

# East Bay / Oakland



## Market Facts

6.6%

**Class A Vacancy**

9.2%

**Class B Vacancy**

\$4.64 FS

**Class A  
Average Asking Rate**

\$3.79 FS

**Class B  
Average Asking Rate**

## Market Overview

The new year ushered in a wealth of activity throughout the East Bay/Oakland market. Asking rents are climbing, absorption is positive, vacancy is trickling downward, and demand continues to reach new heights. Emeryville shined during the quarter with strong leasing and sales activity. EmeryStation West, at 5959 Horton Street, had three of the top five leases signed during the quarter. Novartis and Gritstone Oncology leased a combined 96,613 sf in the new building. BioMed Realty purchased 5300 Chiron Way from Novartis for \$135 million, or \$664 psf. BioMed will redevelop the building into a class A, multi-tenant lab and office facility with plans for future lab and office expansion on adjacent land.

Following the game-changing lease of Uptown Station by Square near the end of 2018, Square has recently put their upper three floors on the market for a short term sublease totaling 132,514 sf. This space is scheduled to hit vacancy during the fourth quarter of this year and will add to a submarket that has seen number of new available space options for tenants. Conversely, in the City Center submarket, rumors abound regarding multiple lease negotiations over 100,000 sf in the two under construction office buildings.

With strong demand and strength continuing in downtown Oakland, it's possible that we could see new office development break ground by late 2019 or early 2020, as developers push to bring new buildings to market during this real estate cycle. Leading the surge is TMG Partners with 2201 Valley Street, a 760,000-sf office tower, in the Uptown submarket. With larger floorplates on tenant check lists, this project, with 33,000-sf floorplates, could fulfill the growing demand

from San Francisco. Other proposed projects include Beacon Tower, at 600,000-1.1 million sf and Eastline, at 900,000-2.5 million sf, both in the Uptown submarket as well. BART is also negotiating plans for transit-oriented development, including residential and commercial buildings, over its Lake Merritt station.

Recent institutional investment has elevated Oakland from a secondary market to a prime market ripe with competition for office buildings. The CIM Group sold three of its five CBD properties and one parking garage to Starwood Capital Group during the quarter for just over \$512 million. These properties included office buildings at 2100 Franklin Street, 2101 Webster Street, 1901 Harrison Street, and a parking garage at 2353 Webster Street. The two remaining office buildings, 1333 Broadway and One Kaiser Plaza, are rumored to be in contract to two separate investors. Earlier in the quarter, the Tribune Tower, at 409 13th Street, sold to Highbridge Equity Partners for \$48 million, or just over \$503 psf. Deals like these are a vote of confidence in the strength of the Oakland market as the market continues to see new national institutional investors.

We expect the office market to remain healthy for the remainder of 2019 with growth measurably slower compared to previous years. However, demand for office space has not wavered and will likely bolster leasing activity as the year progresses. Strong occupancy and stable returns are driving an abundance of capital into the office investment market. Some say that the office market has peaked but rising rents, stable vacancy, and growing demand all indicate that there may still be room to grow in this prolonged positive economic cycle.

# Market Snapshot

Downtown Oakland is in the midst of a construction boom revolving around multiple office and residential projects. As little as two years ago, few construction cranes dotted the downtown Oakland skyline. Now there are considerably more with new project breaking ground on the horizon.

