

SECOND QUARTER 2023

EAST BAY OFFICE REPORT

VACANCY & RENTS

- The biggest headline in East Bay Office space was the quarter's end option exercised by PG&E to buy the building at 300 Lakeside Drive, Oakland for a high mark-up after several years of renovation construction on the Oakland building. (i.e. purchase price was \$892,000,000, or \$980 per square foot.)
- Office Vacancies continued to rise steadily while rents have steadily decreased despite positive job creation across the East Bay. This is not good news for Office Building Investors and predictors foresee several buildings will be given back to lenders later this fall.

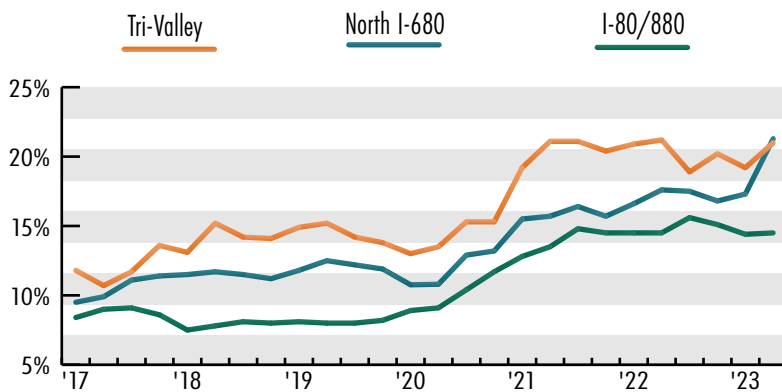
1st QTR Net Absorption

-1,330,610 SF

Sublease Space Available

1.8 M SF

VACANCY RATES | Physically Vacant Space

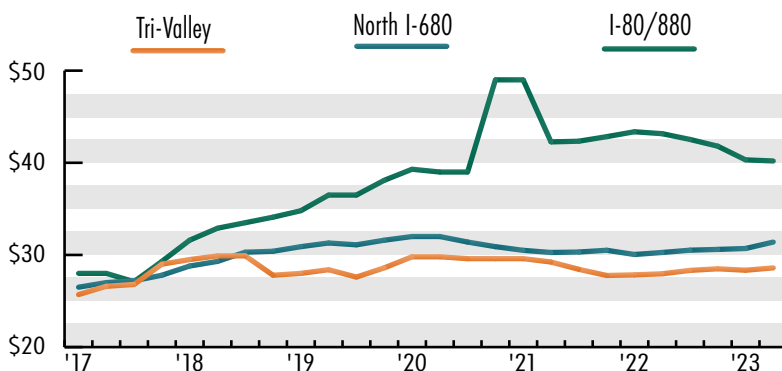


Change in Vacancy (YoY)



+1.0%

AVERAGE RENTAL RATES | Full Service Rents



Change in Asking Rents (YoY)

