



TRANSWESTERN

EAST BAY OFFICE MARKET

Q1 2024



RISE IN VACANCY SLOWS AND VC FUNDING ACCELERATES

Despite high borrowing costs for businesses and consumers, economic conditions in the East Bay remain stable. The unemployment rate was 5.0% in February, up from 4.6% three months ago and remains near historically low levels. The pace of job growth softened to 0.8% year over year as 9,000 jobs were added.

The local labor market remains tight, but hybrid work has led to more vacant space in the East Bay office market. In the first quarter, the total amount of office space available for lease climbed to a record high of 18.6 million square feet. The vacancy rate rose 30 basis points (bps) on a quarterly basis to 17.0%. Net absorption was negative with 228,285 SF of space returned to the market. Consequently, average rents declined 1.0% over the quarter to \$3.30 PSF. Class A rents fell 1.6% to \$3.83 PSF.

TRENDLINES

| | Q1 2024 | Q1 2023 | CHANGE | FIVE-YEAR AVERAGE |
|------------------------------------|---------|---------|---------|-------------------|
| Nonfarm Jobs (Thous.) | 1,186 | 1,177 | 0.8% | 1,157 |
| Office-Using Jobs (Thous.) | 261 | 265 | -1.5% | 268 |
| Kastle Barometer - Occupancy (%) | 46.4 | 43.3 | 3.1% | -- |
| Sublease Availability (%) | 3.2 | 3.7 | -50 bps | 3.1 |
| Net Absorption (Thous. SF) | -364 | 7 | 5568.5% | -225 |
| Overall Vacancy Rate (%) | 16.7 | 14.4 | 230 bps | 13.4 |
| Class A Direct Rents (\$/SF) | 3.82 | 3.93 | -2.8% | 4.05 |
| Under Construction (Mil. SF) | 0.0 | 0.0 | 0.0% | 0.3 |
| 12-Mo. Investment Volume (\$ Mil.) | 348 | 1,646 | -78.9% | 2,001 |
| Venture Capital Funding (\$ Bil.) | 28.0 | 25.5 | 9.7% | 24.2 |

Source: Transwestern, CA EDD, Kastle Systems, MSCI Real Assets, Pitchbook, CoStar, Q1 2024.
Note: Employment figures as of February 2024. Data not seasonally adjusted.



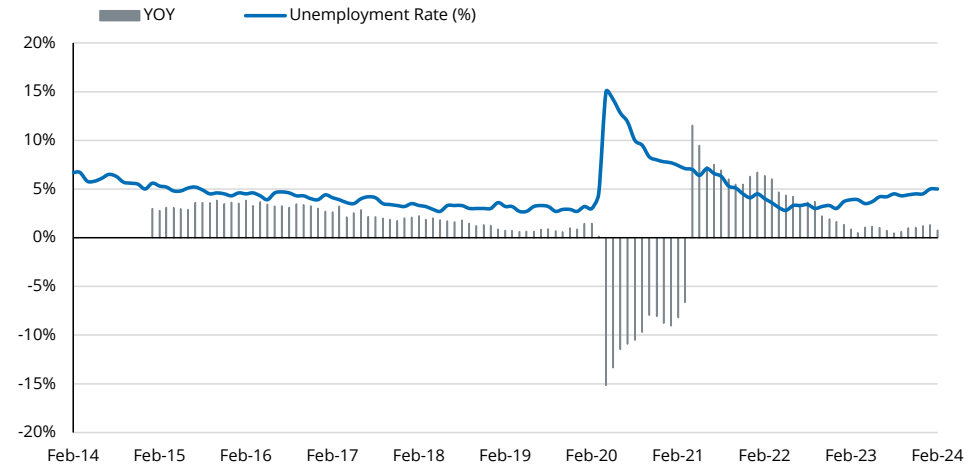
ECONOMY

Job Growth Softens to 0.8% YOY

- The February unemployment rate in the East Bay metro area rose from three months ago to 5.0%. Though up from 3.9% one year ago, it has been at or under 5% for nearly two years. It remains a tight labor market but with softening job gains as businesses and consumers facing high borrowing costs.
- With the rise of interest rates cutting back at profits, hiring has gradually slowed over the past two years. In Q1, employers added 9,000 jobs annually, a 0.8% gain over the year.
- Jobs gains were driven by a year-over-year increase of 5.9% in Education and Health Services employment (+9,500 jobs). Office-using industries lost 10,000 jobs, down 3.6% from one year ago due in part to ongoing tech layoffs.

