

THIRD QUARTER 2021

EAST BAY OFFICE REPORT

VACANCY & RENTS



Stagnant office leasing numbers contrast with continued investments in the East Bay Office Market.

The San Francisco Bay Area Office Market is starting to recover, but is still losing tenants and is on track to recover only to 11.7% vacancy by 2025 from the current 17.6 % vacant based on current absorption trends. Investors making the long play are still buying Office Buildings based on the SF Bay Area Economic Fundamentals of concentrations of technology, biotech, venture capital, research academic institutions, and a talented work force. In the Inner East Bay along the Alameda, Oakland, Emeryville and Berkeley corridor, continued expansion of new space for biosciences drives demand in suburban office buildings, while Downtown Oakland is attracting Technology Social Media Tenants from Downtown San Francisco, especially with headline-making Twitter moving into 1330 Broadway.

Third Quarter East Bay Suburban Office Lease transactions, totaling 179, are down on a quarterly basis compared to two years ago, at 225. Employers and Employees are still grappling with back to work policies with as much as 70% of the white collar and clerical work force still working remote. In addition, artificial intelligence, work force automation, offshoring and migration of companies out of the Inner Bay Area following their employees seeking affordable housing, are causing all firms to consider reducing their office footprints (in some cases by 30%).

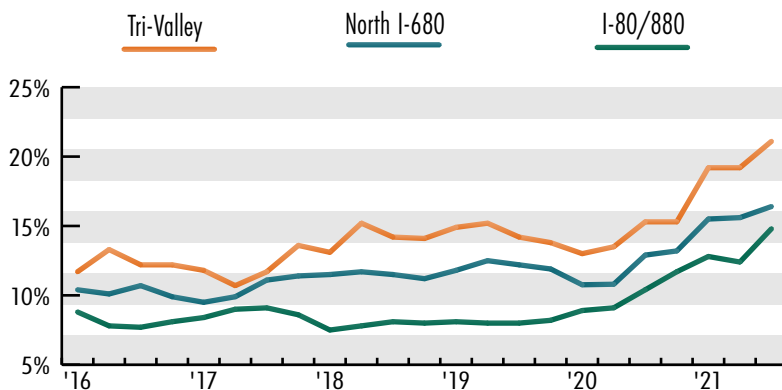
QTR Net Absorption

-597,183 SF

Sublease Vacancy Q2 vs Q3 2021

-158,513 SF

VACANCY RATES | Physically Vacant Space

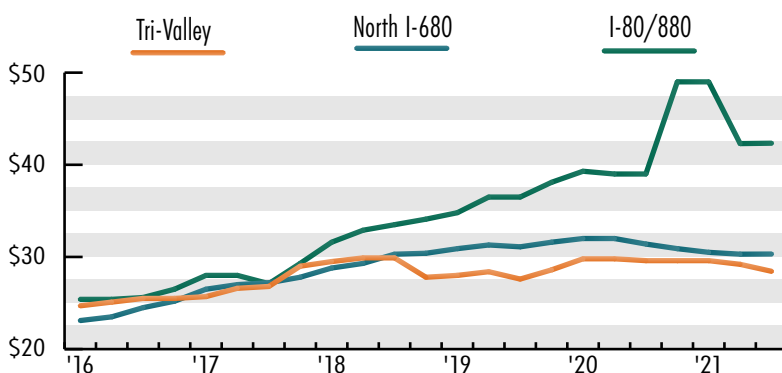


Change in Vacancy (YoY)



+4.5%

AVERAGE RENTAL RATES | Full Service Rents



Change in Asking Rents (YoY)



