Vacancy Edges Higher While Occupancy Losses Begin to Ease

▲25.7%
Vacancy Rate

▲(55,141)
SF Net Absorption

▶0
SF Construction Delivered

▶0
SF Under Construction

▼$3.69
FSG/MTH Direct Lease Rate

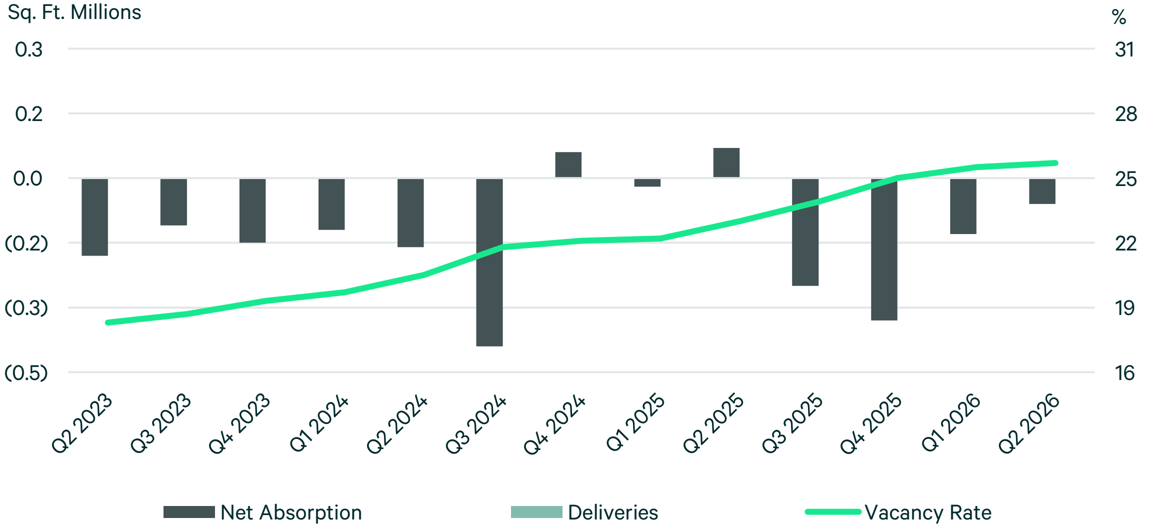
Note: Arrows indicate change from previous quarter.

Market Overview

In the latest quarter, the office market vacancy rate was 25.7%, increasing quarter-over-quarter by 20 basis points, while availability was 27.3%. Average asking rents were $3.69 per sq. ft., declining quarter-over-quarter by 0.3%. Net absorption in the latest quarter was negative 55,000 sq. ft. Net absorption improved quarter-over-quarter, as losses were smaller than in the prior quarter. Compared with the same quarter one year earlier, vacancy increased by 270 basis points. Average asking rents declined year-over-year by 2.1%. From Q2 2023, vacancy expanded by 740 basis points while average asking rents decreased by 16.1%. Cumulatively, the market recorded negative 1.8 million sq. ft. of net absorption over the last three years. Across the entire period, there was no space under construction and no new deliveries.

Leasing activity in the latest quarter included a confidential tenant leasing 23,000 sq. ft. in Oakland - CBD. Upside Foods leased 19,000 sq. ft. in Emeryville. Ambient leased 13,000 sq. ft. in Emeryville.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Vacancy

In Q2 2026, overall vacancy stood at 32.3% for Class A, 23.6% for Class B, and 12.3% for Class C space. Quarter-over-quarter, vacancy increased 70 basis points in Class A, decreased 10 basis points in Class B, and declined 40 basis points in Class C. Year-over-year, vacancy rose 320, 250, and 190 basis points, respectively. Compared with Q2 2023, rates are higher by 940 basis points in Class A, 610 basis points in Class B, and 500 basis points in Class C.

At the submarket level, San Leandro has the lowest overall vacancy at 1.3%, with 12,000 sq. ft. of direct vacancy. East Lake is the second lowest, at 7.6% overall with 24,000 sq. ft. of direct vacancy and no sublease space. Oakland - CBD posts the highest overall vacancy at 37.9%, with 33.9% direct vacancy and 3.9 million sq. ft. of direct space.

In Q2 2026, sublease vacancy increased 40 basis points quarter-over-quarter in Class A to 3.3%, while holding at 2.7% in Class B and 0.9% in Class C. Across the East Bay submarkets, vacant sublease space totals 737,000 sq. ft., with the highest sublease volume in Oakland - CBD at 459,000 sq. ft., followed by Emeryville at 147,000 sq. ft. and Alameda at 88,000 sq. ft.