## Crane Watch In Downtown Oakland

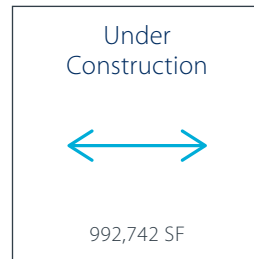
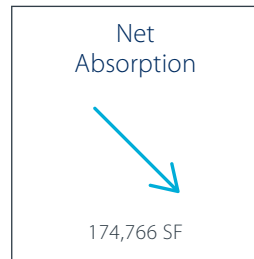
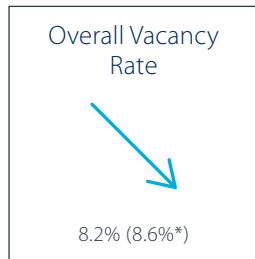


1721 Webster Street

1100 Broadway

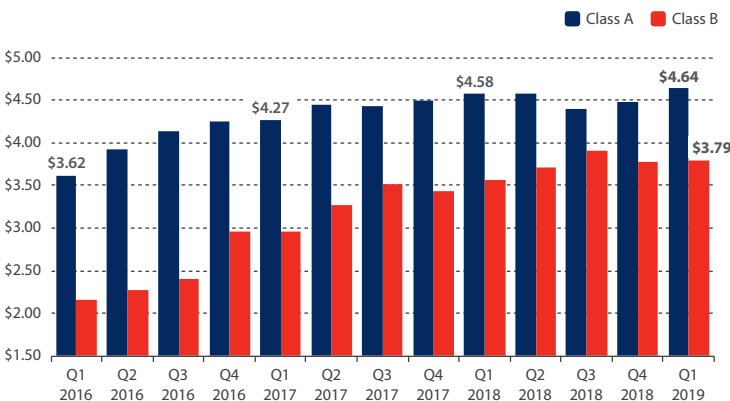
1314 Franklin Street

1100 Clay Street

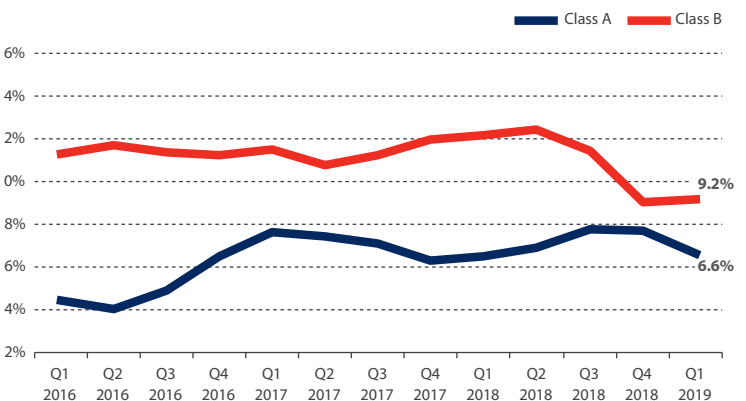


\*Compared to previous quarter

### Historical Asking Rental Rate (FSG)



### Historical Vacancy

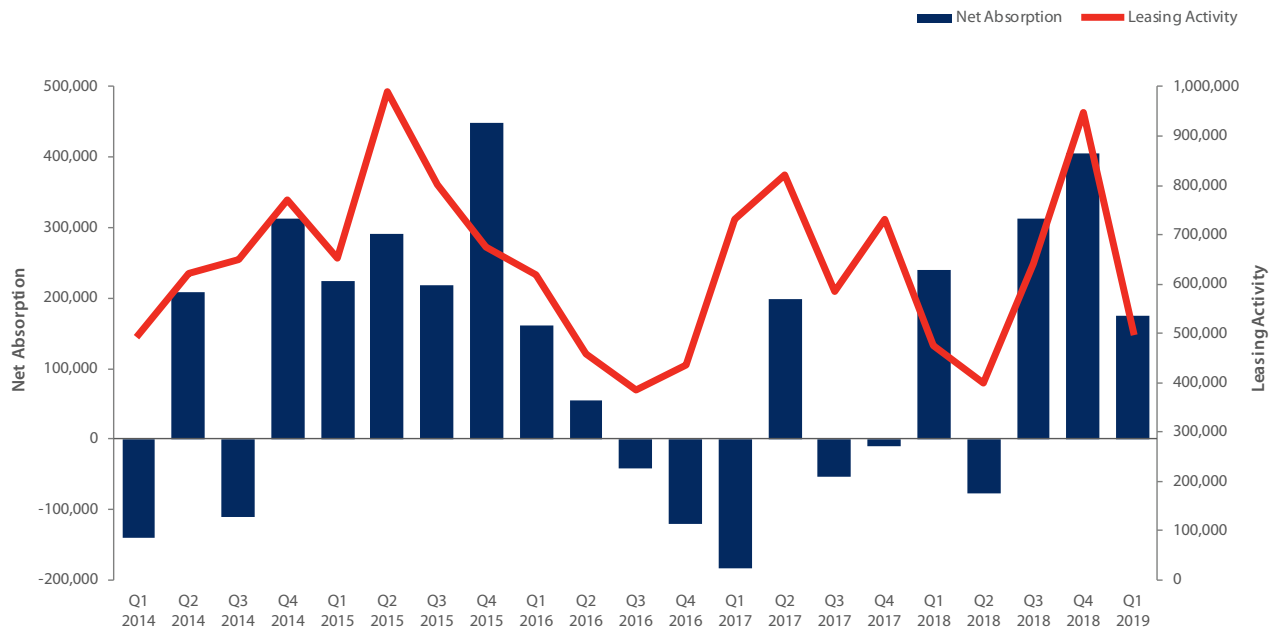




## Market By The Numbers

SUBMARKET	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Vacancy Rate		Available Rate		Total SF Leased	Net Absorp (SF)	Under Construction	Average Asking Rent		
				Class A	Class B	Class A	Class B				Total	Class A	Class B
<b>Oakland-City Center</b>	5,864,074	453,779	29,470	8.1%	8.5%	24.6%	11.5%	130,492	-68,275	948,167	\$4.86	\$5.05	\$4.02
<b>Oakland-Jack London Square</b>	1,436,393	129,367	7,927	14.9%	8.7%	19.6%	13.2%	51,117	55,238	0	\$3.56	N/A	\$3.61
<b>Oakland-Lake Merritt/Uptown</b>	6,535,041	673,938	36,767	5.7%	16.9%	24.8%	23.0%	66,335	-3,587	0	\$4.76	\$4.56	\$4.90