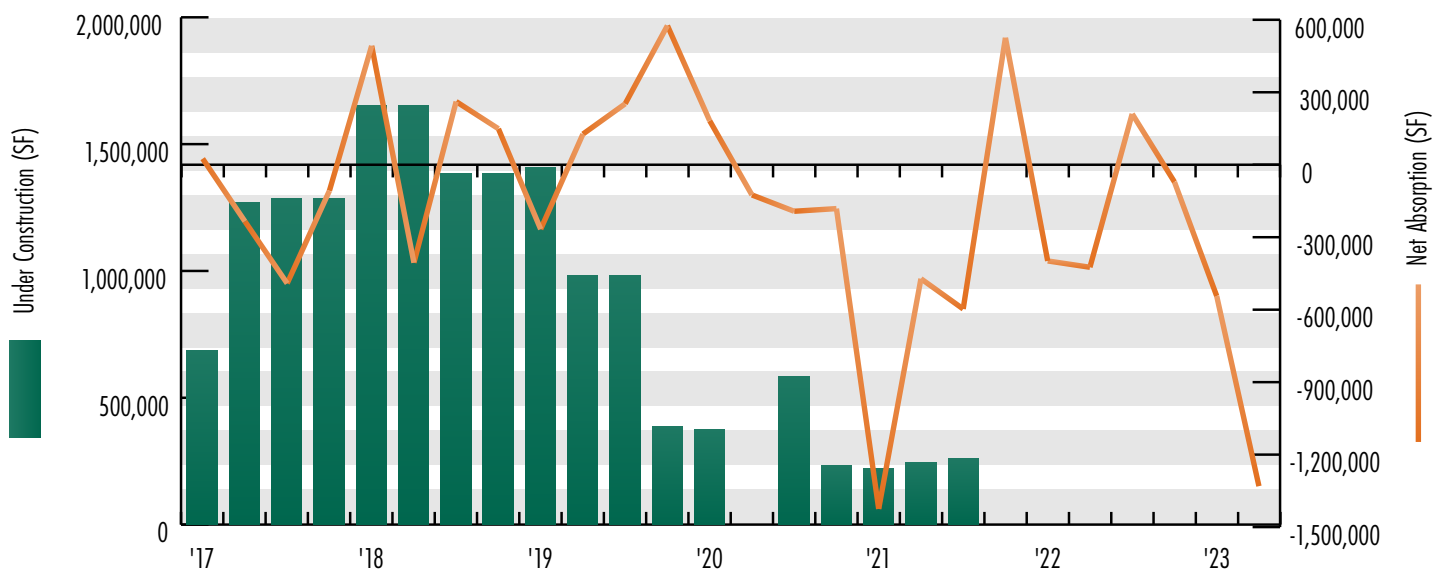


-3.9%

DEMAND & ECONOMY

- Office Space Absorption was negative with over a million SF of office space put on market in the quarter. This is the biggest release since early 2021. Sublease vacancy specifically persists in great numbers, (1.8 million SF), and suffers from being stuck with low odds for finding viable subletters.
- Remote work trends continue to affect various East Bay Downtowns.
- UC Berkeley Regents bought a building in Berkeley – highest size transaction in Berkeley in a while, PSF was in the \$300s, which was less than the cost to rebuild the building.
- Dublin, San Leandro, Pleasant Hill BART all saw significant rent declines

UNDER CONSTRUCTION & NET ABSORPTION | Total Square Feet



LEASING ACTIVITY | EAST BAY METRO AREA

TENANT	Property Address	Size (SF)	Type
Alameda Health System	55 Harrison St, Oakland	20-30k	New Lease
Cornerstone OnDemand	4120 Dublin Blvd, Dublin	10-20k	Renewal
Altair Global Services	201 North Civic Dr, Walnut Creek	10-20k	Renewal
RGN- Walnut Creek II	2121 North California Blvd, , Walnut Creek	10-20k	Renewal
MUFG Union Bank	200 Pringle Ave, Walnut Creek	10-20k	Renewal

INVESTMENT & OUTLOOK

Average Sale CAP Rate

**6.8%**

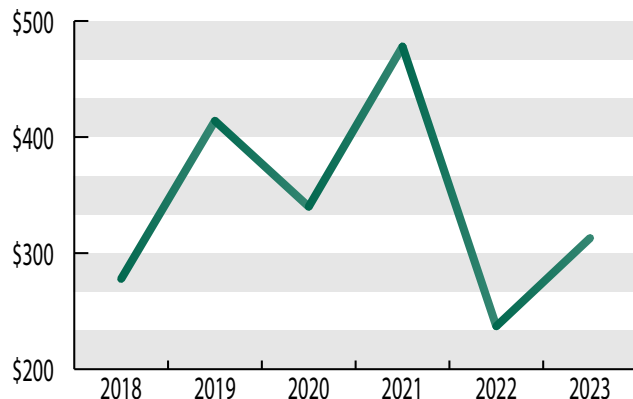
- Downtown Oakland especially took a hit with a \$.30 per sf effective rent drop.
- Velocity of transactions continues to be extremely slow. Most large recorded transactions are simply lease renewals and new lease signings are estimated to have decreased by 60%.