Figure 2: Vacancy Rates by Class

Source: CBRE Research, Q2 2026

Net Absorption

Total net absorption across Class A, B, and C space in Q2 2026 was negative 56,000 sq. ft., indicating continued net givebacks. This result exceeded the negative 130,000 sq. ft. recorded in Q1 2026, reflecting a smaller volume of space returned to the market quarter-over-quarter. However, it was below the 71,000 sq. ft. of positive absorption achieved in Q2 2025, marking a year-over-year decline from last year's modest gains. The broader trend over the past two years has been volatile, swinging between positive absorption of 60,000 sq. ft. in Q4 2024 and deep net givebacks of 393,000 sq. ft. in Q3 2024.

At the submarket level, Emeryville posted the highest positive net absorption in Q2 2026 at 39,000 sq. ft., followed by Oakland - CBD with 37,000 sq. ft. of space absorbed. No other submarkets recorded positive net absorption above 10,000 sq. ft. during the quarter, with Richmond and San Leandro posting just 2,000 sq. ft. and 1,000 sq. ft., respectively. On the negative side, Emeryville registered the most sizable contraction, with 50,000 sq. ft. of negative net absorption, while Berkeley was the next lowest, posting 31,000 sq. ft. of negative net absorption.

Figure 3: Net Absorption Trend

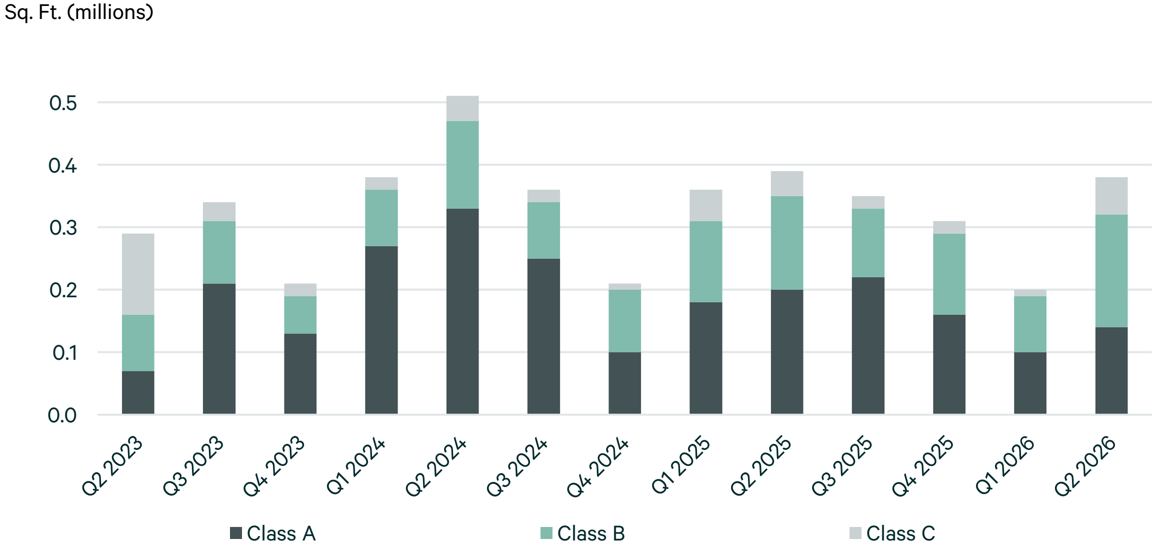
Source: CBRE Research, Q2 2026

Leasing Activity

Leasing volume in Q2 2026 totaled 323,000 sq. ft., while activity over the last four quarters reached 1.1 million sq. ft. The market posted a 69.1% increase quarter-over-quarter from 191,000 sq. ft. in Q1 2026 but recorded a negative 7.2% change year-over-year versus 348,000 sq. ft. in Q2 2025. Over the past three years, cumulative leasing amounted to 3.8 million sq. ft., with Class B space driving the latest quarterly gains at 184,000 sq. ft. compared with 139,000 sq. ft. in Class A.

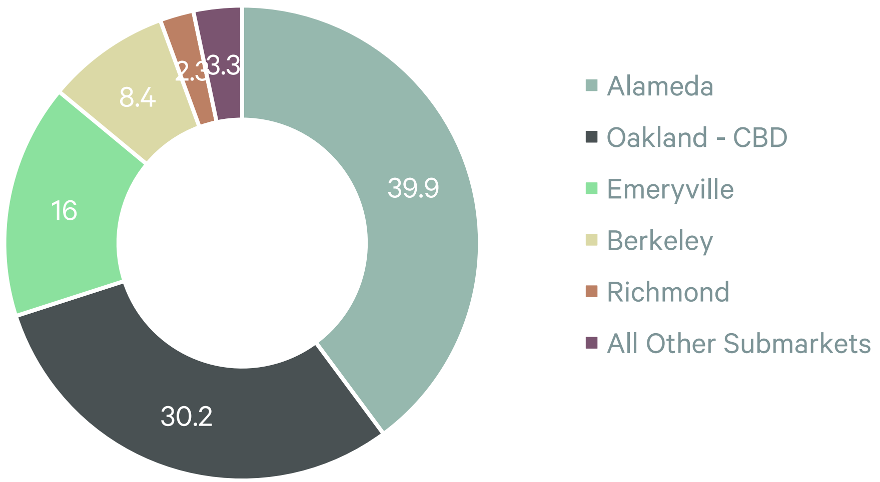
In Q2 2026, Alameda and Oakland - CBD were the highest activity submarkets, with 129,000 sq. ft. and 97,000 sq. ft. leased respectively across Class A and Class B space. Positive but more moderate leasing volumes were recorded in Emeryville (48,000 sq. ft.), Berkeley (32,000 sq. ft.), Richmond (6,000 sq. ft.), East Lake (5,000 sq. ft.), Oakland - Airport (4,000 sq. ft.), and Jack London Square (2,000 sq. ft.).