+1.2%

DEMAND & ECONOMY

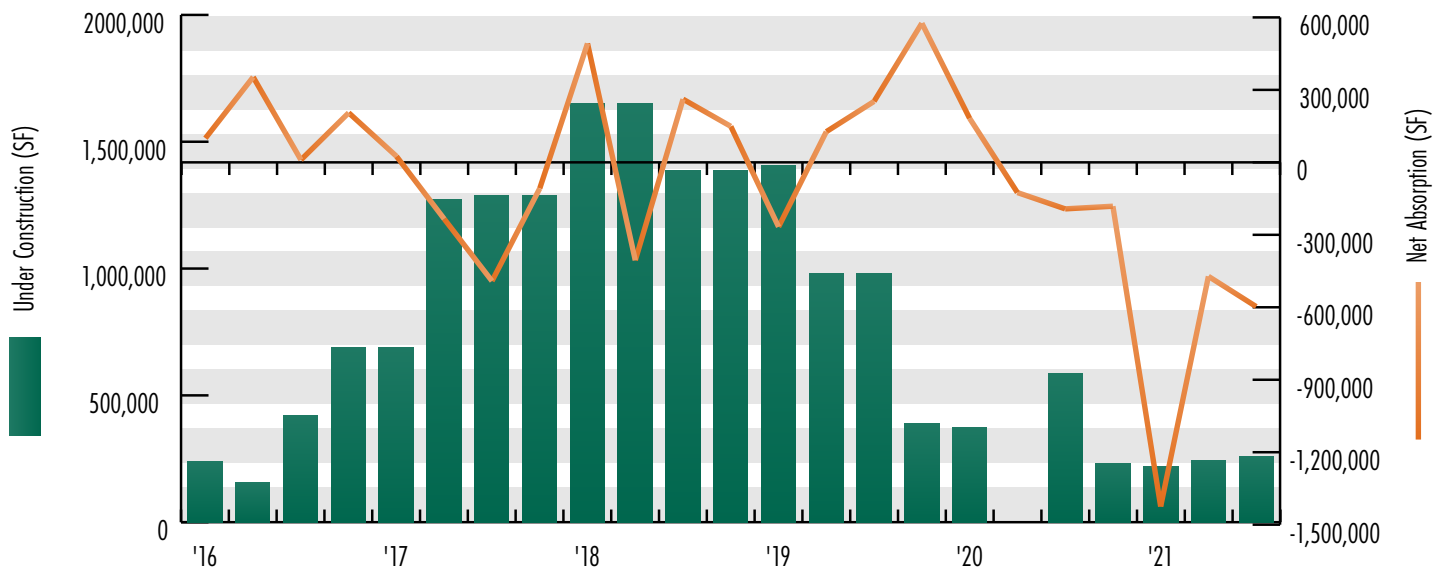


The exception to this trend is life sciences, medical and technology companies who are increasing their office/laboratory requirements - especially in the West Bay and along the 880 Corridor

Net absorption is down 2.12 million SF negative compared to the previous ten-year average of +268,000. Construction of new suburban office product not related to medical, technology, or life sciences will be on hold for at least the next few years due to a 2 year drop in rents growth by 7.7%.

Replacement rental rates along the Highway 680 Office Corridor are 40 to 50% of what are needed to build new office buildings. Remote work force trends, if they become permanent at approximately 30% working remotely, could alone dump 12 million or more underutilized suburban office space on the East Bay Market. The Highway 680 Corridor office market vacancy has increased to 16.5 % with over 567,000 sf of sublease space available. The Highest Vacancies surprisingly are in Walnut Creek and the Pleasant Hill BART submarkets in the North 680 Market. TriValley has a 21.1% vacancy rate.

UNDER CONSTRUCTION & NET ABSORPTION | Total Square Feet



LEASING ACTIVITY | EAST BAY METRO AREA

TENANT	Property Address	Lease Type	Size (SF)	Type
Callisto Media	1955 Broadway, Oakland	Sublease	78,070	B
Twitter	1330 Broadway, Oakland	New Lease	66,600	A
PG&E	300 Lakeside Dr, Oakland	Sublease	60,000	A
Sangamo BioSciences	501 Canal Blvd, Richmond	New Lease	51,488	B
Blackline Systems	4301 Hacienda Dr, Pleasanton	New Lease	18,454	B
Keller Williams	601 Sycamore Valley Rd W, Danville	New Lease	6,980	B