<b>Oakland CBD</b>	<b>13,835,508</b>	<b>1,257,084</b>	<b>74,164</b>	<b>7.2%</b>	<b>12.5%</b>	<b>24.5%</b>	<b>17.1%</b>	<b>247,944</b>	<b>-16,624</b>	<b>948,167</b>	<b>\$4.67</b>	<b>\$4.84</b>	<b>\$4.54</b>
<b>Alameda</b>	3,495,208	353,977	12,678	13.9%	8.8%	21.2%	15.9%	24,259	-8,972	0	\$2.75	N/A	\$3.19
<b>Berkeley</b>	3,758,466	126,997	34,331	4.7%	4.6%	4.7%	5.8%	29,222	-11,326	44,575	\$3.22	N/A	\$3.31
<b>Emeryville</b>	4,530,179	244,169	47,898	5.1%	8.8%	11.9%	11.7%	183,333	209,668	0	\$3.93	\$4.22	\$3.56
<b>Oakland- Airport</b>	2,566,458	164,094	6,657	3.2%	7.3%	4.2%	9.1%	15,666	-2,107	0	\$2.03	\$2.77	\$1.98
<b>Richmond</b>	1,214,570	76,347	3,652	N/A	6.1%	N/A	7.5%	4,412	4,127	0	\$2.49	N/A	\$2.49
<b>Oakland Suburban</b>	<b>15,564,881</b>	<b>965,584</b>	<b>105,216</b>	<b>5.5%</b>	<b>7.1%</b>	<b>10.8%</b>	<b>10.2%</b>	<b>256,892</b>	<b>191,390</b>	<b>44,575</b>	<b>\$3.01</b>	<b>\$4.13</b>	<b>\$2.98</b>
<b>TOTAL</b>	<b>29,400,389</b>	<b>2,222,668</b>	<b>179,380</b>	<b>6.6%</b>	<b>9.2%</b>	<b>20.2%</b>	<b>12.8%</b>	<b>504,836</b>	<b>174,766</b>	<b>992,742</b>	<b>\$3.93</b>	<b>\$4.64</b>	<b>\$3.79</b>

