

Oakland Office, Q3 2021

Occupancy Increases as Market Recalibrates

 Vacancy Rate
13.1%

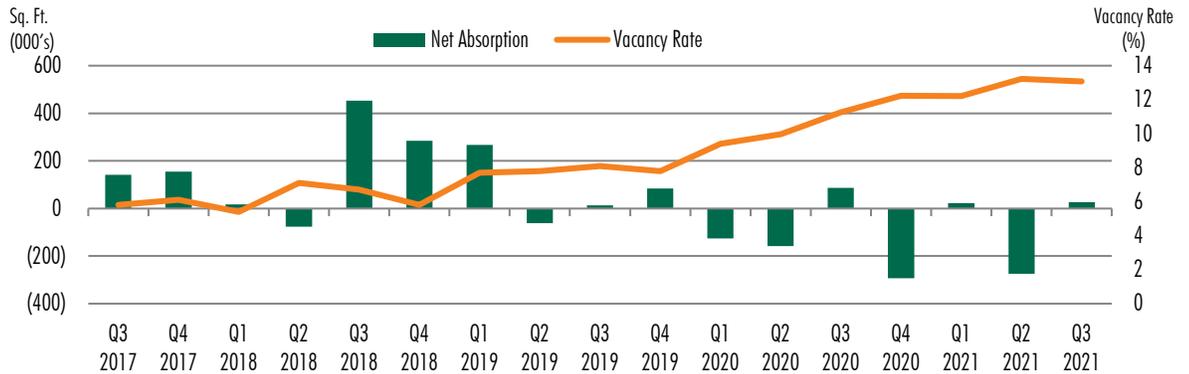
 Lease Rate
\$4.49 PSF

 Net Absorption
26,531 SF

 Under Construction
255,170 SF

Figure 1: Total Vacancy vs. Net Absorption

*Arrows indicate change from previous quarter.



Source: CBRE Research, Q3 2021.

2021 is on track to exhibit the highest economic growth since the early 1980s, with GDP growth potentially hitting 7% as the pandemic fades and society and commerce normalize. The key impediment to greater growth is a shortage of key inputs, such as labor, microchips, and raw materials. The housing market is the posterchild of this imbalance, as increased sales during 2020 caused prices to surge and inventories to shrink.

Demand from tenants seeking office space in the Oakland market is strong with 92 tenants looking for nearly 2.0 million square feet (sq. ft.) at the close of the third quarter, representing a healthy 105% increase in active requirements since June 2020 at the height of the pandemic. Of the 92 tenants looking for space in the Oakland market, 17 are searching for space above 25,000 sq. ft. Demand from the life science sector continues to grow as well, with 14 requirements totaling 285,000 sq. ft. currently in the marketplace. Landlords appear hesitant to break large blocks of contiguous space, leading mid-sized tenants to continue fighting for smaller blocks while large tenants compete for the

remaining large contiguous blocks. This competition will cause rents to increase at a measured clip in the Oakland over the next 12 months.

The Oakland CBD led the market in leasing activity in the third quarter, representing 60% of the sq. ft. volume of the top 20 deals done in the market. Of note was Twitter’s leasing of 66,600 sq. ft. at 1330 Broadway, marking the largest expansion from San Francisco the market has seen since Square signed a lease for 356,000 sq. ft. at Uptown Station in December of 2018. Investment activity saw an uptick in the third quarter, with nearly 1.0 million sq. ft. traded in eight transactions—a strong indicator that capital markets remain confident in the Oakland market due to its underlying strong fundamentals and potential for future growth.

The vacancy rate dipped slightly in the third quarter, closing at 13.1%, representing a modest decline of 10 basis points (bps) from the second quarter, though up 180 bps year-over-year (YoY). The YoY rise was mainly due to several midsize subleases being vacated over the course of the last year.

