

East Bay / Oakland

Quick Stats

17.4%
Class A Vacancy

13.1%
Class B Vacancy

\$4.90 fs
Class A
Average Asking Rate

\$3.74 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.

Investors and life science tenants led activity as the year came to a close.

- TMG Partners purchased the 300 Lakeside Drive complex in the Lake Merritt/Uptown submarket for \$450M. TMG has planned significant renovations for the property. This will become the new headquarters for PG&E who also has an option to purchase the property in 2023 for \$892M. PG&E plans to relocate from San Francisco and will phase their occupancy in the property.
- The boom in the Bay Area life science industry is attracting more real estate investors. Hollis Business Center, located in Emeryville, sold to Beacon Capital Partners. Beacon plans to convert to life science use and will capitalize on the supply-constrained Emeryville market to gain a foothold in the high-barrier-to-entry life science market.
- Agenesis Inc., an immuno-oncology biotech company, leased the entire building at 6455 Christie Avenue in Emeryville totaling 83,620 sf. This is one of the largest leases in the market this year and solidifies the growing presence of life science and biotech companies locally.
- Credit Karma will be relocating its headquarters from San Francisco to the recently completed 1100 Broadway in Oakland City Center. This represents a shift from expansion in the Bay Area to consolidation into a less expensive, more business friendly, neighboring market.
- Overall vacancy reached 14.4% after the sixth consecutive quarterly increase. A combination of small suites and multiple full-floor listings contributed to the rise. We have not seen this level of vacancy since 14.2% was recorded in the third quarter of 2014.
- Overall asking rental rates have only experienced a soft erosion due to the quarterly rise in vacancy. In fact, the growth of class A vacancy in Oakland and Emeryville has helped to buoy average rents through the pandemic. Landlords are mostly holding firm on asking rents, however we expect more vacancy in 2021 and an erosion of rental rates.

Trends to watch

Subleases



There were 21 new subleases added during the quarter totaling over 208,000 sf. Subleases now make up 22.5% of the total available space on the market.

Leasing



Free rent will remain part of most office lease negotiations and new leases may need to address force majeure clauses and office health and safety requirements.

Investment

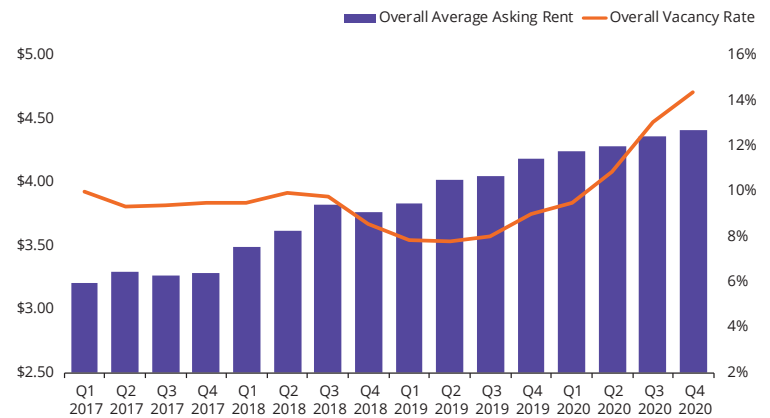


Institutional investors stayed active. TMG Partners and Beacon Capital Partners expanded their footprint in the East Bay. We are also tracking the sale interest of 1111 Broadway and the Rotunda at 300 Frank H. Ogawa Plaza.

Looking forward

We expect an eventual shift from crisis to recovery in 2021, however, the regional increase in Covid cases has led to continued lockdown measures. There is hope that the new vaccines, their effectiveness, and their wide-spread distribution, will be a major step in defeating the virus and allow the economy to gradually recover. Although it is unlikely that office leasing activity will reach pre-Covid levels during 2021, when return-to-office protocols soften and the economy starts to open up, we can expect an increase in lease and sale volumes through the coming year.

Historical asking rates vs. vacancy rates



Notable lease transactions

Tenant	Building	Submarket	SF	Type
Agenus Inc.	6455 Christie Avenue	Emeryville	83,620	New
undisclosed	3100 San Pablo Avenue	Berkeley	20,000	New
Ask.com	1955 Broadway	Oakland-Lake Merritt/Uptown	19,801	Sublease
undisclosed	1901 Harrison Street	Oakland-Lake Merritt/Uptown	9,755	New
SelectQuote	1440 Broadway	Oakland-City Center	8,623	New
undisclosed	1000 Broadway	Oakland-City Center	7,176	Sublease
undisclosed	8393 Capwell Drive	Oakland-Airport	6,988	New
undisclosed	330 Franklin Street	Oakland-City Center	3,847	New
undisclosed	7677 Oakport Street	Oakland-Airport	3,787	New
CPA Global	555 12th Street	Oakland-City Center	3,689	Sublease
Ghirardelli Associates	1970 Broadway	Oakland-Lake Merritt/Uptown	2,916	New

Notable sale transactions

Building	Buyer	Submarket	SF	Sale Price	PSF
300 Lakeside & 344 Thomas L Berkley Way	TMG	Oakland-Lake Merritt/Uptown	953,341	\$450,000,000	\$472
Hollis Business Center	Beacon Capital Partners	Emeryville	227,696	\$129,500,000	\$569

