

# East Bay / Oakland

## Market Facts

**11.9%**

Class A Vacancy

**10.3%**

Class B Vacancy

**\$4.88 FS**

Class A  
Average Annual Asking Rate

**\$3.77 FS**

Class B  
Average Annual Asking Rate

In a fundamentally sound market, deal volume remains elusive amid COVID-19

- PG&E has decided to sell its headquarter locations in San Francisco and move to 300 Lakeside Drive in Oakland. They will lease ±600,000 sf and occupy after BART and the University of California, Office of the President vacate. The move to Oakland will allow for regional consolidation and be more cost effective. TMG is under contract to purchase 300 Lakeside Drive from Swig and the Rockpoint Group. PG&E also has an option to purchase the property from TMG in 2023 for \$892 million.
- So far, the increase of sublease space has not been as dramatic as expected. Sublease space represents 17.0% of all the space on the market, up 160 basis point from the previous quarter. However, we can expect to see more sublease space coming this year.
- Aside from the TMG pending purchase of 300 Lakeside Drive, investment activity has been limited this year. No office sales over 20,000 sf were recorded during the second quarter. Substantial liquidity is sitting on the sidelines and savvy investors will seek opportunities in this turbulent economy.
- As expected, leasing activity slowed dramatically during the second quarter, down roughly 80% from first quarter.
- The last thing landlords want in this new era is vacancy. Landlords who hold out for higher rents will ultimately miss securing tenants in the current COVID-19 environment. We anticipate modest rent contraction, coupled with more lease concessions, that will give landlords the best chance to secure tenants in a market hit by weakening demand.
- 2120 Berkeley Way in Berkeley now has a full-building vacancy of 46,285 sf. Renovation was completed in 1Q20 but WeWork never occupied the building. The new vacancy offers creative space in a submarket lacking new construction and modern building stock.

## Trends to Watch



### Subleases

Sublease vacancies will increase but will unlikely mirror the influx that San Francisco has recorded. A diverse tenant base with minimal tech and coworking exposure will help insulate this market.



### Construction

Upon completion of The Key at 12th at 1100 Broadway in 3Q20, there will be no remaining under construction office projects in this market.



### Rents

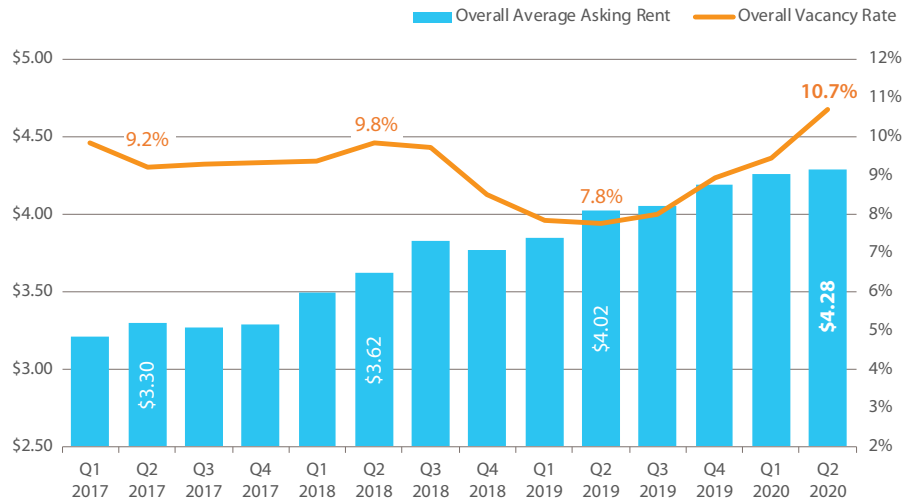
Overall asking rents were relatively unchanged from the previous quarter. Landlords are keeping rents in place while offering more concessions such as free rent and/or tenant improvement dollars.

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.

## Looking Forward

Considering the current pandemic, it is difficult to predict the future of commercial real estate. Alameda County, along with other Bay Area counties, is currently experiencing a spike in COVID-19 cases. This has led many to doubt the phases of reopening while employers debate their return to office scenarios vs the continuation of working from home. There is a great deal of risk in the market right now. Decision making will be greatly influenced by how comfortable businesses are with their level of risk. Positively, some industry leaders predict a strong comeback for commercial real estate if the virus is successfully contained. Until that happens, we are in for an evolving and an uncertain reality over the near term.

## Historical Asking Rates vs Vacancy Rates



## Notable Lease Transactions

Tenant	Building	Submarket	Square Feet	Type
Bitwise Industries	106-154 Linden Street	Oakland-Jack London Square	16,087	Sublease
Goldstein Borgen Dardarian & Ho*	155 Grand Avenue	Oakland-Lake Merritt/Uptown	7,464	New
Undisclosed	1970 Broadway	Oakland-Lake Merritt/Uptown	6,697	New
Summer Search*	304 12th Street	Oakland-City Center	5,145	New
Undisclosed	1480 64th Street	Emeryville	4,352	New
American Heart Association	1111 Broadway	Oakland-City Center	3,292	New
Undisclosed	2030 Franklin Street	Oakland-Lake Merritt/Uptown	2,942	New