Average Sale Price PSF

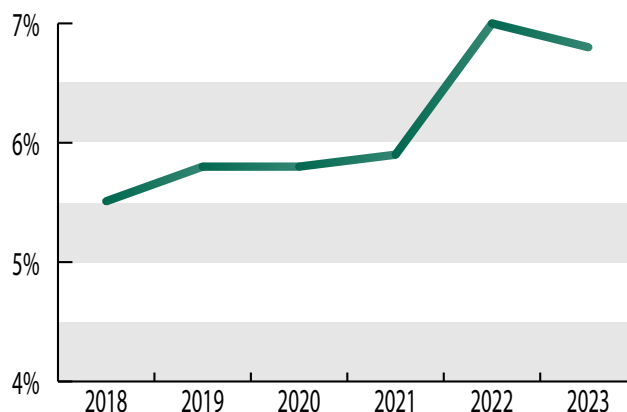
**\$345**

- The lack of office occupancy is hurting retailers in Downtown cores such as San Francisco, Oakland, Concord, and Pleasanton. Cities such as Walnut Creek, for example, while hurting heavily in the office sector, has retail less interwoven into office towers and therefore has retained a stronger mass of restaurants and shops.

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
2105-2107 Bancroft Way	34,118	\$13,200,000	\$386.89	The Regents of the University of California
2039 Kala Bagai Way	20,670	\$8,000,000	\$387.03	Okada Bros Inc
2600 Old Crow Canyon Rd	9,528	\$4,400,000	\$461.80	2600 Occ LLC
809 Podva Rd	3,764	\$2,790,000	\$741.23	Master Wealth Properties LLC
2220-2228 Camino Ramon	6,240	\$2,000,000	\$320.51	Swan Realty Investment LLC