Figure 4: Leasing Activity Trend



Source: CBRE Research, Q2 2026

Figure 5: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Figure 6: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Cost Plus World Market	83,000	Renewal	1201 Marina Village Pkwy	Alameda
Cost Plus World Market	24,000	Renewal	1151 Marina Village Pkwy	Alameda
Aircapture	19,000	Renewal	2619-2629 7th St	Berkeley
Upside Foods	19,000	New Lease	6101 Christie Ave	Emeryville
Ambient	13,000	New Lease	5903-5909 Christie Ave	Emeryville
Confidential Tenant	12,000	New Lease	180 Grand Ave	Oakland - CBD
Streamlinevents	10,000	Renewal	6005 Shellmound St	Emeryville
Clear Channel Outdoor	9.000	Renewal	555 12th St	Oakland - CBD

Source: CBRE Research, Q2 2026

Asking Rent

In Q2 2026, the overall market average asking rent was $3.69, while Class A space was at $4.20. The overall rate slipped 0.3% quarter-over-quarter from $3.70 in Q1 2026 and 2.1% year-over-year from $3.77 in Q2 2025, whereas Class A held flat quarter-over-quarter and declined 0.2% year-over-year from $4.21. Over the full series from Q2 2023, the overall average has fallen 16.1% from $4.40 to $3.69 and Class A has eased 13.2% from $4.84 to $4.20, with premium Class A pricing consistently above the broader market.

At the submarket level in Q2 2026, Class A asking rents were highest in Emeryville at $4.57 and Jack London Square at $4.50, followed by Berkeley at $4.25, Oakland – CBD at $4.19 and Alameda at $4.08, with Richmond posting the lowest Class A rate at $2.45 and Oakland – Airport at $3.10. For Class B and Class C product, asking rents span from $1.47 in Oakland – Airport Class C and $1.85 in Richmond Class B up to $4.14 in Emeryville Class B and $3.77 in Emeryville Class C, with East Lake Class B at $2.00 and Oakland, Jack London Square, Richmond and San Leandro generally in the $2.00–$3.24 range.

Figure 7: Average Direct Asking Rate by Class

Source: CBRE Research, Q2 2026

Market Statistics by Class

Figure 8: Metro Market Statistics by Class

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	12.48M	32.3	34.5	29.5	4.9	4.20	(77,000)	(99,000)	-	-
Class B	10.50M	23.6	25.0	22.1	2.9	2.99	7,000	(49,000)	-	-
Class C	4.49M	12.3	13.1	11.6	1.5	2.95	14,000	(38,000)	-	-
Total	**27.47M**	**25.7**	**27.3**	**23.8**	**3.6**	**3.69**	**(55,000)**	**(186,000)**	**-**	**-**

Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 9

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rent ($/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Alameda	3.35M	9.2	12.2	8.4	3.8	3.44	4.08	(6,000)	(81,000)	-	-
Berkeley	2.57M	18.7	19.2	17.8	1.4	3.18	4.25	(31,000)	(44,000)	-	-
East Lake	317,000	7.6	7.6	7.6	-	2.00	-	-	-	-	-
Emeryville	4.08M	27.7	28.5	24.2	4.3	4.40	4.57	(11,000)	(23,000)	-	-
Jack London Square	907,000	21.3	25.0	21.0	3.9	3.01	4.50	(29,000)	(30,000)	-	-
Oakland	1.46M	13.4	17.6	17.6	-	2.40	-	(2,000)	(7,000)	-	-
Oakland - Airport	1.71M	13.9	14.8	14.2	0.6	2.07	3.10	(4,000)	(22,000)	-	-
Oakland - CBD	11.50M	37.9	39.6	34.4	5.2	3.80	4.19	25,000	4,000	-	-
Richmond	640,000	18.0	18.0	18.0	-	2.41	2.45	2,000	2,000	-	-
San Leandro	936,000	1.3	1.3	1.3	-	3.01	-	1,000	14,000	-	-
Total	**27.47M**	**25.7**	**27.3**	**23.8**	**3.6**	**3.69**	**4.20**	**(55,000)**	**(186,000)**	**-**	**-**

Source: CBRE Research, Q2 2026

Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

Market Area Overview

Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32' or greater clear height and ESFR sprinklers.

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