INVESTMENT & OUTLOOK

Average Sale Price PSF

**\$478**

Average Sale CAP Rate

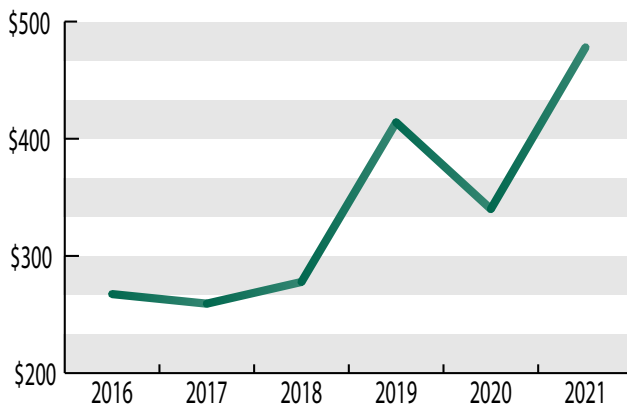
**5.9%**

Tenants have continued to shop around with tour velocity increasing, but a 12.7-month median vacancy window for office product staying on the market is demonstrating that leases contracts are not being signed in significant numbers. Some exceptions include the Twitter move, PG&E and Callisto media, who assigned mid-size arrangements for office space in Downtown Oakland.

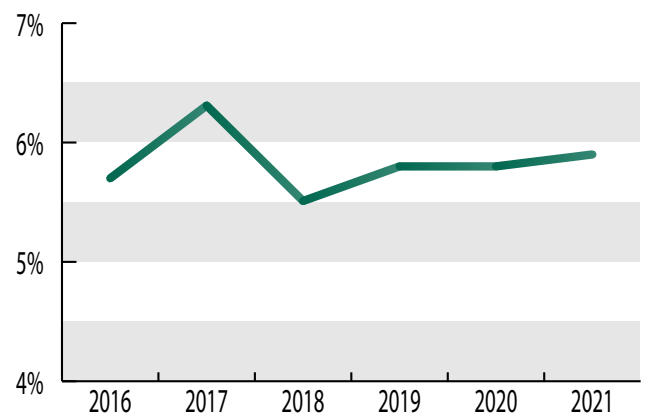
Third Quarter 2021 likely had the biggest East Bay Deal of the Year.

Swift Partners purchased 1111 Broadway in Downtown Oakland, previously owned by the University of California Office Regents, a nearly 560,000 SF, 24 story fixture of the Oakland skyline. One investment market that continues to show strength is small office tenants' buying their buildings as opposed to leasing, taking advantage of low SBA and conventional loan rates. How current high inflation and how long it lasts are key factors in the future impact of this market.

SALE PRICE PSF | EAST BAY REGIONAL TRENDS



CAP RATES | EAST BAY REGIONAL TRENDS



SALE TRANSACTIONS | NOTABLE OFFICE TRANSACTIONS

Property Address	Size (SF)	Sale Price	PSF	Buyer
1310 Harbor Bay Pkwy, Alameda	126,700	\$87,000,000	\$687.00	Nome Ventures
1111 Broadway, Oakland	550,953	\$327,500,000	\$594.00	Swift
2999 Regent St, Berkeley	49,429	\$19,600,000	\$397.00	Virtus RE Capital
1625 Clay St, Oakland	39,514	\$14,000,000	\$354.00	FH One Investments

