

# OAKLAND METROPOLITAN AREA OFFICE Q3 2019

Accelerating success.

## A Tale of Two Markets

- › Vacancy remained low at 6.1%
- › Overall office asking rate: \$4.33
- › Leasing activity is 1,167,699 SF year to date

The overall vacancy rate for office product along the I-80/880 Corridor has remained essentially unchanged at 6.1 percent for the first three quarters of 2019. There is an underlying potential for the vacancy rate to increase to 6.9 percent by the end of the first quarter of 2020 when properties currently under construction are expected to come online. We expect portions of those spaces to pre-lease, thus vacancy is not expected to climb much higher than 6.5 percent through the first quarter of next year. The office properties under construction tracked by Colliers include 601 City Center and 1100 Broadway in Oakland, as well as 2120 Berkeley Way in Berkeley.

Rental rates are increasing, most evident in newer construction properties such as the currently under construction aforementioned 601 City Center and the existing 1111 Broadway in Oakland where rents are passing \$6.00 per square foot; as well as in Alameda where the Marina Village property is being re-positioned into a life sciences

### Market Indicators

United States  
Unemployment Rate

10-Year Nominal  
Interest Rate

Consumer  
Confidence

3.5%

1.68  
%

125.1

### Market Trends

Relative to prior period

Q3 2019

Q4 2019\*

Vacancy



Rental Rate



Net Absorption



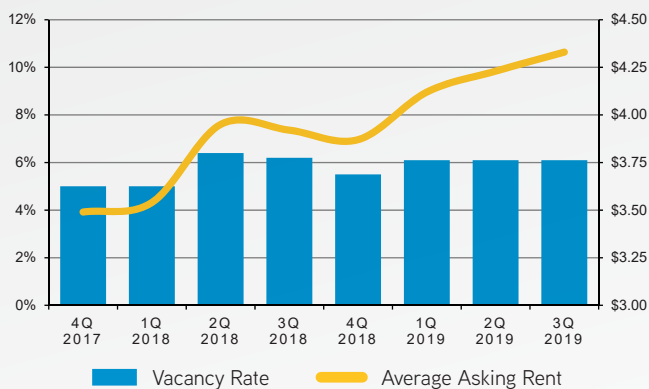
Construction



\*Projected

### Vacancy vs. Asking Full Service Rental Rates

Oakland Metropolitan Area | All Classes



Overall vacancy rates and asking rates increased in the first quarter of 2019. Vacancy ticked upward by 60 basis points, which was driven by a re-delivery of second generation space at 2150 Webster Street. Total asking rates increased \$0.25, from \$3.87 in Q4 2018 to \$4.12 in Q1 2019.

### Summary Statistics

Q3 2019 Oakland Metropolitan Area  
Office Market

Previous  
Quarter

Current  
Quarter

Overall Vacancy

6.10%

6.10%

Net Absorption

90

(7,011)

