Demand Weakness Drives Rising Vacancy and Falling Rents

▲25.6%
Vacancy Rate

▲(145,792)
SF Net Absorption

▶ 0
SF Construction Delivered

▶ 0
SF Under Construction

▼$3.69
FSG/MTH Direct Lease Rate

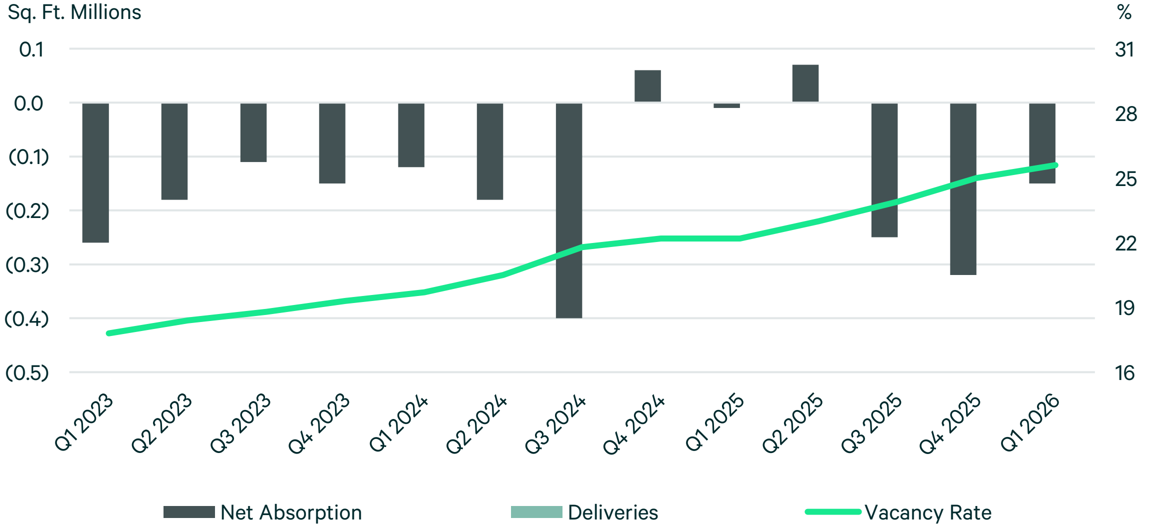
Note: Arrows indicate change from previous quarter.

Market Overview

By Q1 2026, the market had sustained weakness, with vacancy and availability rising steadily despite no new construction or deliveries. The vacancy rate increased from 17.8% in Q1 2023 to 25.6% in Q1 2026, a 7.8-percentage-point (43.8%) jump, while availability climbed 6.9 percentage points to 27.3% over the same period. Asking rents moved in the opposite direction, declining 17.6% since Q1 2023 to $3.69 per sq. ft., underscoring growing pressure on pricing.

Recent trends reinforced this softening. In Q1 2026, net absorption was negative 146,000 sq. ft., an improvement of 176,000 sq. ft. from Q4 2025 but a 136,000 sq. ft. deterioration year-over-year. Vacancy rose 0.6 percentage points quarter-over-quarter from 25.0% in Q4 2025 to 25.6% in Q1 2026 and stood 3.4 percentage points above Q1 2025, while availability was 2.7 percentage points higher year-over-year. Asking rents in Q1 2026 fell 1.1% quarter-over-quarter and 2.6% year-over-year, indicating that landlords continued to adjust pricing in a market marked by persistent negative absorption and elevated vacancy.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy

Total vacancy in Class A buildings increased 20 bps quarter-over-quarter to 31.8% in Q1 2026 and is up 450 bps year-over-year, while Class B vacancy rose 60 bps to 23.8%, 260 bps higher than a year earlier. Class C remains the lowest but climbed to 12.5%, up 120 bps on the quarter and 250 bps year-over-year. Overall vacancy across all classes averaged 22.7%, up 70 bps quarter-over-quarter and 320 bps year-over-year, with direct vacancy at 20.6% and sublease vacancy holding at 2.2%. The roughly 800 bps spread between Class A and B vacancy underscores mounting stress in the top tier of the market.

The metro's two largest submarkets, Oakland – CBD and Emeryville, post some of the highest vacancy in the region. In Oakland – CBD, Class A vacancy stands at 41.1% and Class B at 38.9%, while in Emeryville Class A, B and C vacancy measures 30.3%, 18.9% and 32.3%, respectively. Sublease space is heavily concentrated in these two submarkets, which together account for roughly 560,000 sq. ft. of the market's 690,000 sq. ft. of sublease availability. By contrast, the market's tightest office locations show very low vacancy: in San Leandro, Class A direct vacancy is 0.0%, while in Berkeley, Class A direct vacancy is just 0.6%.

