

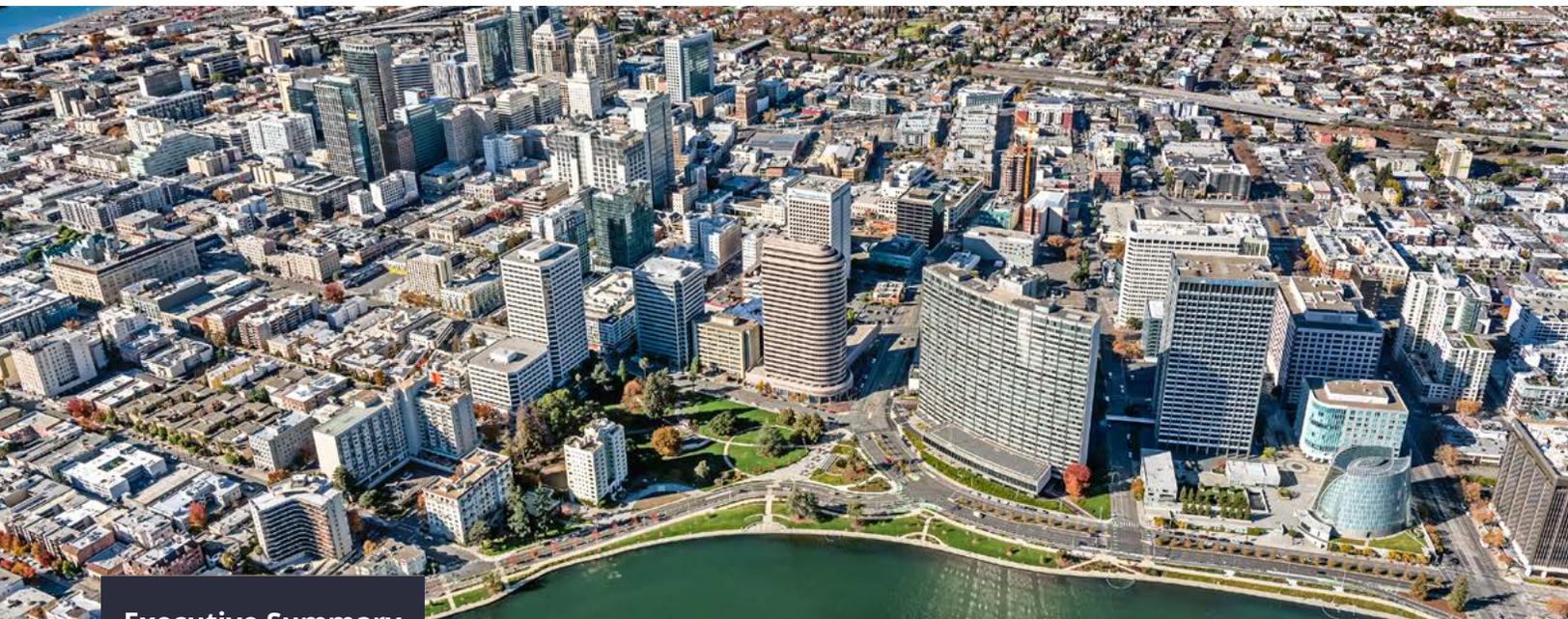
Forecast 2021



East Bay / Oakland, CA

**AVISON
YOUNG**

East Bay / Oakland



Executive Summary

- The life science industry is thriving with growing demand and new developments.
- Multifamily is booming in the Oakland market with more projects to break ground over the near term.
- Sublease space is on the rise across all asset classes, effecting market dynamics well into 2021.

The market continues to experience uncertainty as a result of the Covid-19 pandemic and related response measures. Given the impacts on the market this year, and the fact that this market will likely still experience negative business activity well into 2021, the effects of 2020 will have a lasting influence on the future of office market activity.

The once tight office market has given way to a shrinking number of tenants looking for office space. Occupancy is declining as we fight through a slowing economy. Currently there are slight rent declines despite stagnant leasing. We expect rents to decline further to entice demand. Deals are done out of necessity, not growth. There are too many “what ifs” that exist on the tenant side. It is unlikely that the Oakland market will see new speculative office projects break ground in 2021.

The industrial market has weathered the storm better than any other asset class. With high demand, rising rents, and

vacancy under 6%, the Oakland industrial market remains one of the strongest in the San Francisco Bay Area. Demand for last-mile distribution hubs remains elevated as online consumer shopping increased from the onset of the COVID-19 crisis. The lack of vacant land is prompting developers to repurpose older, vacant facilities and build class A warehouse and distribution projects.