Construction Completed

0

0

Under Construction

986,500

986,500

Overall Asking Rents

\$4.23

\$4.33

Class A Asking Rents

\$4.81

\$4.95

Class B/C Flex Asking Rents

\$3.96

\$3.99

### U.S. National Economic Indicators

U.S. Unemployment Rate

3.60%

3.50%

Oakland Unemployment Rate

4.20%

4.10%

California Unemployment Rate

2.20%

3.10%

Contra Costa Unemployment Rate

2.60%

3.20%

U.S. Labor Force Participation Rate

62.90%

63.20%

U.S. Consumer Price Index

2.56%

2.57%

U.S. Interest Rate - 10 Yr Treasury

2.00%

1.68%

U.S. Business Confidence Index

99.60

98.90

U.S. Consumer Confidence Index

121.50

125.10

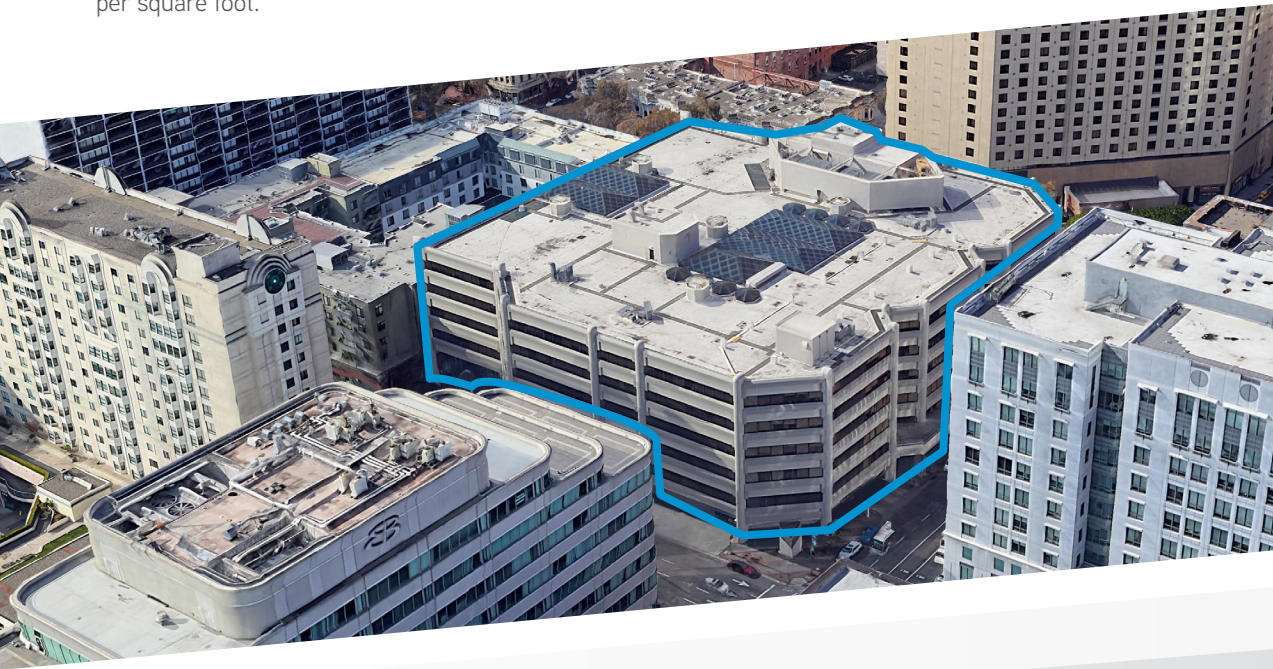
hub. However, rents are a tale of two markets, with Oakland and Alameda increasing while Emeryville and Berkeley rents remain flat.

In Alameda, Local Capital Group and DRA Advisors added to their Q2 purchase of Marina Village with the purchase of the adjacent former Wind River site with plans to convert the project into a life sciences hub. Traditionally, biotech has played a secondary role to traditional office product, but is now coming into its own as new owners such as Local Capital and BioMed Realty look to compete with tenured owners such as Wareham Development.

The investment arena was relatively quiet on a transactional volume basis, but got everyone’s attention with the investment sale of 180 Grand Avenue in Oakland, a 278,538 square foot office building to AXA Investment Managers for \$175,000,000 setting a new price per square foot record high for office properties in Oakland of \$628 per square foot.

Significant leases were signed this quarter with the Oakland Unified School District committing to 59,284 square feet, Credit Karma taking 57,600 square feet, WeWork inked a deal for 37,256 square feet and Launch Darkly transacted on 20,544 square feet in Oakland. Adobe renewed in 55,975 square feet and Zymergen inked a deal for 57,000 square feet, committing both firms to long term deals in Emeryville.

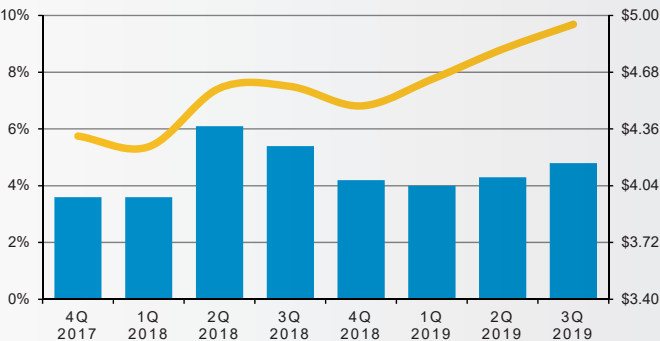
Leasing activity over the next six months is expected to increase as firms look to escape the more expensive markets in San Francisco and the South Bay, including businesses already located here who are considering a renewal or expansion.