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	0	0	0	-	0	-	0	-	0	-
Class B	1,037,819	0	138,604	13.4%	0	0.0%	138,604	13.4%	(19,773)	\$1.51
Class C	415,106	0	19,675	4.7%	0	0.0%	19,675	4.7%	8,411	-
Total	1,452,925	0	158,279	10.9%	0	0.0%	158,279	10.9%	(11,362)	\$1.51
Concord										
Class A	3,387,203	0	1,159,848	34.2%	35,619	1.1%	1,195,467	35.3%	(626,708)	\$2.75
Class B	1,521,036	0	198,265	13.0%	699	0.0%	198,964	13.1%	(22,315)	\$1.72
Class C	474,885	0	14,470	3.0%	1,015	0.2%	15,485	3.3%	(2,016)	-
Total	5,383,124	0	1,372,583	25.5%	37,333	0.7%	1,409,916	26.2%	(651,039)	\$2.24
Danville/Alamo										
Class A	50,000	0	8,553	17.1%	0	0.0%	8,553	17.1%	(744)	\$3.97
Class B	685,480	0	73,185	10.7%	6,400	0.9%	79,585	11.6%	(1,785)	\$2.74
Class C	177,221	0	8,646	4.9%	0	0.0%	8,646	4.9%	490	\$-
Total	912,701	0	90,384	9.9%	6,400	0.7%	96,784	10.6%	(2,039)	\$1.37
Lamorinda										
Class A	0	0	0	-	0	-	0	-	0	-
Class B	844,339	0	76,857	9.1%	7,796	0.9%	84,653	10.0%	(7,736)	\$3.54
Class C	187,302	0	3,168	1.7%	0	0.0%	3,168	1.7%	0	\$2.25
Total	1,031,641	0	80,025	7.8%	7,796	0.8%	87,821	8.5%	(7,736)	\$2.90
Martinez										
Class A	112,904	0	0	0.0%	0	0.0%	0	0.0%	0	-
Class B	290,795	0	30,323	10.4%	0	0.0%	30,323	10.4%	(14,044)	\$1.84
Class C	224,005	0	16,600	7.4%	0	0.0%	16,600	7.4%	(1,382)	\$1.76
Total	627,704	0	46,923	7.5%	0	0.0%	46,923	7.5%	(15,426)	\$1.80
Pleasant Hill										
Class A	134,759	0	18,868	14.0%	0	0.0%	18,868	14.0%	5,423	\$3.10
Class B	794,240	0	79,400	10.0%	0	0.0%	79,400	10.0%	15,448	\$2.29
Class C	148,071	0	18,906	12.8%	0	0.0%	18,906	12.8%	-	\$2.22
Total	1,077,070	0	117,174	10.9%	0	0.0%	117,174	10.9%	20,871	\$2.54
San Ramon										
Class A	3,784,106	0	1,256,747	33.2%	24,815	0.7%	1,281,562	33.9%	(434,517)	\$3.22
Class B	4,541,732	0	521,235	11.5%	234,690	5.2%	755,925	16.6%	25,879	\$2.81
Class C	175,101	0	4,523	2.6%	0	0.0%	4,523	2.6%	(3,038)	\$2.43
Total	8,500,939	0	1,782,505	21.0%	259,505	3.1%	2,042,010	24.0%	(411,676)	\$2.82
Shadelands										
Class A	107,146	0	95,297	88.9%	0	0.0%	95,297	88.9%	(9,827)	\$2.59
Class B	1,403,680	0	265,450	18.9%	14,483	1.0%	279,933	19.9%	(16,033)	\$2.20
Class C	422,025	0	41,645	9.9%	0	0.0%	41,645	9.9%	(5,352)	\$2.11
Total	1,932,851	0	402,392	20.8%	14,483	0.7%	416,875	21.6%	(31,212)	\$2.30
Walnut Creek BART Drwn										
Class A	2,425,554	0	494,973	20.4%	58,266	2.4%	553,239	22.8%	(10,914)	\$4.04
Class B	2,578,588	0	453,055	17.6%	23,367	0.9%	476,422	18.5%	(1,772)	\$3.02
Class C	383,201	0	23,472	6.1%	1,000	0.3%	24,472	6.4%	2,226	\$2.47
Total	5,387,343	0	971,500	18.0%	82,633	1.5%	1,054,133	19.6%	(10,460)	\$3.18
Walnut Creek/Pleasant Hill BART										
Class A	1,298,464	0	366,748	28.2%	88,128	6.8%	454,876	35.0%	(34,021)	\$3.82
Class B	606,726	0	158,577	26.1%	4,412	0.7%	162,989	26.9%	1,739	\$3.14
Class C	0	0	0	-	0	-	0	-	0	-
Total	1,905,190	0	525,325	27.6%	92,540	4.9%	617,865	32.4%	(32,282)	\$3.48
North I-680 Market Totals										
Class A	11,300,136	0	3,401,034	30.1%	206,828	1.8%	3,607,862	31.9%	(1,111,308)	\$3.47
Class B	14,304,435	0	1,994,951	13.9%	291,847	2.0%	2,286,798	16.0%	(40,392)	\$2.48
Class C	2,606,917	0	151,105	5.8%	2,015	0.1%	153,120	5.9%	(661)	\$1.89
Total	28,211,488	0	5,547,090	19.7%	500,690	1.8%	6,047,780	21.4%	(1,152,361)	\$2.62