Figure 2: Total Office Market Statistics

Submarket	Net Rentable Area	Total Vacancy %	Total Availability %	Average Asking Rate \$	Q2 Net Absorption	YTD Net Absorption
Alameda	3,543,839	7.4%	15.6%	4.22	81,603	178,861
Class A	1,186,402	12.7%	16.1%	4.85	44,226	121,576
Berkeley	3,644,410	7.1%	10.6%	3.45	(11,796)	(47,219)
Class A	563,014	11.0%	11.7%	4.19	5,213	5,213
Emeryville	4,718,488	14.7%	20.57%	4.27	7,914	28,030
Class A	2,933,752	14.7%	23.47%	4.78	(62,701)	(66,378)
Oakland CBD	12,009,241	17.6%	23.2%	5.13	(53,428)	(299,973)
Class A	7,446,808	18.7%	22.4%	5.47	4,226	(209,129)
Oakland General	2,294,972	13.3%	20.7%	4.25	(12,483)	(100,643)
Class A	474,443	4.2%	15.7%	5.39	4,454	(8,476)
Oakland JLS	954,555	7.0%	7.0%	3.81	1,000	8,500
Class A	283,008	3.3%	3.3%	3.00	0	0
Oakland Airport	1,812,265	8.1%	8.5%	2.32	(34,727)	(60,542)
Class A	265,000	4.9%	4.9%	2.65	5,688	(2,669)
Richmond	1,203,944	3.4%	4.4%	2.21	0	.0
Class A	170,736	13.7%	13.7%	2.64	0	0
San Leandro	907,740	11.8%	11.8%	3.43	48,448	45,234
Class A	487,568	20.9%	20.9%	3.50	49,979	49,979
Oakland/East Bay Market	31,089,454	13.1%	17.9%	4.49	26,531	(247,752)
Class A	13,810,731	16.0%	20.4%	5.10	51,085	(109,884)

Source: CBRE Research, Q3 2021.

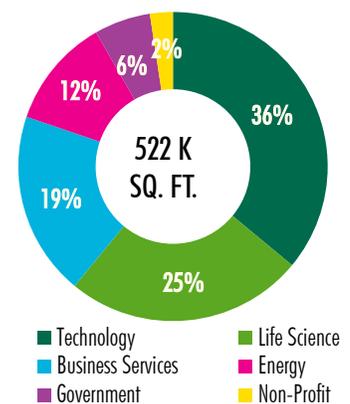
* Direct Monthly Lease Rates, Full Service Gross (FSG)

Figure 3: Top Leases / Top Sales of the Quarter

Lease (Tenant)	Submarket	Total SF
Callisto Media	Oakland - CBD	78,070
Twitter	Oakland - CBD	66,600
Ambi Robotics	Berkeley	33,511
US GSA	Oakland - CBD	30,728
Sale (Buyer)	Submarket	Total SF
Swift Real Estate Partners	Oakland - CBD	564,745
Paceline Investors	Alameda	157,770
Nome Partners	Alameda	126,700
FH1 Investments	Oakland - CBD	40,465

Source: CBRE Research, Q3 2021.

Figure 4: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q3 2021.

LEASE RATES

Asking rents in the market saw a healthy increase, closing the third quarter at \$4.49 per square foot (psf) on a monthly full-service basis, up 6.7% from the second quarter and up 4.9% from this time last year. Rent growth over the past several years has been driven by strong demand, low vacancy, and the sale of buildings—particularly in the core CBD market—at top-of-the-market pricing, prompting the underwriting of higher rents. Rents are expected to continue increasing in the coming quarters as the market re-calibrates to a post-pandemic environment.

NET ABSORPTION

After occupancy losses totaling negative 252,000 sq. ft. in the first half of the year, net absorption returned to the black in the third quarter, totaling positive 26,531 sq. ft. Alameda led the market in occupancy growth for the quarter, with net absorption there totaling positive 81,603 sq. ft., due primarily to the leasing of several mid-range blocks of life science and laboratory space. Though net absorption totaled negative 53,428 sq. ft. in the core CBD submarket, the Callisto and Twitter deals at Uptown Station and 1330 Broadway respectively alleviated even greater occupancy decline. Net absorption is expected to increase over the next year and will be increasingly driven by activity in the life science sector.

VACANCY & AVAILABILITY

Vacancy percentage ticked down from 13.2% in Q2 2021 to 13.1% in Q3 2021. In contrast, the overall availability rate edged up to 17.9% from 16.9% in the previous quarter. As the economy gradually recovers and tenants return to the office in greater numbers, the vacancy rate is expected to decrease slightly.