\*Denotes Avison Young Involvement

## Notable Sale Transactions

Building	Buyer	Submarket	Square Feet	Sale Price	PSF
No Building Sales Recorded					

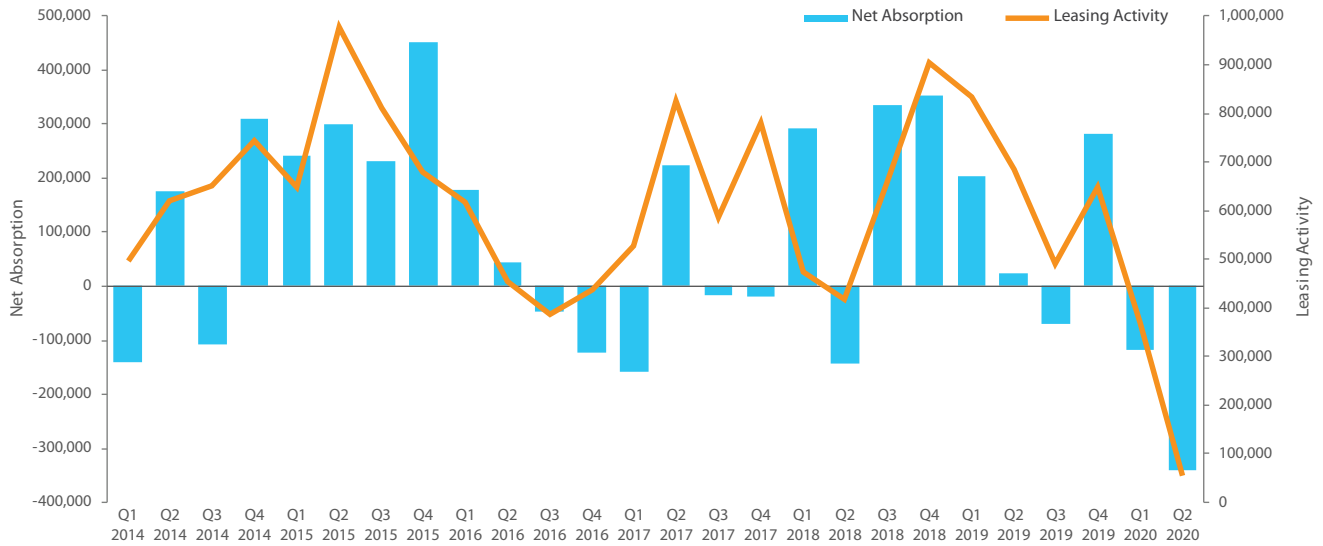
## Under Construction

Building	Developer	Submarket	Square Feet	% Leased	Delivery
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
The Key at 12th	Ellis Partners & Intercontinental Real Estate	Oakland-City Center	351,400	97%	Under Const. 3Q20

## 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	6,568,767	932,672	65,205	19.3%	9.4%	28.1%	14.4%	9,514	-109,062	351,400	\$5.05	\$5.13	\$4.34
Oakland-Jack London Square	1,527,664	68,929	20,475	0.9%	8.9%	5.6%	10.2%	4,710	-13,115	0	\$3.69	N/A	\$4.16
Oakland-Lake Merritt/Uptown	6,566,713	475,051	245,563	6.5%	16.1%	29.7%	18.2%	14,456	-33,501	0	\$4.83	\$5.01	\$4.37
<b>Oakland CBD</b>	<b>14,663,144</b>	<b>1,476,652</b>	<b>331,243</b>	<b>12.7%</b>	<b>12.4%</b>	<b>27.9%</b>	<b>15.6%</b>	<b>28,680</b>	<b>-155,678</b>	<b>351,400</b>	<b>\$4.90</b>	<b>\$5.11</b>	<b>\$4.34</b>
Alameda	3,559,715	326,343	13,546	22.5%	9.4%	35.5%	18.0%	2,162	1,567	0	\$2.96	N/A	\$3.05
Berkeley	3,845,214	179,936	24,638	0.0%	5.8%	11.0%	8.0%	4,634	-66,933	0	\$3.60	N/A	\$3.71
Emeryville	4,573,137	552,885	19,062	11.7%	14.5%	14.7%	15.1%	9,221	-110,732	0	\$4.32	\$4.35	\$4.25
Oakland- Airport	2,610,993	197,276	18,431	6.6%	8.7%	8.0%	9.8%	5,730	-10,858	0	\$2.21	\$2.82	\$2.13
Richmond	1,214,075	50,306	12,537	N/A	7.3%	N/A	7.3%	3,278	1,122	0	\$2.27	N/A	\$2.27
<b>Oakland Suburban</b>	<b>15,803,134</b>	<b>1,306,746</b>	<b>88,214</b>	<b>10.1%</b>	<b>9.0%</b>	<b>14.9%</b>	<b>12.1%</b>	<b>25,025</b>	<b>-185,834</b>	<b>0</b>	<b>\$3.46</b>	<b>\$4.27</b>	<b>\$3.27</b>
<b>East Bay/ Oakland Total</b>	<b>30,466,278</b>	<b>2,783,398</b>	<b>419,457</b>	<b>11.9%</b>	<b>10.3%</b>	<b>23.8%</b>	<b>13.4%</b>	<b>53,705</b>	<b>-341,512</b>	<b>351,400</b>	<b>\$4.27</b>	<b>\$4.88</b>	<b>\$3.77</b>

## Historical Leasing vs Net Absorption



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