Many retailers and restaurants have closed and those that remain open continue to face hardship with reduced foot traffic and diminishing in-store demand. This influx of closed storefronts and the introduction of new, discounted offerings will continue to put downward pressure on asking rents. We can expect a flight to quality in 2021. These closures will provide retailers who survive an opportunity to seek better locations and tenants will look to take advantage of market conditions to lease higher-quality space. Looking forward, the retail rebound, in part, will depend on local government reopening guidelines.

Decision making will be greatly influenced by how comfortable



The stark difference between 2019 and 2020 draws parallels to the dot-com bubble of 2000 and 2001. Sublease space is again making up a large portion of the vacant space on the market. Though office focused, the chart below is a barometer for speculating where the market, as a whole and across multiple asset classes, is trending.

investors are with their level of risk. Substantial liquidity is sitting on the sideline and savvy investors will seek opportunities in this turbulent economy. Secondary markets, as well as alternative asset types, will likely see increased investment. Multifamily investment continues to outpace other asset classes with industrial a close second. Investors will be looking for credit-tenant leased assets to safeguard against continued downturns in the economy.

The atmosphere of uncertainty surrounding the commercial real estate market will penetrate deep into 2021. The global pandemic has affected all aspects of the commercial real estate structure. Activity and sentiment are low but there is cautious optimism in the evolving approach to resuming normal business activity. Most companies are in a holding pattern due to the pandemic. As we move forward, the likely winners in the recovery will be logistics, data centers, and life science, while the most harshly impacted industries will be retail, hospitality, and office.

Trend watch



No place like home

With flexibility, productivity, and security stabilized, working from home is working for some while others long for connection and collaboration in their office environment.

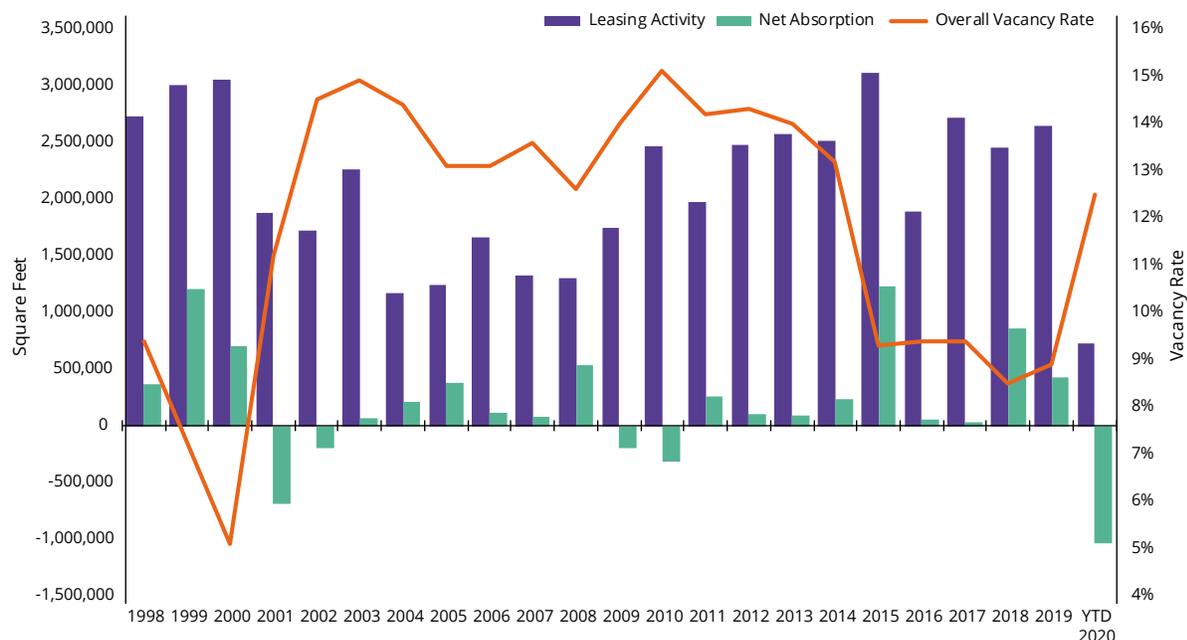


Hyperlocal

The dense population of the Oakland market has led to a staggering increase in e-commerce resulting in both a strain and expansion of logistics and last-mile delivery.

Historical Absorption & Leasing Activity vs. Vacancy

Avison Young Oakland Research



Get more market information

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