Figure 5: Lease Rates

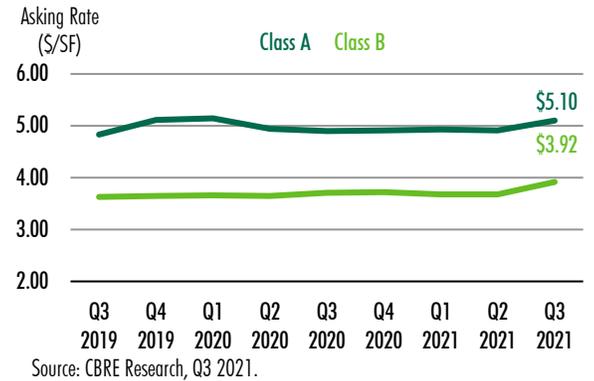


Figure 6: Net Absorption

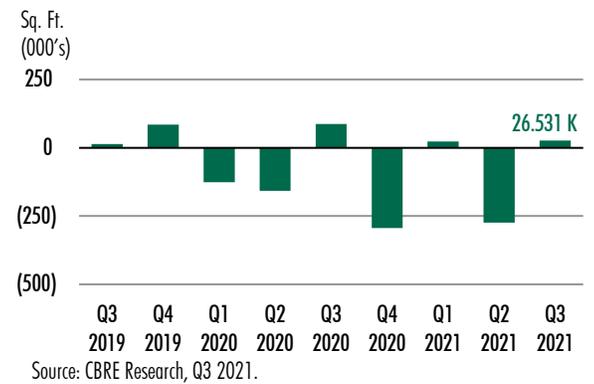


Figure 7: Vacancy & Availability

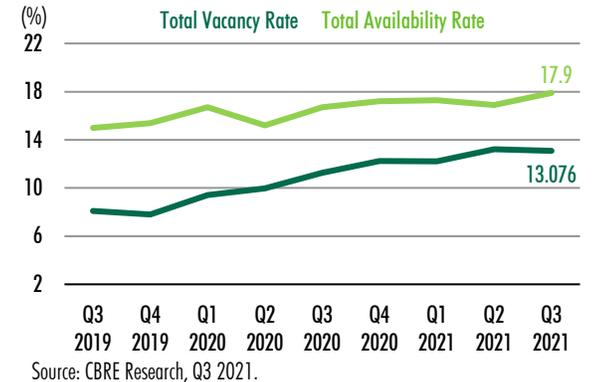
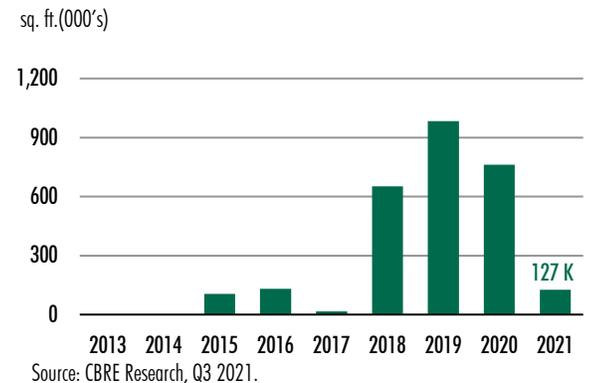
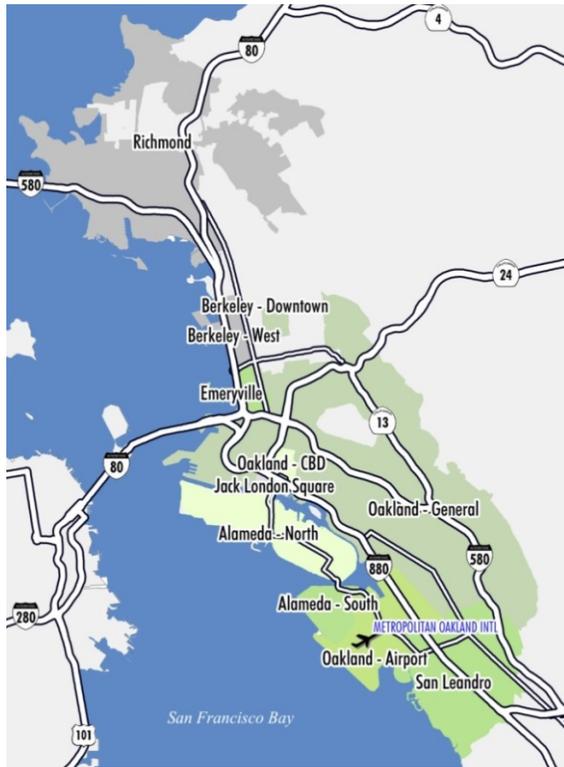


Figure 8: Construction Completions



SUBMARKET MAP



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DEFINITIONS

Average Asking Rate Direct Monthly Lease Rates, Full Service Gross. **Availability** All existing space being marketed for lease. **Total Vacancy Rate** Direct Vacancy + Sublease Vacancy. **CBD** Central Business District; consists of Oakland City Center and Lake Merritt submarkets.

SURVEY CRITERIA

CBRE's market report analyzes existing single- and multi-tenant office buildings that total 10,000+ sq. ft. in the Oakland/East Bay Market, excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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