STATISTICS BY SUBMARKET

Market/ Submarket	Total Inventory	Under Construction	Direct SF	Direct %	Sublease SF	Sublease %	Total SF	Total %	QTR Net Absor.	Average Asking Rent
Antioch/Pittsburg/Brentwood										
Class A	-	-	-	-	-	-	-	-	-	-
Class B	977,492	23,100	122,193	12.5%	-	-	122,193	12.5%	(3,138)	\$1.61
Class C	410,991	-	10,934	2.7%	-	-	10,934	2.7%	4,363	\$1.44
Total	1,388,483	23,100	133,127	9.6%	-	-	133,127	9.6%	1,225	\$1.53
Concord										
Class A	3,403,812	-	600,139	17.6%	60,928	1.8%	661,067	19.4%	25,353	\$2.17
Class B	1,474,210	-	160,976	10.9%	2,801	0.2%	163,777	11.1%	(10,763)	\$2.15
Class C	543,118	-	36,547	6.7%	-	-	36,547	6.7%	(268)	\$1.53
Total	5,421,140	-	797,662	14.7%	63,729	1.2%	861,391	15.9%	14,322	\$1.95
Danville/Alamo										
Class A	50,000	-	15,403	30.8%	-	-	15,403	30.8%	(2,652)	-
Class B	664,844	-	61,117	9.2%	2,601	0.4%	63,718	9.6%	2,195	\$2.72
Class C	248,631	-	7,625	3.1%	-	-	7,625	3.1%	(2,400)	-
Total	963,475	-	84,145	8.7%	2,601	0.3%	86,746	9.0%	(2,857)	\$2.72
Lamorinda										
Class A	-	-	-	-	-	-	-	-	-	-
Class B	854,454	17,000	87,386	10.2%	33,040	3.9%	120,426	14.1%	(12,835)	\$3.54
Class C	197,967	-	1,883	1.0%	-	-	1,883	1.0%	633	\$2.10
Total	1,052,421	17,000	89,269	8.5%	33,040	3.1%	122,309	11.6%	(12,202)	\$2.82
Martinez										
Class A	112,904	-	-	-	-	-	-	-	-	-
Class B	405,459	-	14,908	3.7%	-	-	14,908	3.7%	-	\$1.86
Class C	249,884	-	10,751	4.3%	-	-	10,751	4.3%	1,300	\$1.70
Total	768,247	-	25,659	3.3%	-	-	25,659	3.3%	1,300	\$1.78
Pleasant Hill										
Class A	134,000	-	14,225	10.6%	-	-	14,225	10.6%	(7,597)	-
Class B	788,966	-	104,803	13.3%	-	-	104,803	13.3%	(17,279)	\$2.45
Class C	170,751	-	24,216	14.2%	-	-	24,216	14.2%	1,329	\$2.19
Total	1,093,717	-	143,244	13.1%	-	-	143,244	13.1%	(23,547)	\$2.32
San Ramon										
Class A	3,785,224	-	480,484	12.7%	14,163	0.4%	494,647	13.1%	16,452	\$3.23
Class B	5,518,115	-	690,192	12.5%	291,128	5.3%	981,320	17.8%	(52,414)	\$2.64
Class C	203,785	-	30,405	14.9%	-	-	30,405	14.9%	(8,176)	\$2.46
Total	9,507,124	-	1,201,081	12.6%	305,291	3.2%	1,506,372	15.8%	(44,138)	\$2.78
Shadelands										
Class A	107,146	-	86,070	80.3%	-	-	86,070	80.3%	-	\$2.45
Class B	1,251,784	-	281,077	22.5%	1,670	0.1%	282,747	22.6%	(39,756)	\$2.10
Class C	369,752	-	36,052	9.8%	-	-	36,052	9.8%	(28,046)	\$1.84
Total	1,728,682	-	403,199	23.3%	1,670	0.1%	404,869	23.4%	(67,802)	\$2.13
Walnut Creek BART Drwn										
Class A	2,496,374	-	502,500	20.1%	39,727	1.6%	542,227	21.7%	(18,222)	\$4.03
Class B	2,179,068	-	311,919	14.3%	20,547	0.9%	332,466	15.3%	(11,216)	\$2.90
Class C	321,650	-	46,479	14.5%	-	-	46,479	14.5%	(5,200)	\$2.53
Total	4,997,092	-	860,898	17.2%	60,274	1.2%	921,172	18.4%	(34,638)	\$3.15
Walnut Creek/Pleasant Hill BART										
Class A	1,277,153	-	288,310	22.6%	100,866	7.9%	389,176	30.5%	(66,920)	\$3.97
Class B	597,398	-	144,719	24.2%	-	-	144,719	24.2%	(107)	\$3.64
Class C	-	-	-	-	-	-	-	-	-	-
Total	1,874,551	-	433,029	23.1%	100,866	5.4%	533,895	28.5%	(67,027)	\$3.81
North I-680 Market Totals										
Class A	11,366,613	-	1,987,131	17.5%	215,684	1.9%	2,202,815	19.4%	(53,586)	\$3.39
Class B	14,711,790	40,100	1,979,290	13.5%	351,787	2.4%	2,331,077	15.8%	(145,313)	\$2.56
Class C	2,716,529	-	204,892	7.5%	-	-	204,892	7.5%	(36,465)	\$1.97
Total	28,794,932	40,100	4,171,313	14.5%	567,471	2.0%	4,738,784	16.5%	(235,364)	\$2.64