## Historical Net Absorption & Leasing Activity



## Top Leases

Tenant	Building	Submarket	Square Feet	Type
Novartis	EmeryStation West	Emeryville	62,144	New
Spaces	66 Franklin Street	Oakland-Jack London Square	45,661	New
Gritstone Oncology	EmeryStation West	Emeryville	34,469	New
Big Fish Games	1999 Harrison Steet	Oakland-Lake Merritt/Uptown	20,755	Renewal
Broadly	409 13th Street	Oakland-City Center	20,609	New
CNS	2200 Powell Street	Emeryville	8,761	New
CasaOne	1900 Powell Street	Emeryville	6,683	New
RDH	401-405 14th Street	Oakland-City Center	5,222	New
The Build Group	401-405 14th Street	Oakland-City Center	5,222	New
The Focal Point	1999 Harrison Steet	Oakland-Lake Merritt/Uptown	4,932	New

## Top Sales

Building	Buyer	Submarket	Square Feet	Sale Price
Center 21 / 1901 Harrison / Webster Garage	Starwood Capital Group	Oakland-Lake Merritt/Uptown	1,188,011	\$512,016,483
5300 Chiron Way	BioMed Realty	Emeryville	203,308	\$135,000,000
Tribune Tower - 409 13th Street	Highbridge Equity Partners	Oakland-City Center	95,353	\$48,000,000

## Development Pipeline

Building	Developer	Submarket	Square Feet	% Leased	Status
Eastline (mixed-use)	Lane Partners	Oakland-Lake Merritt/Uptown	900,000-2.5M	0%	Proposed
Beacon Tower	CIM Group	Oakland-Lake Merritt/Uptown	600,000-1.1M	0%	Proposed
2201 Valley Street	TMG Partners	Oakland-Lake Merritt/Uptown	760,000	0%	Proposed
601 City Center	Shorenstein	Oakland - City Center	596,767	46%	Under Const. Q3 2019
The Key at 12th	Ellis Partners & Intercontinental Real Estate	Oakland - City Center	351,400	53%	Under Const. Q1 2020

### AY Oakland/East Bay Team

#### Office Group

Charlie Allen, Managing Director / Principal	510.254.4260
Nadira Akbari, Vice President	510.254.4265
Amber Merrigan, Vice President	510.254.4267
Anthony Shell, Principal	510.254.4263
Sara Doolittle, Associate	510.254.4259
Lindsey Madison, Administrative Coordinator	510.254.4255
Paul Magoria, Senior Research Analyst	510.254.4266

#### Property Management / Lease Administration

Deanna Drake-Copelan CCIM® RPA® / Director, Property Management	415.322.5060
Angela Francic, Assistant Property Manager	510.273.8555
Angelica Rom, Assistant Property Manager	510.273.8555
Fatima Vegas, General Manager	510.273.8555
Stan Yoshihara, Managing Director / Principal, Property Management	213.471.7019

#### Project / Construction Management

David Gonzales, Managing Director / Principal	415.322.5065
Nicole de la Rosa, Assistant Project Manager	510.254.4268
Clare Friel, Senior Project Manager	415.349.3406
Alyssia Dolata-Goodrich, Project Coordinator	415.349.3403
Shannon Dupler, Manager, Financial Reporting	415.349.3399



Platinum member

Avison Young - Northern California, Ltd.  
1111 Broadway, Suite 1650  
Oakland, CA 94607  
T 510.254.4255 F 510.254.4256

avisonyoung.com