UNEMPLOYMENT RATE AND OFFICE-USING JOBS

Oakland-Hayward-Berkeley MD

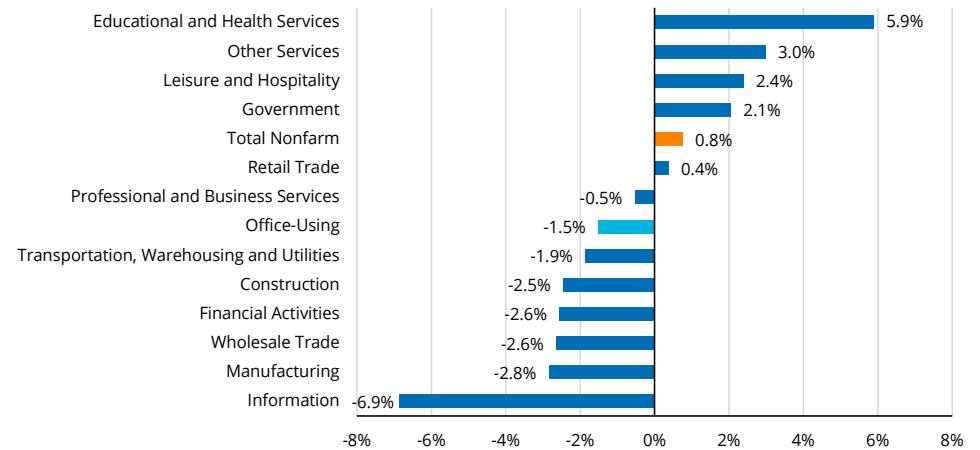


Source: Transwestern, CA EDD, February 2024.

Note: Data not seasonally adjusted.

YOY EMPLOYMENT CHANGE BY INDUSTRY

Oakland-Hayward-Berkeley MD



Source: Transwestern, CA EDD, February 2024.

Note: Data not seasonally adjusted.

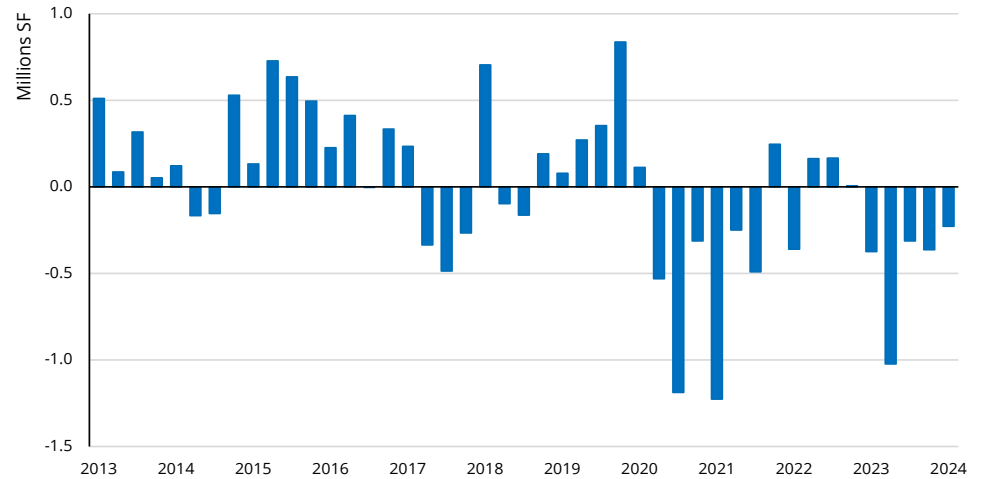


SUPPLY AND DEMAND FUNDAMENTALS

Negative Absorption Continues; Office Occupancy Remains Steady

- A shift to a hybrid-based work model combined with recessionary fears have taken a large bite out of occupancy levels in the East Bay. Net absorption was negative 228,285 SF in the first quarter, the fifth consecutive quarter in red territory as companies continued to downsize, relocate or give up space altogether. Total net absorption since the start of 2020 stands at negative 6.0 million SF.
- Office occupancy was largely unchanged in Q1 according to data tracked by Kastle Systems, with San Francisco seeing an average of 46.4% of workers swiping into offices for the week of March 27, 2024. San Jose had the lowest of the major metros tracked with a rate of 43.4%, reflecting the Bay Area's large concentration of tech jobs.