STATISTICS BY SUBMARKET

Market/ Submarket	Total Inventory	Under Construction	Direct SF	Direct %	Sublease SF	Sublease %	Total SF	Total %	QTR Net Absor.	Average Asking Rent
Alameda										
Class A	-	220,710	-	-	-	-	-	-	-	-
Class B	2,271,573	-	319,287	14.1%	73,009	3.2%	392,296	17.3%	37,123	\$2.65
Class C	1,096,552	-	600	0.1%	-	-	600	0.1%	41,347	\$2.08
Total	3,368,125	220,710	319,887	9.5%	73,009	2.2%	392,896	11.7%	78,470	\$2.37
Berkeley										
Class A	300,000	-	-	-	-	-	-	-	-	-
Class B	3,074,663	-	217,377	7.1%	27,866	0.9%	245,243	8.0%	(66,526)	\$3.79
Class C	1,173,863	-	142,131	12.1%	10,000	0.9%	152,131	13.0%	4,175	\$3.56
Total	4,548,526	-	359,508	7.9%	37,866	0.8%	397,374	8.7%	(62,351)	\$3.68
Emeryville										
Class A	2,356,966	-	305,969	13.0%	112,711	4.8%	418,680	17.8%	74,949	\$4.50
Class B	1,395,534	-	340,297	24.4%	38,493	2.8%	378,790	27.1%	6,924	\$4.50
Class C	400,199	-	15,781	3.9%	-	-	15,781	3.9%	2,769	\$3.25
Total	4,152,699	-	662,047	15.9%	151,204	3.6%	813,251	19.6%	84,642	\$4.50
Hayward										
Class A	175,918	-	-	-	-	-	-	-	-	-
Class B	991,888	-	62,047	6.3%	1,170	0.1%	63,217	6.4%	31,205	\$1.94
Class C	1,084,158	-	26,167	2.4%	-	-	26,167	2.4%	(5,297)	\$1.55
Total	2,251,964	-	88,214	3.9%	1,170	0.1%	89,384	4.0%	25,908	\$1.75
Oakland - South/Airport										
Class A	332,473	-	15,453	4.6%	-	-	15,453	4.6%	5,372	\$2.85
Class B	2,106,985	-	169,814	8.1%	19,146	0.9%	188,960	9.0%	11,242	\$2.24
Class C	1,075,608	-	39,543	3.7%	1,170	0.1%	40,713	3.8%	3,420	\$1.90
Total	3,515,066	-	224,810	6.4%	20,316	0.6%	245,126	7.0%	20,034	\$2.33
Oakland Downtown										
Class A	8,304,374	-	2,054,381	24.7%	282,363	3.4%	2,336,744	28.1%	(544,552)	\$5.18
Class B	7,181,229	-	951,885	13.3%	206,054	2.9%	1,157,939	16.1%	(12,659)	\$4.62
Class C	1,153,042	-	65,777	5.7%	6,767	0.6%	72,544	6.3%	4,599	\$4.00
Total	16,638,645	-	3,072,043	18.5%	495,184	3.0%	3,567,227	21.4%	(552,612)	\$4.60
Oakland Port/Jack London										
Class A	-	-	-	-	-	-	-	-	-	-
Class B	930,064	-	123,161	13.2%	7,927	0.9%	131,088	14.1%	(1,780)	\$4.15
Class C	378,985	-	18,960	5.0%	-	-	18,960	5.0%	1,900	\$3.90
Total	1,309,049	-	142,121	10.9%	7,927	0.6%	150,048	11.5%	120	\$4.03
Oakland North										
Class A	-	-	-	-	-	-	-	-	-	-
Class B	1,115,676	-	1,126,076	100.9%	63,515	5.7%	1,189,591	106.6%	31,460	\$3.23
Class C	634,878	-	21,018	3.3%	22,100	3.5%	43,118	6.8%	500	\$3.18
Total	1,750,554	-	1,147,094	65.5%	85,615	4.9%	1,232,709	70.4%	31,960	\$3.21
Richmond/San Pablo										
Class A	-	-	-	-	-	-	-	-	-	-
Class B	914,982	-	117,359	12.8%	1,000	0.1%	118,359	12.9%	(64)	\$2.36
Class C	462,808	-	4,499	1.0%	-	-	4,499	1.0%	-	\$1.94
Total	1,377,790	-	121,858	8.8%	1,000	0.1%	122,858	8.9%	(64)	\$2.15
San Leandro										
Class A	132,725	-	-	-	-	-	-	-	-	-
Class B	991,326	-	36,282	3.7%	-	-	36,282	3.7%	5,509	\$2.47
Class C	429,827	-	28,970	6.7%	-	-	28,970	6.7%	(672)	\$1.92
Total	1,553,878	-	65,252	4.2%	-	-	65,252	4.2%	4,837	\$2.20