Figure 2: Vacancy Rates by Class

Source: CBRE Research, Q1 2026

Asking Rent

The overall average direct asking lease rate in Q1 2026 is $3.69 per sq. ft., down 1.1% from Q4 2025 and 2.6% below the $3.79 per sq. ft. recorded in Q1 2025. Class A asking rents in Q1 2026 edged up from $4.19 per sq. ft. to $4.20 per sq. ft. quarter-over-quarter but are down 0.7% year-over-year, a smaller pullback than the broader market. In contrast, Class B asking rents fell to $3.00 per sq. ft., down 3.2% QoQ and 7.1% YoY, while Class C rates eased to $3.01 per sq. ft., a 2.9% QoQ and 5.9% YoY decline.

The Emeryville submarket currently has the highest average asking rate on a combined Class A, B and C basis, at $4.16 per sq. ft.; within Emeryville, Class A space is quoted at $4.60 per sq. ft. On the low-cost side, East Lake offers an average quoted rate of $2.00 per sq. ft., with a roughly $2.12 per sq. ft. combined average in the Richmond submarket.

Figure 3: Average Direct Asking Rate by Class

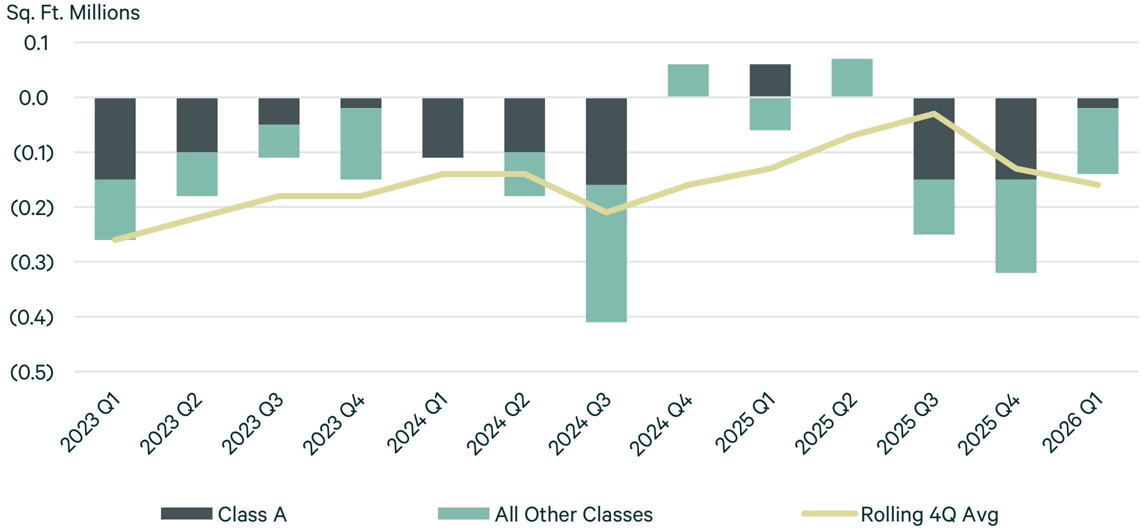
Source: CBRE Research, Q1 2026

Net Absorption

Total office net absorption in Q1 2026 was negative 145,000 sq. ft., improving upon the negative 322,000 sq. ft. recorded in Q4 2025 but below the negative 10,000 sq. ft. posted in Q1 2025. Class A accounted for negative 22,000 sq. ft., improving from negative 151,000 sq. ft. in the prior quarter yet down from positive 55,000 sq. ft. a year earlier, while all other classes contributed negative 123,000 sq. ft., easing from negative 171,000 sq. ft. in Q4 2025 but weaker than the negative 65,000 sq. ft. in Q1 2025.

Positive net absorption for Q1 2026 was concentrated primarily in San Leandro, with 13,000 sq. ft. for the quarter and Berkeley's Class A segment with 7,000 sq. ft. Emeryville's Class A segment was the other area recording positive net absorption with 6,000 sq. ft. Nine submarkets recorded negative net absorption, with Alameda posting the highest negative total at 75,000 sq. ft., Oakland – Airport was the next highest at 32,000 sq. ft., followed by Oakland - CBD's Class A segment at 23,000 sq. ft., Berkeley at 12,000 sq. ft., Emeryville at 12,000 sq. ft., Alameda's Class A segment at 10,000 sq. ft., Oakland at 5,000 sq. ft., Oakland - Airport's Class A segment at 2,000 sq. ft., and Jack London Square at 1,000 sq. ft.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