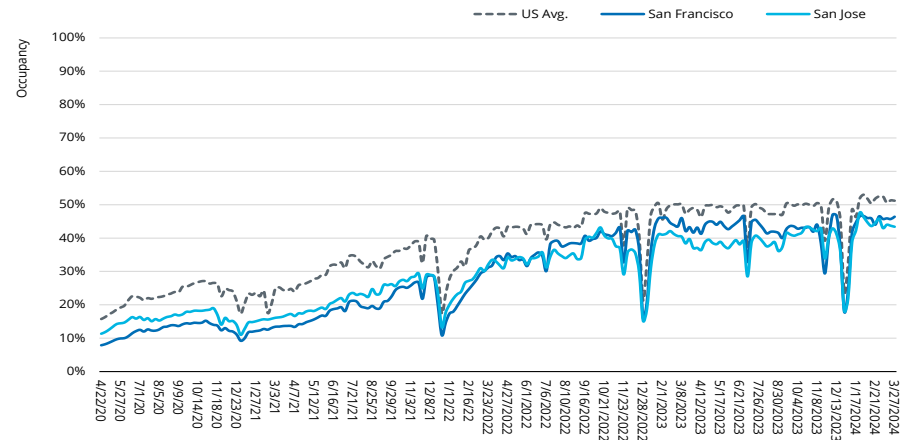
NET ABSORPTION



Source: Transwestern, CoStar, Q1 2024.

BACK TO WORK BAROMETER

Office Occupancy %



Source: Transwestern, Kastle Systems, March 2024.

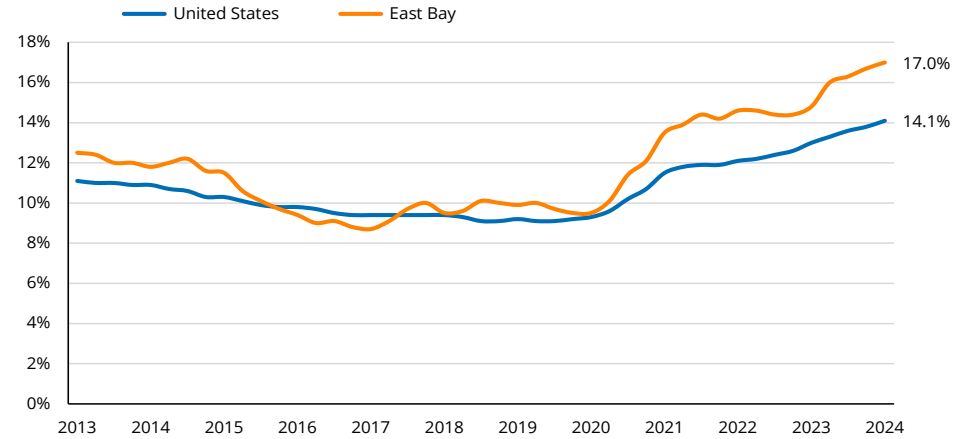


SUPPLY AND DEMAND FUNDAMENTALS

Rise in Vacancy Rate Slows

- In Q1, the overall vacancy rate rose 30 bps on a quarterly basis to 17.0%, the highest level on record.
- Class A vacancy ticked down 10 bps to 25.2% in Q1 while Class B vacancy rose 50 bps to 15.0%.
- There was roughly 2.7 million SF of available sublet space, or 3.0% of total inventory. The sublease availability rate is down 70 bps from 3.7% one year ago, reflecting a stabilizing sublease market.