SIGNIFICANT TRANSACTION:  
1000 BROADWAY  
FLOORS 1-4  
OAKLAND CA

Vacancy vs. Asking Full Service Rental Rates

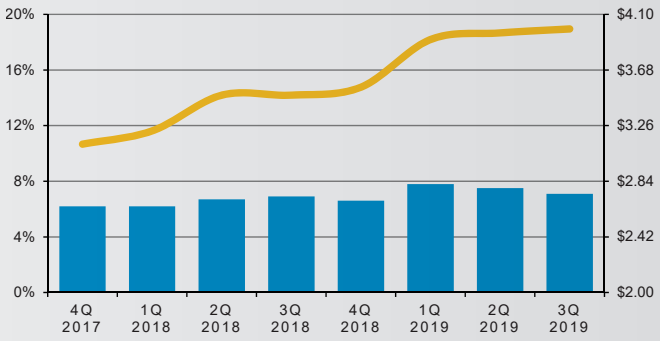
Oakland Metropolitan Area | Class A



Vacancy Rate Average Asking Rent

Vacancy vs. Asking Full Service Rental Rates

Oakland Metropolitan Area | Class B



## Significant Lease Activity



## Significant Sale Activity

PROPERTY ADDRESS	SALE DATE	SIZE	BUYER	TYPE
180 Grand Avenue, Oakland	Jul-2019	278,538	AXA Investment Managers	Investment

