

INVESTMENT FORECAST

Office
Oakland Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Lower-Tier Complexes Resilient as Investors Turn to Inland Areas With Recovering Fundamentals

Pace of relinquishment set to slow as office needs become more focused. While demand for shorter lease terms is easing sublease availability, overall vacancy pressures continue to hinder property performance. Metrowide asking rents declined for the fifth consecutive year in 2024, reinforcing tenant interest in more affordable space options. This has favored the budget-friendly Class B/C segment, which saw vacancy tighten over 2024 in the South 680 Corridor and Highway 4 submarkets. Corporate downsizing — led by firms such as Kaiser Permanente — and broader economic uncertainties, however, are expected to keep rates historically elevated this year. Net absorption is forecast to stay slightly negative through 2025, with fewer planned move-ins contributing to the decline. Nevertheless, an anticipated slow-down in large-scale downsizings will drive the metro's lowest level of space relinquishment since before the pandemic.

Resilient performance in certain areas garner investor interest. Sales activity last year skewed more toward smaller, lower-tier assets compared with past years — a trend likely to continue into 2025. As a result, more buyers may target properties around 10,000 square feet this year, which traded between \$150 and \$200 per square foot in 2024. The South 680 Corridor near Pleasanton may garner heightened investor interest after posting a triple-digit basis-point drop in Class B/C vacancy in 2024, leading the metro in lower-tier space absorption. The submarket benefits from commuting barriers to the western bay area, a strong presence from corporations like Safeway, Workday, and Oracle, and an affluent local population. The Highway 4 Corridor may also see increased demand after recording two consecutive years of declining overall vacancy. The area enters 2025 with vacancy below 5 percent despite heading the metro in inventory growth.

2025 MARKET FORECAST

+1.2%



EMPLOYMENT: Though Oakland will note a net increase of roughly 14,500 jobs by year-end, the traditionally office-using sector will shrink by approximately 1,200 positions.

56,000
sq. ft.



CONSTRUCTION: Developers will expand inventory by just 0.1 percent for a second consecutive year, with supply additions reaching only 15 percent of the metro's historical annual average.

+10 bps



VACANCY: A constrained delivery pipeline will help vacancy experience its smallest year-over-year expansion since 2019. The metrowide rate will end the year at 19.3 percent.

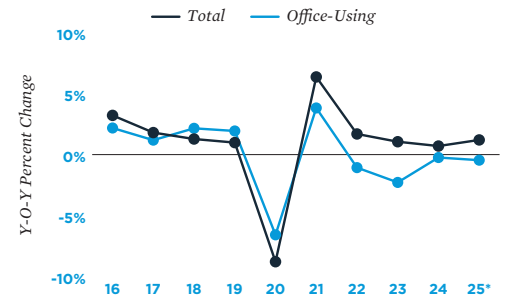
-1.7%



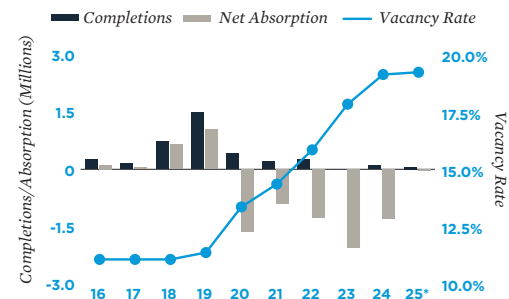
RENT: While only inching forward, record-high vacancy will still put downward pressure on marketed rates, with the metro's average asking rent adjusting down to \$35.49 per square foot by year-end.

INVESTMENT: *Buyers seeking Class A assets may comb listings in the Interstate 80 Corridor, which was the only submarket to see a decline in Class A vacancy last year while also posting the highest upper-tier asking rents.*

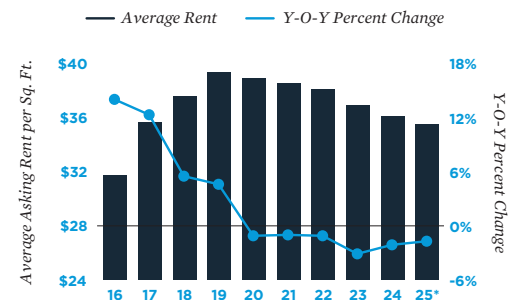
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metrowide employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.