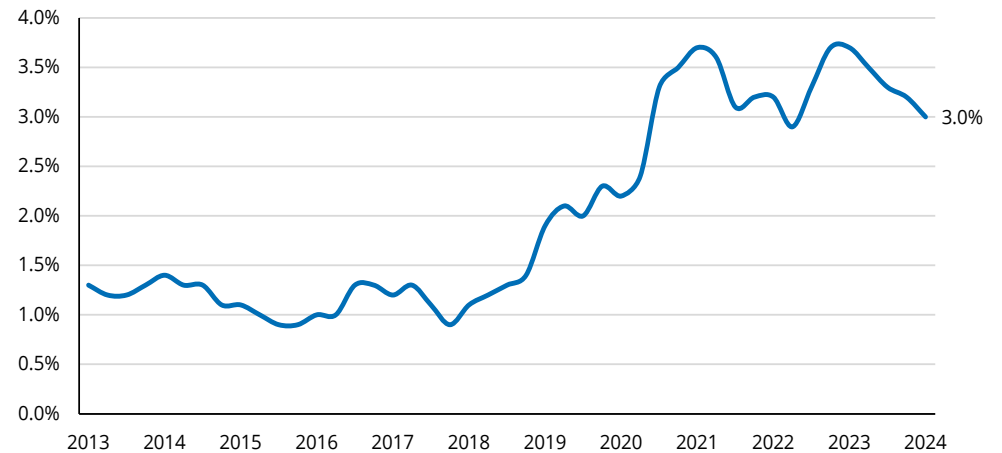
VACANCY RATE



Source: Transwestern, CoStar, Q1 2024.

SUBLEASE AVAILABILITY RATE

SF as % of Inventory



Source: Transwestern, CoStar, Q1 2024.