## Market Comparisons – Oakland

### OFFICE MARKET

CLASS	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	AVG ASKING FULL SERVICE
CBD SECTION												
OAKLAND - DOWNTOWN												
A	32	10,545,872	462,377	4.4%	44,206	0.4%	506,583	4.8%	4.1%	(71,438)	(151,756)	\$5.17
B/C & Flex	114	5,079,302	635,144	12.5%	27,533	0.5%	662,677	13.0%	13.8%	38,808	(242,631)	\$4.91
Total	146	15,625,174	1,097,521	7.0%	71,739	0.5%	1,169,260	7.5%	7.3%	(32,630)	(394,387)	\$5.02
OAKLAND - JACK LONDON SQUARE												
A	3	325,600	-	0.0%	-	0.0%	-	0.0%	0.0%	-	1,750	\$4.50
B/C & Flex	41	1,285,539	60,062	4.7%	15,016	1.2%	75,078	5.8%	5.3%	(7,409)	26,445	\$3.75
Total	44	1,611,139	60,062	3.7%	15,016	0.9%	75,078	4.7%	4.2%	(7,409)	28,195	\$3.75
CBD TOTAL												
A	35	10,871,472	462,377	4.3%	44,206	0.4%	506,583	4.7%	4.0%	(71,438)	(150,006)	\$5.17
B/C & Flex	155	6,364,841	695,206	10.9%	42,549	0.7%	737,755	11.6%	12.1%	31,399	(216,186)	\$4.79
Total	190	17,236,313	1,157,583	6.7%	86,755	0.5%	1,244,338	7.2%	7.0%	(40,039)	(366,192)	\$4.94
SUBURBAN SECTION												
RICHMOND												
A	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	98	3,480,353	49,730	1.4%	14,875	0.4%	64,605	1.9%	1.9%	2,536	(5,787)	\$2.13
Total	98	3,480,353	49,730	1.4%	14,875	0.4%	64,605	1.9%	1.9%	2,536	(5,787)	\$2.13
BERKELEY - DOWNTOWN												
A	10	883,882	7,118	0.8%	4,873	0.6%	11,991	1.4%	1.3%	(839)	21,752	\$3.75
B/C & Flex	28	974,473	45,297	4.6%	-	0.0%	45,297	4.6%	5.3%	6,606	316	\$3.69
Total	38	1,858,355	52,415	2.8%	4,873	0.3%	57,288	3.1%	3.4%	5,767	22,068	\$3.70
BERKELEY - WEST												
A	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	42	1,527,846	96,309	6.3%	22,451	1.5%	118,760	7.8%	7.6%	(2,739)	(1,417)	\$3.76
Total	42	1,527,846	96,309	6.3%	22,451	1.5%	118,760	7.8%	7.6%	(2,739)	(1,417)	\$3.76
EMERYVILLE												
A	16	2,928,348	193,083	6.6%	13,052	0.4%	206,135	7.0%	6.7%	(10,270)	29,568	\$4.58
B/C & Flex	44	1,683,088	95,191	5.7%	-	0.0%	95,191	5.7%	7.5%	31,042	98,778	\$3.31
Total	60	4,611,436	288,274	6.3%	13,052	0.3%	301,326	6.5%	7.0%	20,772	128,346	\$4.18
ALAMEDA - MARINA VILLAGE												
A	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	51	1,600,673	101,685	6.4%	29,568	1.8%	131,253	8.2%	7.8%	(6,832)	(11,353)	\$3.03
Total	51	1,600,673	101,685	6.4%	29,568	1.8%	131,253	8.2%	7.8%	(6,832)	(11,353)	\$3.03
ALAMEDA - HARBOR BAY												
A	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	28	1,684,784	75,084	4.5%	-	0.0%	75,084	4.5%	5.0%	9,542	23,662	\$2.51
Total	28	1,684,784	75,084	4.5%	-	0.0%	75,084	4.5%	5.0%	9,542	23,662	\$2.51
OAKLAND - AIRPORT												
A	2	455,697	8,375	1.8%	-	0.0%	8,375	1.8%	3.1%	5,815	(5,988)	\$2.76
B/C & Flex	34	1,576,808	74,980	4.8%	564	0.0%	75,544	4.8%	4.7%	(1,833)	6,570	\$2.30
Total	36	2,032,505	83,355	4.1%	564	0.0%	83,919	4.1%	4.3%	3,982	582	\$2.35
SUBURBAN TOTAL												
A	28	4,267,927	208,576	4.9%	17,925	0.4%	226,501	5.3%	5.2%	(5,294)	45,332	\$4.47
B/C & Flex	325	12,528,025	538,276	4.3%	67,458	0.5%	605,734	4.8%	5.1%	38,322	110,769	\$3.02
Total	353	16,795,952	746,852	4.4%	85,383	0.5%	832,235	5.0%	5.2%	33,028	156,101	\$3.41
MARKET TOTAL												
A	63	15,139,399	670,953	4.4%	62,131	0.4%	733,084	4.8%	4.3%	(76,732)	(104,674)	\$4.95
B/C & Flex	480	18,892,866	1,233,482	6.5%	110,007	0.6%	1,343,489	7.1%	7.5%	69,721	(105,417)	\$3.99
TOTAL	543	34,032,265	1,904,435	5.6%	172,138	0.5%	2,076,573	6.1%	6.1%	(7,011)	(210,091)	\$4.33
QUARTERLY COMPARISON AND TOTALS												
Q3-19	543	34,032,265	1,904,435	5.6%	172,138	0.5%	2,076,573	6.1%	6.1%	(7,011)	(210,091)	\$4.33
Q2-19	543	34,032,265	1,892,000	5.6%	177,562	0.5%	2,069,562	6.1%	6.1%	90	(203,080)	\$4.23
Q1-19	543	34,032,265	1,817,242	5.3%	252,410	0.7%	2,069,652	6.1%	5.5%	(203,170)	(203,170)	\$4.12
Q4-18	543	34,032,265	1,567,746	4.6%	298,736	0.9%	1,866,482	5.5%	6.2%	258,587	407,310	\$3.87
Q3-18	543	34,032,265	1,850,605	5.4%	274,464	0.8%	2,125,069	6.2%	6.4%	63,781	148,723	\$3.92

\*Net absorption for Downtown Oakland B/C is higher than our numbers suggest due to reclassification of buildings

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**68** countries

**\$3.3**

billion in  
annual revenue

**2.0**

billion square feet  
under management

**69,000**

professionals  
and staff

**\$127**

billion in  
total transaction value

\*All statistics are for 2018, are in U.S. dollars and include affiliates.

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