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	0	0	0.0%	0	0.0%	0	0.0%	0	-
Class B	2,262,101	0	235,334	10.4%	0	0.0%	235,334	10.4%	(24,998)	\$2.62
Class C	1,080,869	0	21,159	2.0%	0	0.0%	21,159	2.0%	-	\$2.23
Total	3,563,680	0	256,493	7.2%	0	0.0%	256,493	7.2%	(24,998)	\$2.43
Berkeley										
Class A	334,091	0	0	0.0%	0	0.0%	0	0.0%	0	-
Class B	3,022,191	0	199,078	6.6%	80,769	2.7%	279,847	9.3%	25,752	\$3.58
Class C	1,153,900	0	102,475	8.9%	0	0.0%	102,475	8.9%	15,221	\$3.17
Total	4,510,182	0	301,553	6.7%	80,769	1.8%	382,322	8.5%	40,973	\$3.38
Emeryville										
Class A	2,304,676	-	491,244	21.3%	277,537	12.0%	768,781	33.4%	29,233	\$4.63
Class B	1,133,331	0	168,692	14.9%	52,424	4.6%	221,116	19.5%	3,739	\$4.50
Class C	528,463	0	54,899	10.4%	16,800	3.2%	71,699	13.6%	(18,200)	\$1.50
Total	3,966,470	0	714,835	18.0%	346,761	8.7%	1,061,596	26.8%	14,772	\$4.57
Hayward										
Class A	314,878	0	14,722	4.7%	0	0.0%	14,722	4.7%	287	\$-
Class B	820,012	0	68,725	8.4%	13,132	1.6%	81,857	10.0%	(7,284)	\$2.04
Class C	1,104,016	0	59,963	5.4%	0	0.0%	59,963	5.4%	(26,131)	\$1.89
Total	2,238,906	0	143,410	6.4%	13,132	0.6%	156,542	7.0%	(33,128)	\$1.97
Oakland - South/Airport										
Class A	332,473	0	8,155	2.5%	0	0.0%	8,155	2.5%	8,201	\$2.99
Class B	1,964,141	0	288,257	14.7%	0	0.0%	288,257	14.7%	20,641	\$2.53
Class C	1,071,479	0	44,473	4.2%	0	0.0%	44,473	4.2%	(10,855)	\$2.21
Total	3,368,093	0	340,885	10.1%	0	0.0%	340,885	10.1%	17,987	\$2.58
Oakland Downtown										
Class A	8,489,228	0	1,732,410	20.4%	144,351	1.7%	1,876,761	22.1%	(105,322)	\$5.14
Class B	7,299,811	0	1,168,218	16.0%	123,603	1.7%	1,291,821	17.7%	40,098	\$4.37
Class C	1,491,078	0	80,004	5.4%	5,467	0.4%	85,471	5.7%	20,008	\$3.05
Total	17,280,117	0	2,980,632	17.2%	273,421	1.6%	3,254,053	18.8%	(45,216)	\$4.19
Oakland Port/Jack London										
Class A	0	0	0	-	0	-	0	-	0	
Class B	827,959	0	132,384	16.0%	6,695	0.8%	139,079	16.8%	(8,487)	\$3.44
Class C	277,357	0	11,345	4.1%	0	0.0%	11,345	4.1%	(600)	\$3.25
Total	1,105,316	0	143,729	13.0%	6,695	0.6%	150,424	13.6%	(9,087)	\$3.35
Oakland North										
Class A	0	0	0	-	0	-	0	-	0	
Class B	1,136,058	0	108,929	9.6%	93,532	8.2%	202,461	17.8%	(13,841)	\$2.97
Class C	679,696	0	24,996	3.7%	0	0.0%	24,996	3.7%	16,733	
Total	1,815,754	0	133,925	7.4%	93,532	5.2%	227,457	12.5%	2,892	\$2.97
Richmond/San Pablo										
Class A	0	0	0	-	0	-	0	-	0	
Class B	968,110	0	113,049	11.7%	0	0.0%	113,049	11.7%	16,751	\$2.10
Class C	500,688	0	11,000	2.2%	0	0.0%	11,000	2.2%	0	\$1.68
Total	1,468,798	0	124,049	8.4%	0	0.0%	124,049	8.4%	16,751	\$1.89
San Leandro										
Class A	132,725	0	0	0.0%	0	0.0%	0	0.0%	0	
Class B	1,043,949	0	40,731	3.9%	0	0.0%	40,731	3.9%	(14,796)	\$2.81
Class C	390,331	0	11,137	2.9%	0	0.0%	11,137	2.9%	(2,608)	\$1.80
Total	1,567,005	0	51,868	3.3%	0	0.0%	51,868	3.3%	(17,404)	\$2.31