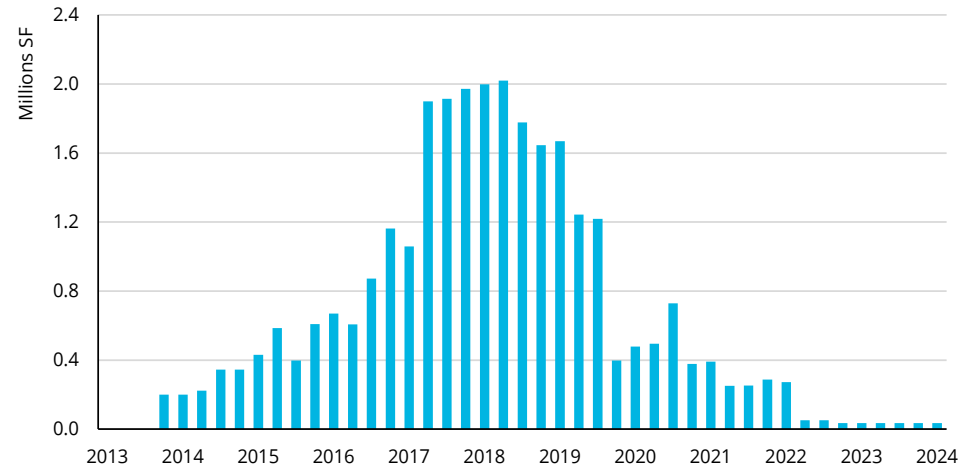


SUPPLY AND DEMAND FUNDAMENTALS

Rent Growth Remains Steady

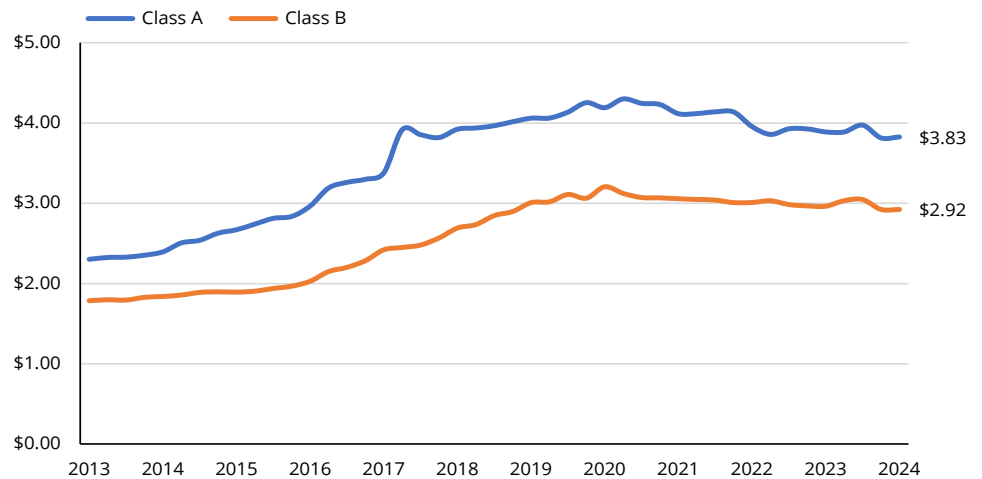
- The current development pipeline is nearly empty. New office construction has moderated over the last several years and there was only 34,900 SF underway during Q1. New construction typically slows when supply exceeds demand. As the market becomes increasingly saturated with vacant space, development will continue to be muted throughout 2024.
- With weak office demand, rents remained under pressure. Overall rents decreased by 1.0% from Q4 to finish the quarter at a monthly average rate of \$3.30 PSF. This compares with a pre-pandemic high of \$3.56 PSF.
- By class segment, Class A rent growth was down by 1.6% to end the quarter at \$3.83 PSF while Class B rents dipped 1.4% to \$2.92 PSF. Pre-pandemic peak rents were \$4.26 PSF and \$3.20 PSF for the two segments, respectively.

UNDER CONSTRUCTION



Source: Transwestern, CoStar, Q1 2024.

MONTHLY RENTS, \$/SF



Source: Transwestern, CoStar, Q1 2024.



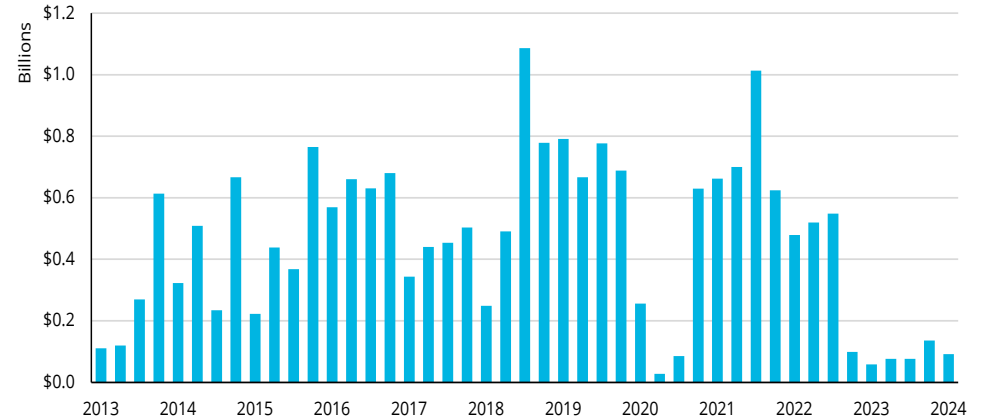
CAPITAL MARKETS

Investment Stalls; VC Funding Returns to Pre-Pandemic Levels

- The office sector recorded \$92 million in deal volume in Q1, down from \$136 million in Q4, but still shallow levels of activity for a market that frequently experienced over \$500 million in quarterly investment during pre-pandemic years. Though investment was comparatively weak, there were a few notable deals over the last several quarters in which buyers and sellers agreed on reduced pricing.
- Venture capital funding, a driving source of office demand in the tech-heavy San Francisco Bay Area, reached \$28.0 billion during Q1, a 37.6% jump from last quarter's \$20.3billion. While funding has fallen from pandemic-fueled highs, capital is active and well above the 2015 to 2019 quarterly average of \$19.9 billion.

