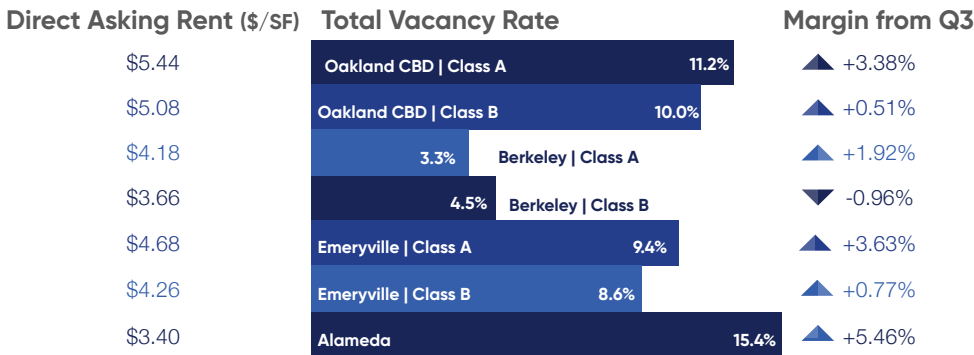


# Occupier's Guide

The East Bay economy added over 20,000 new jobs on an annual basis, and maintains a low unemployment rate of around 3%. The office market continues to be tight, with no new construction completions in Oakland this quarter. Healthcare and biotechnology continue to play an important role in the East Bay market, with healthcare company Penumbra signing the largest lease of the quarter in Alameda, followed by Zymergen signing a 76,000 SF lease in Emeryville. East Bay rental rates continue to rise, with an average Q3 2019 rate of \$4.47/RSF/month, up from the average Q2 2019 rate of \$4.29/RSF/month. Vacancy increased by a marginal 98bps to 9.51%.



## Rental and Vacancy Rates



## Recent Transactions

	Tenant	Submarket	Type	Size	Sector
1	Penumbra	Alameda	New Lease	127,000 RSF	Medical
2	Zymergen	Emeryville	New Lease	76,000 RSF	Biotechnology
3	OUSD	Oakland CBD	Renewal	60,000 RSF	Education
4	Credit Karma	Oakland CBD	New Lease	58,000 RSF	Financial
5	WeWork	Oakland CBD	New Lease	39,000 RSF	Real Estate
6	Confidential	Oakland CBD	Unknown	37,000 RSF	Unknown

## Tenant's Perspective

- Rents are increasing in Oakland as large tenants become more comfortable basing operations out of the city. Significant rental increases in San Francisco, among other factors, are in part driving demand for space in Oakland.
- Average rental rates increased by 4.21% Q/Q, while vacancy also increased by a marginal 0.98% to 9.51%. Net absorption was recorded to be over 268,000 SF, up from around 59,000 SF in Q2 2019.
- Kaiser will soon be vacating nearly 1.5 million SF of space in Oakland. This comes as the company plans to relocate thousands of East Bay employees to the new Kaiser Thrive Center. The 1.5 million SF vacancy to come may reduce the tight supply now seen in the Oakland market.

## Market Trends

The largest lease of the quarter was signed by healthcare company **Penumbra**, followed by the biotechnology company Zymergen. Healthcare and biotechnology continue to play a significant role in the East Bay market.

U.S. unemployment is down 20bps to **3.5%**, the lowest in 50 years. GDP growth for Q3 2019 is forecast to be 1.9%, lower by 20bps relative to Q2 2019. These stats coincide with the 10Y-3Y treasury spread becoming negative, something which has occurred before every U.S. recession in modern history.

There were no construction completions in Oakland this quarter, furthering the continuation of a tight Oakland market. With nearly 5 million SF of office development approved in Oakland, time will tell which companies choose to pre-lease these spaces.