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	0	0	0	-	0	-	0	-	0	
Class B	72,879	0	0	0.0%	0	0.0%	0	0.0%	0	\$1.73
Class C	66,911	0	0	0.0%	0	0.0%	0	0.0%	0	\$1.65
Total	139,790	0	0	0.0%	0	0.0%	0	0.0%	0	\$1.69
Oakland I-80/880 Market Totals										
Class A	12,128,781	0	2,246,531	18.5%	421,888	3.5%	2,668,419	22.0%	(67,601)	\$3.24
Class B	20,550,542	0	2,523,397	12.3%	370,155	1.8%	2,893,552	14.1%	37,575	\$2.97
Class C	8,344,788	0	421,451	5.1%	22,267	0.3%	443,718	5.3%	(6,432)	\$2.24
Total	41,024,111	0	5,191,379	12.7%	814,310	2.0%	6,005,689	14.6%	(36,458)	\$2.82
Dublin										
Class A	1,133,114	0	216,062	19.1%	74,627	6.6%	290,689	25.7%	(6,830)	\$3.22
Class B	657,842	0	38,694	5.9%	0	0.0%	38,694	5.9%	1,582	\$1.78
Class C	147,628	0	5,780	3.9%	4,104	2.8%	9,884	6.7%	(2,906)	\$-
Total	1,938,584	0	260,536	13.4%	78,731	4.1%	339,267	17.5%	(8,154)	\$1.67
Pleasanton										
Class A	2,210,644	0	253,195	11.5%	111,513	5.0%	364,708	16.5%	(17,162)	\$3.30
Class B	4,944,596	0	885,750	17.9%	227,752	4.6%	1,113,502	22.5%	(108,062)	\$2.72
Class C	286,248	0	13,428	4.7%	0	0.0%	13,428	4.7%	(649)	\$2.28
Total	7,441,488	0	1,152,373	15.5%	339,265	4.6%	1,491,638	20.0%	(125,873)	\$2.77
Livermore										
Class A	0	0	0	-	0	-	0	-	0	
Class B	960,593	0	143,469	14.9%	71,161	7.4%	214,630	22.3%	6,190	\$2.10
Class C	226,625	0	71,845	31.7%	0	0.0%	71,845	31.7%	(1,000)	\$1.68
Total	1,187,218	0	215,314	18.1%	71,161	6.0%	286,475	24.1%	5,190	\$1.89
Tri-Valley Market Totals										
Class A	3,343,758	-	469,257	14.0%	186,140	5.6%	655,397	19.6%	(23,992)	\$3.26
Class B	6,563,031	-	1,067,913	16.3%	298,913	4.6%	1,366,826	20.8%	(100,290)	\$2.20
Class C	660,501	-	91,053	13.8%	4,104	0.6%	95,157	14.4%	(4,555)	\$1.32
Total	10,567,290	0	1,628,223	15.4%	489,157	4.6%	2,117,380	20.0%	(128,837)	\$2.26
TOTAL EAST BAY										
Class A	26,772,675	34,905	6,116,822	22.8%	814,856	3.0%	6,931,678	25.9%	(1,202,901)	\$3.32
Class B	41,418,008	0	5,586,261	13.5%	960,915	2.3%	6,547,176	15.8%	(103,107)	\$2.55
Class C	11,612,206	18,825	663,609	5.7%	28,386	0.2%	691,995	6.0%	(11,648)	\$2.07
TOTAL	79,802,889	53,730	12,366,692	15.5%	1,804,157	2.3%	14,170,849	17.8%	(1,317,656)	\$2.65



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TRI Commercial | Q1 Market Trends 2023



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