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Leasing Activity

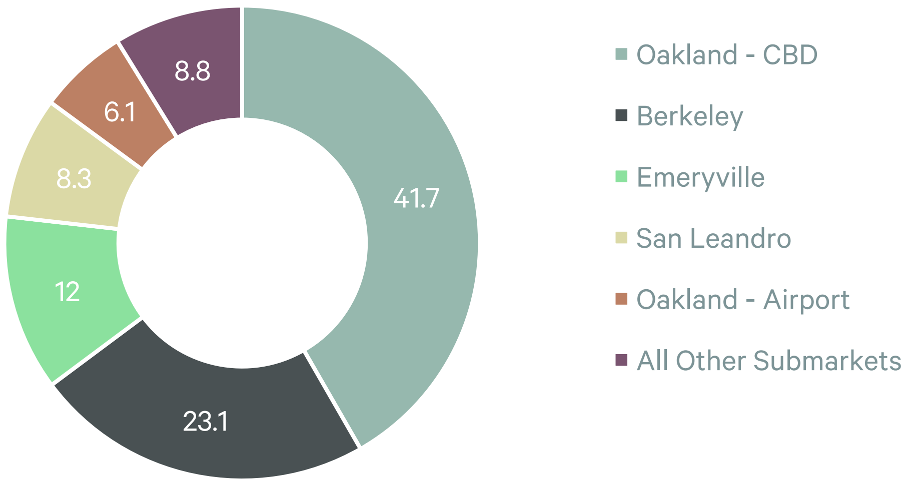
Leasing volume totaled 159,000 sq. ft. in Q1 2026, while activity over the last four quarters reached 1.1 million sq. ft. On a rolling four-quarter basis, total leasing declined by 151,000 sq. ft., or 12.1%, versus Q4 2025 and decreased by 209,000 sq. ft., or 16.0%, from 1.3 million sq. ft. in Q1 2025. Over the same trailing 12-month period, Class A assets accounted for 660,000 sq. ft., or 59.9% of volume, with Class A and Class B leasing down 23.4% and 1.6% year-over-year to 660,000 sq. ft. and 442,000 sq. ft., respectively.

By submarket, Oakland - CBD recorded the highest Q1 2026 leasing volume at 65,000 sq. ft. (36,000 sq. ft. of Class A and 29,000 sq. ft. of Class B), followed by Berkeley with 35,000 sq. ft. (34,000 sq. ft. of Class A and 1,000 sq. ft. of Class B). Other submarkets with positive leasing included Emeryville with 20,000 sq. ft. of Class A, San Leandro with 14,000 sq. ft. of Class B, Jack London Square and Oakland - Airport with 10,000 sq. ft. of Class B each, and Alameda with 5,000 sq. ft. of Class A.

Figure 5: Leasing Activity Trend

Source: CBRE Research, Q1 2026

Figure 6: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

Figure 7: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	27,000	New Lease	1919 Shattuck Ave	Berkeley
Wachtell, Lipton, Rosen & Katz	21,000	New Lease	1221 Broadway	Oakland - CBD
Confidential Tenant	20,000	New Lease	5885 Hollis St	Emeryville
Alta Planning + Design	9,000	New Lease	180 Grand Ave	Oakland - CBD
Eat. Learn. Play. Foundation	6,000	Renewal	638 3rd St	Jack London Square
Tyba	6,000	New Lease	1625 Clay St	Oakland - CBD
Perforce Software	5,000	New Lease	1300 Marina Village Pkwy	Alameda

Source: CBRE Research, Q1 2026

Market Statistics

Figure 8: Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacant Available (%)	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	12.48	31.8	34.2	29.8	4.4	4.20	(22,000)	(22,000)	-	-
Class B	10.53	23.8	25.0	22.1	2.9	3.00	(71,000)	(71,000)	-	-
Class C	4.56	12.5	13.5	11.9	1.5	3.01	(52,000)	(52,000)	-	-
Total	**27.56**	**25.6**	**27.3**	**23.9**	**3.4**	**3.69**	**(146,000)**	**(146,000)**	**-**	**-**

Source: CBRE Research, Q1 2026

Figure 9: Market Statistics by Submarket

Submarket	Net Rentable Area (MSF)	Total Vacant Available (%)	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)
Alameda	3.35	9.0	12.0	8.3	3.8	3.45	(75,000)	(75,000)	-	-
Berkeley	2.67	16.7	17.5	16.0	1.5	3.34	(12,000)	(12,000)	-	-
East Lake	0.32	7.6	7.6	7.6	-	2.00	-	-	-	-
Emeryville	4.08	28.0	28.8	25.3	3.5	4.40	(12,000)	(12,000)	-	-
Jack London Square	0.91	18.2	19.7	18.3	1.4	2.88	(1,000)	(1,000)	-	-
Oakland	1.46	14.1	18.3	18.3	-	2.36	(5,000)	(5,000)	-	-
Oakland - Airport	1.71	14.5	15.4	14.8	0.6	2.05	(32,000)	(32,000)	-	-
Oakland - CBD	11.50	38.1	40.1	34.9	5.2	3.79	(22,000)	(22,000)	-	-
Richmond	0.64	18.3	18.3	18.3	-	2.40	-	-	-	-
San Leandro	0.94	1.4	1.5	1.5	-	3.02	13,000	13,000	-	-
Total	**27.56**	**25.6**	**27.3**	**23.9**	**3.4**	**3.69**	**(146,000)**	**(146,000)**	**-**	**-**

Source: CBRE Research, Q1 2026

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America's aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the $80/bbl range, the impact on U.S. growth should be minimal. The impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

Market Area Overview

Source: CBRE Research, Location Intelligence

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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