for Exelixis in Alameda will be the only significant office project underway.

Rents

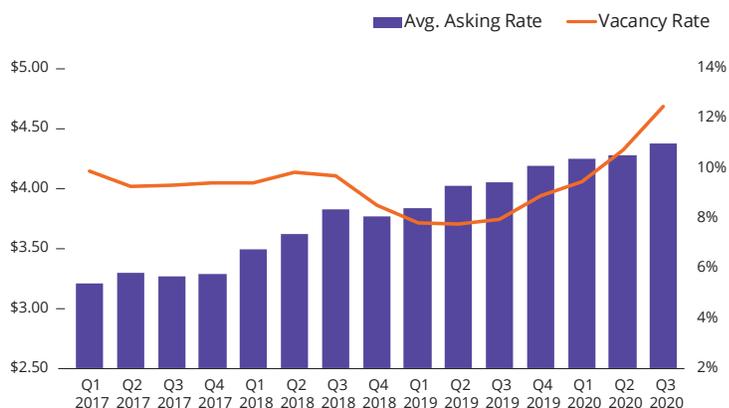


Asking rents were flat as landlords preserved base rents while providing higher tenant improvement allowances and more free rent, with very little market activity. Increasing sublease options will put downward pressure on asking rents going forward.

Looking Forward

Pessimism permeates the market as employees, businesses, and local governments struggle to find the right solutions for stimulus and growth. The office market will be slow to recover until a vaccine becomes available and employees become comfortable with working in the office again. The pandemic has forced many companies to reevaluate their space needs and wait out the market. Subleases and renewals will make up the majority of leasing activity over the near term while new deals take longer to develop and close – if at all. Employees have reached a point where the need for collaboration and desire for social interaction is essential. Going forward, businesses will be looking for ways to become more efficient in their real estate needs.

Historical Asking Rates vs Vacancy Rates



Notable Lease Transactions

Tenant	Building	Submarket	SF	Type
Perfect Day	740 Heinz Avenue	Berkeley	112,088	Sublease
Burnham Brown	1901 Harrison Street	Oakland-Lake Merritt/Uptown	16,821	Renewal
Harmless Harvest	1814 Franklin Street	Oakland-Lake Merritt/Uptown	10,208	New
undisclosed	One Kaiser Plaza	Oakland-Lake Merritt/Uptown	6,921	New
undisclosed	One Kaiser Plaza	Oakland-Lake Merritt/Uptown	6,512	New
Zelle	555 12th Street	Oakland-City Center	6,131	New
undisclosed	401-405 14th Street	Oakland-City Center	5,116	Sublease
undisclosed	2100 Shattuck Avenue	Berkeley	4,824	New
undisclosed	6001 Shellmound Street	Berkeley	4,346	Sublease
undisclosed	2054 University Avenue	Berkeley	3,960	New
Transit Systems Engineering	2000 Powell Street	Emeryville	3,866	Sublease
undisclosed	1900 Powell Street	Emeryville	3,823	New
Moskowitz LLP	1700 Broadway	Oakland-Lake Merritt/Uptown	3,134	Sublease

Notable Sale Transactions

Building	Buyer	Submarket	SF	Sale Price	PSF
1450 Marina Way S	Wonderful Foundations	Richmond	96,261	\$35,977,000	\$374