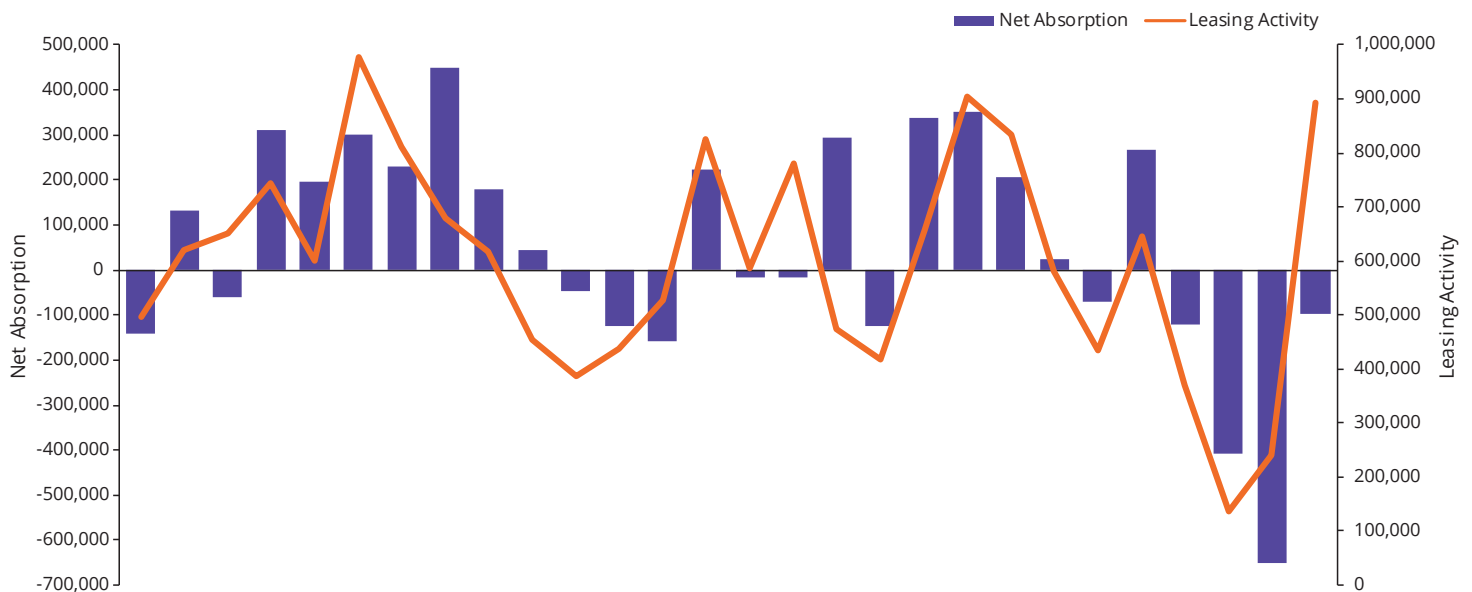
Construction pipeline

Building	Developer	Submarket	SF	% Leased	Delivery
1951 Harbor Bay Pky (Exelixis expansion)	Stockbridge Capital Group	Alameda	220,710	100%	Under Const. 3Q22
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

Market by the numbers

Submarket	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Vacancy Rate Class A	Vacancy Rate Class B	Avail Rate Class A	Avail Rate Class B	Total SF Leased	Net Absorp (SF)	Under Construction (SF)	Avg. Asking Rent Total	Class A	Class B
Oakland- City Center	6,921,566	1,226,628	168,138	25.6%	11.8%	29.5%	18.1%	15,949	99,213	0	\$4.97	\$5.10	\$4.02
Oakland- Jack London Square	1,325,571	99,567	20,475	0.9%	15.7%	0.9%	19.0%	7,321	5,222	0	\$4.22	N/A	\$4.22
Oakland- Lake Merritt/Uptown	6,594,868	778,405	380,125	11.5%	23.9%	14.8%	24.9%	743,122	-190,261	0	\$4.93	\$5.12	\$4.19
Oakland CBD	14,842,005	2,104,600	568,738	18.5%	18.0%	21.9%	21.4%	766,392	-85,826	0	\$4.92	\$5.11	\$4.14
Alameda	3,564,625	291,458	18,810	19.9%	8.4%	13.9%	17.1%	6,322	22,858	220,710	\$2.79	N/A	\$3.03
Berkeley	3,688,939	221,329	31,028	0.0%	7.2%	0.0%	9.8%	976	93,384	0	\$3.77	N/A	\$3.77
Emeryville	4,558,955	697,000	173,944	19.0%	19.7%	24.4%	20.3%	84,456	-154,620	0	\$4.28	\$4.37	\$3.97
Oakland- Airport	2,614,349	184,993	19,877	5.8%	8.4%	8.3%	9.3%	34,158	20,564	0	\$2.24	\$2.85	\$2.16
Richmond	1,117,814	45,388	12,537	N/A	7.5%	N/A	7.5%	1,620	5,815	0	\$1.96	N/A	\$1.96
Oakland Suburban	15,544,682	1,440,168	256,196	15.0%	10.0%	18.2%	13.2%	127,532	-11,999	220,710	\$3.61	\$4.33	\$3.30
East Bay / Oakland Total	30,386,687	3,544,768	824,934	17.4%	13.1%	20.7%	16.4%	893,924	-97,825	220,710	\$4.41	\$4.90	\$3.74

Historical leasing vs. net absorption



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market
information**

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