STATISTICS BY SUBMARKET

Market/ Submarket	Total Inventory	Under Construction	Direct SF	Direct %	Sublease SF	Sublease %	Total SF	Total %	QTR Net Absor.	Average Asking Rent
Union City										
Class A	-	-	-	-	-	-	-	-	-	-
Class B	72,879	-	9,450	13.0%	-	-	9,450	13.0%	(9,450)	\$2.08
Class C	64,176	-	3,508	5.5%	-	-	3,508	5.5%	-	\$1.58
Total	137,055	-	12,958	9.5%	-	-	12,958	9.5%	(9,450)	\$1.69
Oakland I-80/880 Market Totals										
Class A	11,602,456	220,710	2,375,803	20.5%	395,074	3.4%	2,770,877	23.9%	(464,231)	\$3.34
Class B	21,046,799	-	3,473,035	16.5%	438,180	2.1%	3,911,215	18.6%	32,984	\$3.09
Class C	7,954,096	-	366,954	4.6%	40,037	0.5%	406,991	5.1%	52,741	\$2.62
Total	40,603,351	220,710	6,215,792	15.3%	873,291	2.2%	7,089,083	17.5%	(378,506)	\$3.02
Dublin										
Class A	1,046,613	-	85,916	8.2%	174,209	16.6%	260,125	24.9%	-	\$3.22
Class B	657,842	-	36,636	5.6%	803	0.1%	37,439	5.7%	(813)	\$1.88
Class C	141,692	-	5,619	4.0%	-	0.0%	5,619	4.0%	(655)	-
Total	1,846,147	-	128,171	6.9%	175,012	9.5%	303,183	16.4%	(1,468)	\$2.55
Pleasanton										
Class A	1,934,531	-	358,694	18.5%	92,187	4.8%	450,881	23.3%	96,986	\$3.43
Class B	5,043,601	-	909,320	18.0%	151,769	3.0%	1,061,089	21.0%	(35,239)	\$2.79
Class C	329,086	-	35,180	10.7%	-	-	35,180	10.7%	(494)	\$2.46
Total	7,307,218	-	1,303,194	17.8%	243,956	3.3%	1,547,150	21.2%	61,253	\$2.89
Livermore										
Class A	-	-	-	-	-	-	-	-	-	-
Class B	989,298	-	204,066	20.6%	71,161	7.2%	275,227	27.8%	(61,404)	\$1.75
Class C	174,579	-	52,948	30.3%	-	-	52,948	30.3%	-	1.61
Total	1,163,877	-	257,014	22.1%	71,161	6.1%	328,175	28.2%	(61,404)	\$1.68
Tri-Valley Market Totals										
Class A	2,981,144	-	444,610	14.9%	266,396	8.9%	711,006	23.9%	96,986	\$3.33
Class B	6,690,741	-	1,150,022	17.2%	223,733	3.3%	1,373,755	20.5%	(97,456)	\$2.14
Class C	645,357	-	93,747	14.5%	-	-	93,747	14.5%	(1,149)	\$2.04
Total	10,317,242	-	1,688,379	16.4%	490,129	4.8%	2,178,508	21.1%	(1,619)	\$2.50
TOTAL EAST BAY										
Class A	25,950,213	220,710	4,807,544	18.5%	877,154	3.4%	5,684,698	21.9%	(420,831)	\$3.35
Class B	42,449,330	40,100	6,602,347	15.6%	1,013,700	2.4%	7,616,047	17.9%	(209,785)	\$2.60
Class C	11,315,982	-	665,593	5.9%	40,037	0.4%	705,630	6.2%	15,127	\$2.30
TOTAL	79,715,525	260,810	12,075,484	15.1%	1,930,891	2.4%	14,006,375	17.6%	(615,489)	\$2.75



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TRI Commercial | Q3 Market Trends 2021



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