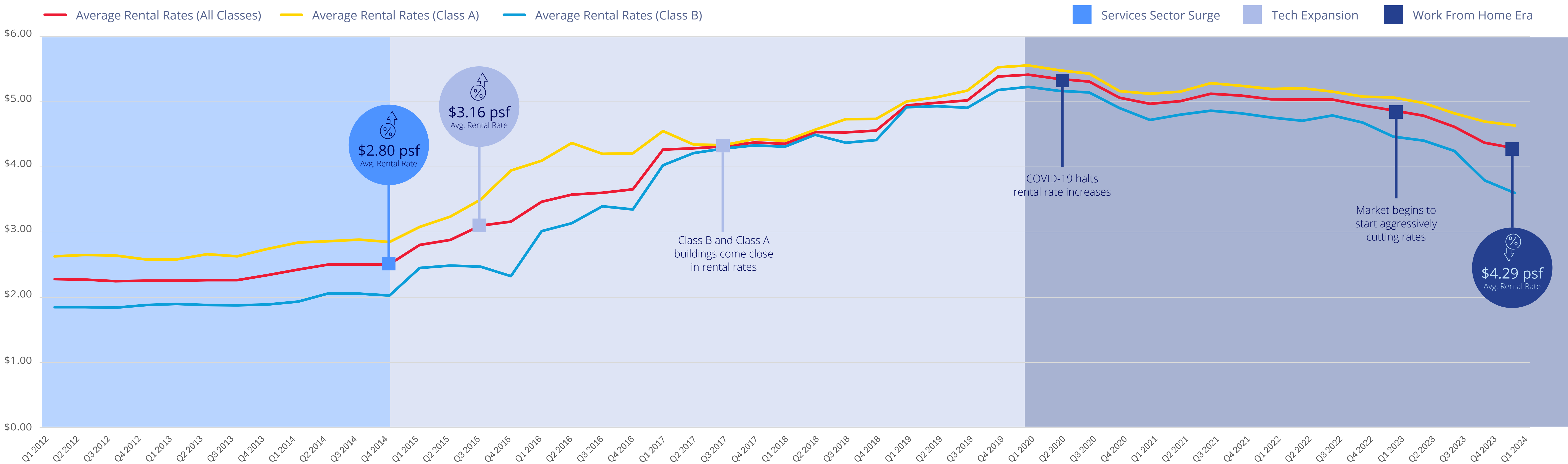
Q2 2024

Average Rental Rates in the East Bay Office Market

A timeline depicting fluctuations in average rental rates across three significant activity tranches identified by Colliers: Services Sector Surge, Tech Expansion, and Work From Home Era



SERVICES SECTOR SURGE (2012-2014)

The office market began to recover in 2012 from the financial crisis that consumed our US economy between the late 2007s and early 2010s. At this time, Class B offices were attractive for investors, targeting value-add opportunities through space renovations and lower acquisition costs, making them accessible to a broader investor base. This notion coincided with non-profit and professional services industries seeking flexible and cost-effective office space, with an average rental rate of **$2.80 per** sq. ft., thus creating Class B demand.

TECH EXPANSION (2014-2018)

The services industry's demand for office space slowed as tech giants entered the market, saturating a thriving Class B environment. Tech companies were determined to lease space in Oakland due to cheaper rental rates and an overly crowded San Francisco office scene. Uber, Pandora, Navis, and Kaiser's IT division were among those that made the move. It was also convenient for tech employees looking to settle down in the East Bay to raise a family. As a result, 2015 saw the fastest increase in office rental rates since the dot-com bubble in 2000, reaching an average rental rate of **$3.16** per sq. ft. across all asset classes.

WORK FROM HOME ERA (2020-2024)

The global pandemic in 2020 halted a historic high average rental rate of $5.41 per sq. ft. Tech CEOs and other company executives have been in a return-to-office tug-of-war with their employees, which has stifled demand—paving the way for services-based industries to shop comfortably in the current office market at an average rental rate of **$4.29** per sq. ft. across all asset classes. Rising inflation and increased rates have pigeonholed landlords into driving more money into their maturing loans because they cannot refinance. Consequently, many buildings must now be reinstated by their respective lenders: 360 22nd St, 1440 Broadway, 1700 Broadway, 1901 Harrison, 2100 Franklin, and 180 Grand, to name a few.

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