INVESTMENT VOLUME

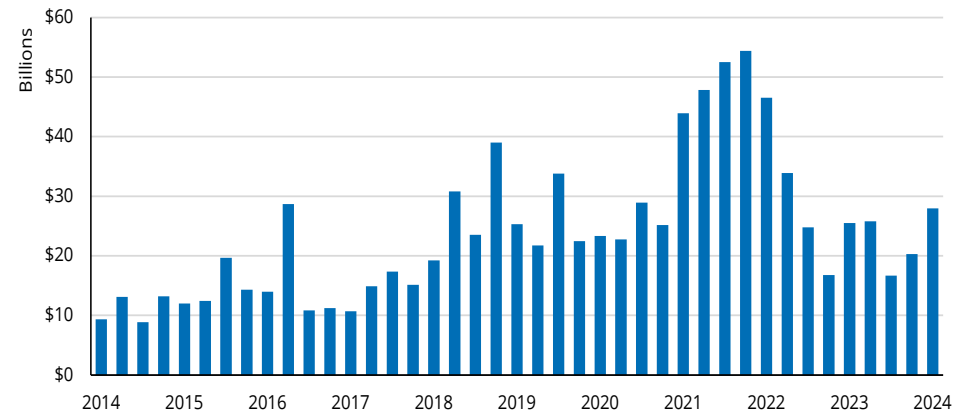
East Bay



Source: Transwestern, MSCI RCA, Q1 2024.

VENTURE CAPITAL FUNDING

San Francisco Bay Area



Source: Transwestern, Pitchbook, Q1 2024.



TOP LEASES

| TENANT | ADDRESS | CITY | SF LEASED |
|-----------------------|-------------------------|------------|-----------|
| SCIENCE CORP. | 300 Wind River Way | Alameda | 77,135 |
| UNKNOWN | 6623-6627 Dumbarton Cir | Fremont | 41,075 |
| UNKNOWN | 3901-3903 Broadway | Oakland | 26,827 |
| BIOMADE | 1900 Powell St | Emeryville | 21,246 |
| SILVERADO CONTRACTORS | 2200 Powell St | Emeryville | 20,242 |

TOP SALES

| ADDRESS | CITY | PRICE (\$ MIL.) | BUILDING SF | BUYER | SELLER |
|----------------------|--------------|-----------------|-------------|----------------------|-----------------------------------|
| 4940-5040 JOHNSON DR | Pleasanton | \$73.5 | 140,980 | PSAI Realty Partners | Stockbridge |
| 93 MORAGA WAY | Orinda | \$5.6 | 121,735 | James L Chen | Michael N Guasch; Monica J Guasch |
| 1904 OLYMPIC BLVD | Walnut Creek | \$5.0 | 105,000 | Ali Oromchian | Cranbrook Group |
| 55 OAK CT | Danville | \$4.1 | 347,129 | 55 Oak Court LLC | RN Field |
| 8475 PARDEE DR | Oakland | \$3.3 | 246,118 | Fuk T Chow | UPS |