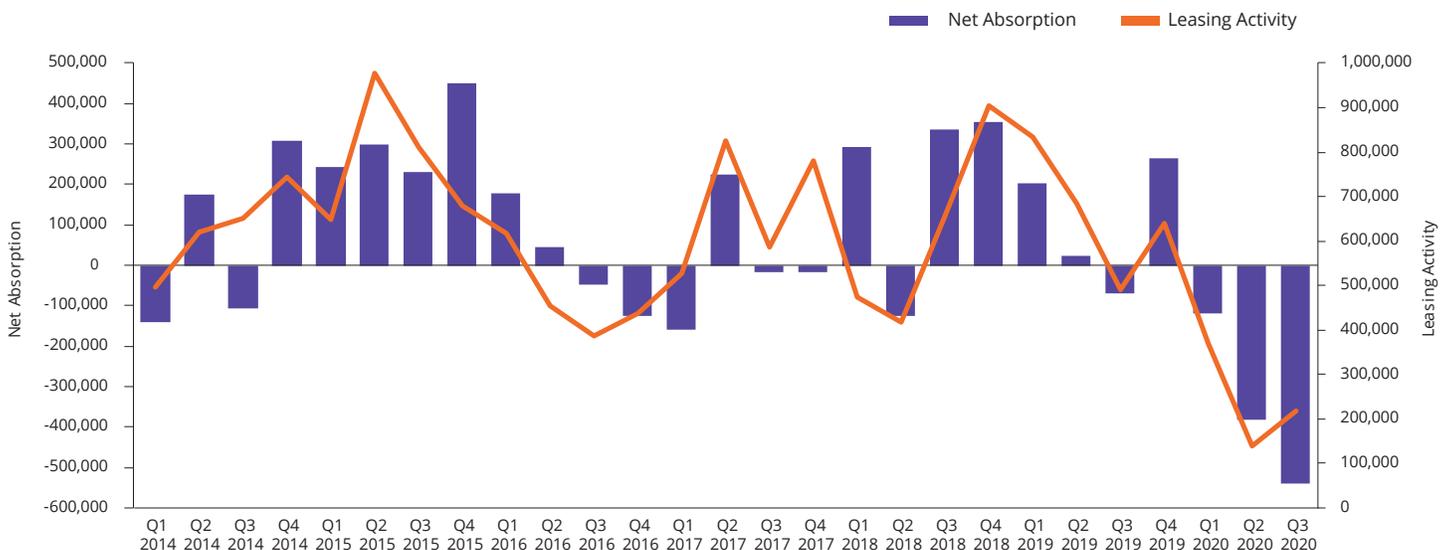
Construction Pipeline

Building	Developer	Submarket	SF	% Leased	Delivery
Eastline	Lane Partners	Oakland-Lake Merritt/Uptown	1.6 million	0%	Proposed
Beacon Tower	CIM Group	Oakland-Lake Merritt/Uptown	700k-1.1 million	0%	Proposed
415 20th Street	Hines	Oakland-Lake Merritt/Uptown	900,000	0%	Proposed
Telegraph Tower	TMG Partners	Oakland-Lake Merritt/Uptown	875,000	0%	Proposed
Mandela Station	BART & SUDA	West Oakland	382,460	0%	Proposed
The Key at 12th	Ellis Partners & Intercontinental Real Estate	Oakland-City Center	351,400	97%	Under Const. 4Q20
1951 Harbor Bay Pky (Exelixis expansion)	Stockbridge Capital Group	Alameda	220,710	100%	Under Const. 3Q22

Market by the numbers

Submarket	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Vacancy Rate		Avail Rate		Total SF Leased	Net Absorp (SF)	Under Construction (SF)	Avg. Asking Rent		
				Class A	Class B	Class A	Class B				Total	Class A	Class B
Oakland- City Center	6,570,166	1,060,688	81,891	22.7%	9.9%	27.0%	16.0%	14,393	-149,719	351,400	\$4.98	\$5.12	\$4.00
Oakland- Jack London Square	1,517,976	104,789	20,475	0.9%	12.8%	0.9%	14.3%	0	-35,212	0	\$4.16	N/A	\$4.16
Oakland- Lake Merritt/Uptown	6,566,884	580,989	363,380	8.2%	22.2%	32.7%	24.6%	55,905	-177,856	0	\$4.93	\$5.11	\$4.34
Oakland CBD	14,655,026	1,746,466	465,746	15.2%	16.0%	28.4%	19.8%	70,298	-362,787	351,400	\$4.91	\$5.11	\$4.23
Alameda	3,557,347	317,287	15,839	22.5%	9.1%	18.2%	17.7%	5,730	3,043	220,710	\$3.01	N/A	\$3.07
Berkeley	3,683,333	210,250	24,638	0.0%	6.6%	0.0%	8.6%	123,374	-30,314	0	\$3.85	N/A	\$3.85
Emeryville	4,558,955	618,320	96,729	14.4%	18.2%	21.0%	19.4%	11,501	-140,411	0	\$4.34	\$4.31	\$4.50
Oakland- Airport	2,610,993	206,675	18,759	8.6%	8.9%	8.6%	10.0%	5,155	-7,007	0	\$2.35	\$2.85	\$2.27
Richmond	1,214,075	51,203	12,537	N/A	7.4%	N/A	7.4%	1,942	-897	0	\$2.26	N/A	\$2.26
Oakland Suburban	15,624,703	1,403,735	168,502	12.1%	9.8%	16.6%	13.0%	147,702	-175,586	220,710	\$3.62	\$4.23	\$3.48
East Bay / Oakland Total	30,279,729	3,150,201	634,248	14.2%	12.2%	24.6%	15.6%	218,000	-538,373	572,110	\$4.37	\$4.87	\$3.86

Historical Leasing vs Net Absorption



Get more market information

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