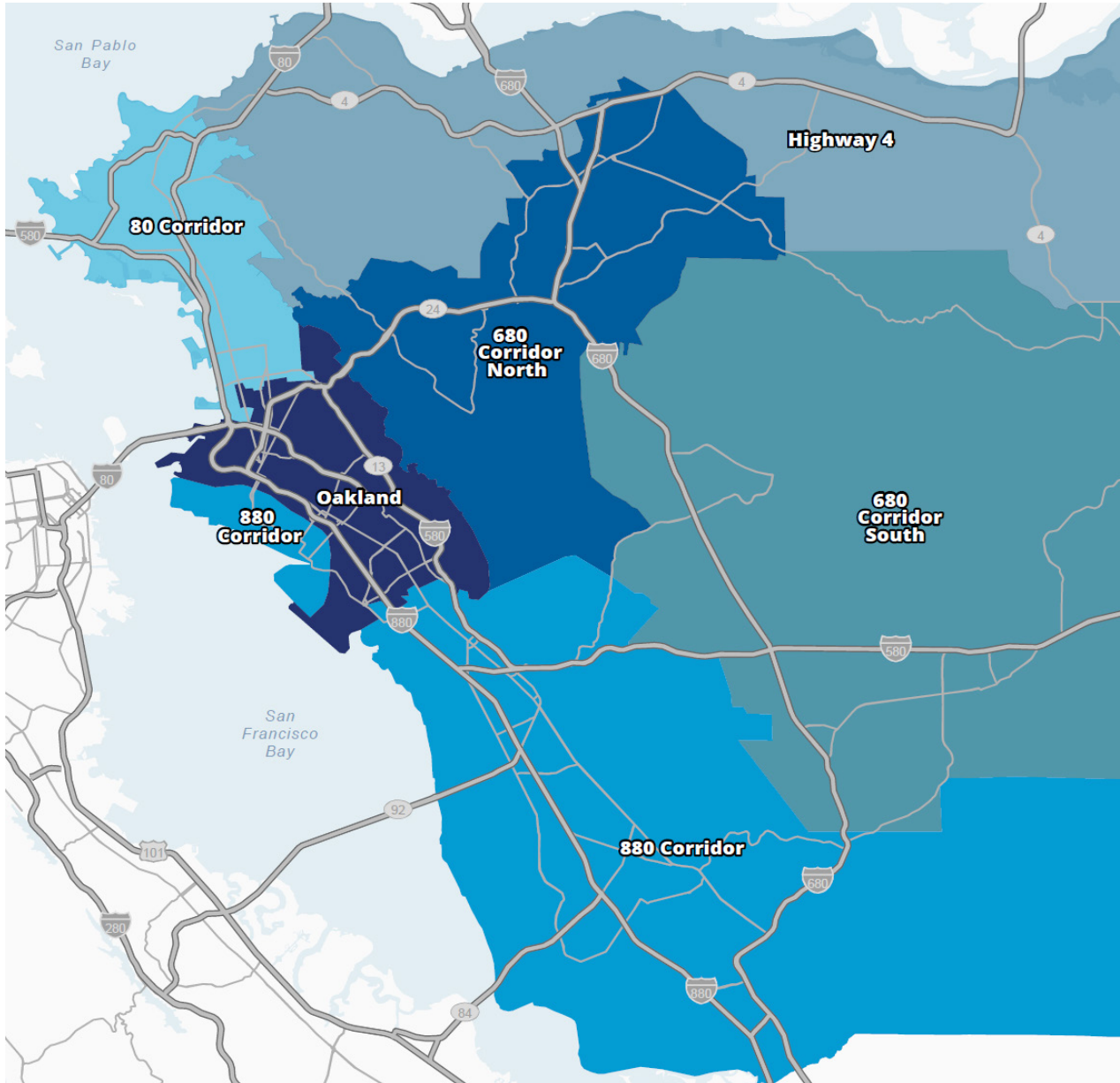
SUBMARKET FUNDAMENTALS

| SUBMARKET | INVENTORY SF | LEASING ACTIVITY SF | VACANCY RATE | QUARTERLY NET ABSORPTION SF | 12-MO. NET ABSORPTION SF | UNDER CONSTRUCTION SF | DIRECT RENT \$/SF | FULL SERVICE RENT \$/SF |
|--------------------|-------------------|---------------------|--------------|-----------------------------|--------------------------|-----------------------|-------------------|-------------------------|
| 680 CORRIDOR NORTH | 17,359,218 | 75,476 | 22.0% | 38,510 | -710,219 | 0 | \$2.89 | \$4.03 |
| 680 CORRIDOR SOUTH | 23,542,778 | 105,558 | 17.3% | -35,609 | -328,078 | 0 | \$3.03 | \$2.84 |
| 80 CORRIDOR | 10,342,134 | 72,811 | 13.3% | -50,534 | -64,646 | 0 | \$4.06 | \$2.84 |
| 880 CORRIDOR | 12,990,721 | 147,310 | 9.3% | -98,823 | -199,909 | 34,905 | \$2.51 | \$4.03 |
| HIGHWAY 4 | 2,554,178 | 2,160 | 7.8% | -12,720 | -18,335 | 0 | \$2.05 | \$2.84 |
| OAKLAND | 23,590,907 | 151,921 | 19.8% | -69,109 | -606,251 | 0 | \$4.24 | \$2.84 |
| TOTAL | 90,379,936 | 555,236 | 17.0% | -228,285 | -2,073,056 | 34,905 | \$3.41 | \$3.35 |

Source: Transwestern, CoStar, MSCI Real Assets, Q1 2024.



SUBMARKET MAP



FOR MORE INFORMATION

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RESEARCH METHODOLOGY

The information in this report is a compilation of single- and multi-tenant office properties 10,000 SF and larger located in the East Bay area. Medical offices and government-owned buildings are excluded from analysis.

ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with fresh ideas, the firm drives value for clients across commercial real estate services, development, and investment management. Operating from 33 U.S. office, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at transwestern.com.