



# Non-Profit Office Space Leasing:



*The Past & Present of Oakland & San Francisco's Office Market, and How Organizations can Reduce their Overall Rental Costs while Creating Your Dream Office*



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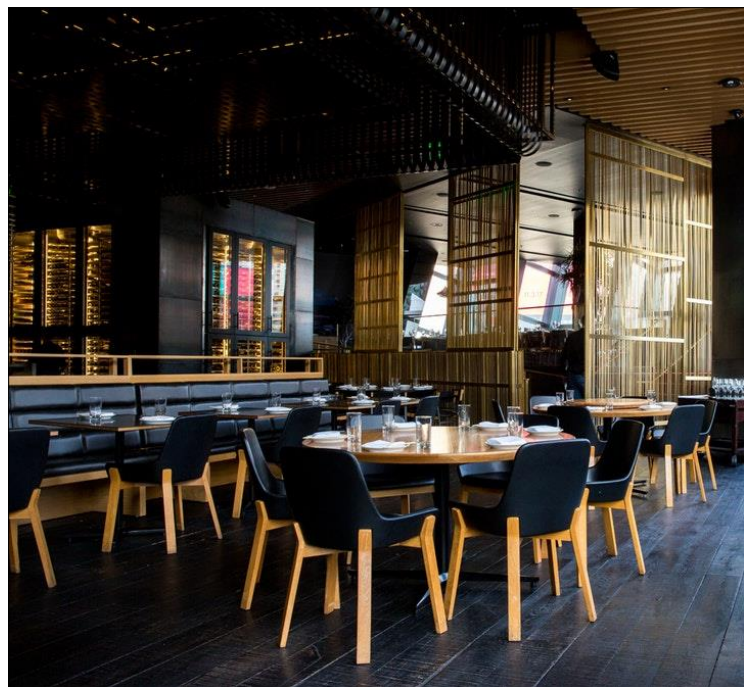
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# Initial Market Analysis: Oakland

## How Did We Get Here?!?!



2011–2013 (Initial Stage): The Rise of Oakland’s Restaurant Scene

- San Francisco chefs/restaurant owners began opening new restaurants/cafes/bars in DT Oakland.
- Oakland becomes known as center of Bay Area’s food scene.



2013-2015 (Middle Stage): East Bay Housing Boom Begins

- SF cost of living forces many to relocate to East Bay.
- Many tech workers relocate to East Bay to start families/buy homes.



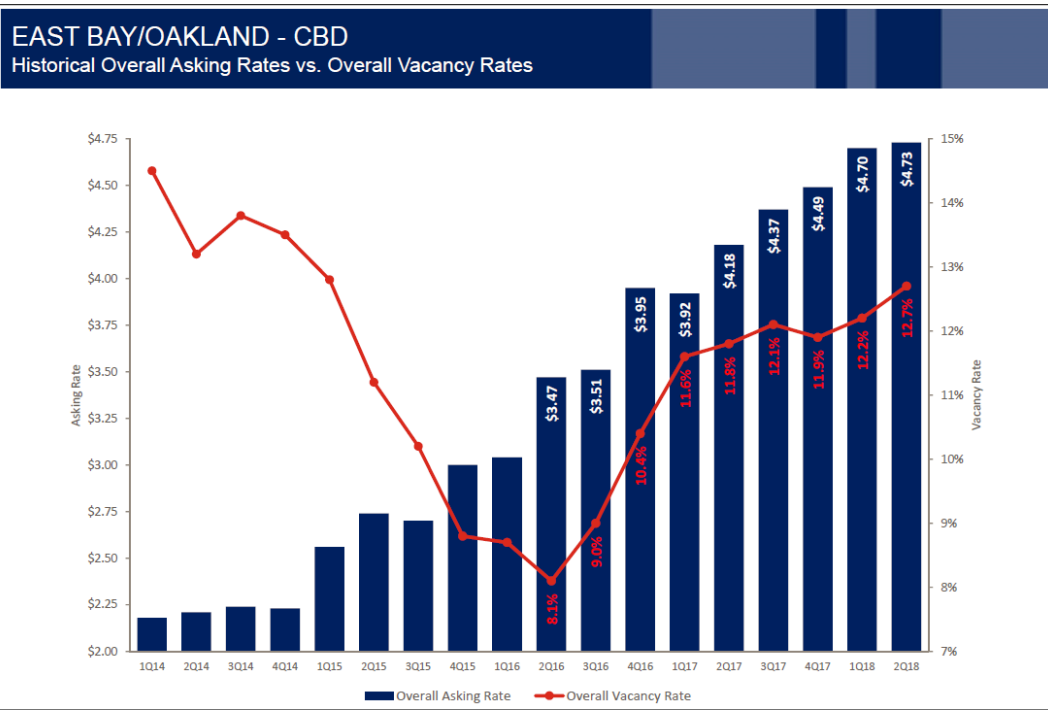
2015-Present (Current Stage): Tech Takes Notice of Oakland

- As “war for talent” between tech companies intensifies, need for office outposts in East Bay becomes apparent to Bay Area tech.
- Following Uber’s initial lease/purchase of Uptown Station, others have followed (Square, CreditKarma, Microsoft, Sephora, WeWork).



# Initial Market Analysis: Oakland

## Current State of the Market



### Office Demand Far Outweighing Supply

- Tech’s seemingly endless appetite for office space continues across Bay Area.
- As rents continue to break records, institutional landlords & investors have taken notice (KKR, Goldman Sachs).

### Very Challenging Office Market Conditions

- San Francisco & Oakland = least vacant office markets in the country.
- Small offices (sub 10,000 RSF) hard to find, and are at rent premium.

### Disappearing Class B Market

- Class B rents have surged in recent years, almost no rent savings vs. Class A.
- Lower rent/Value spaces harder to find than ever before.

# Oakland Office Market - Current Trends

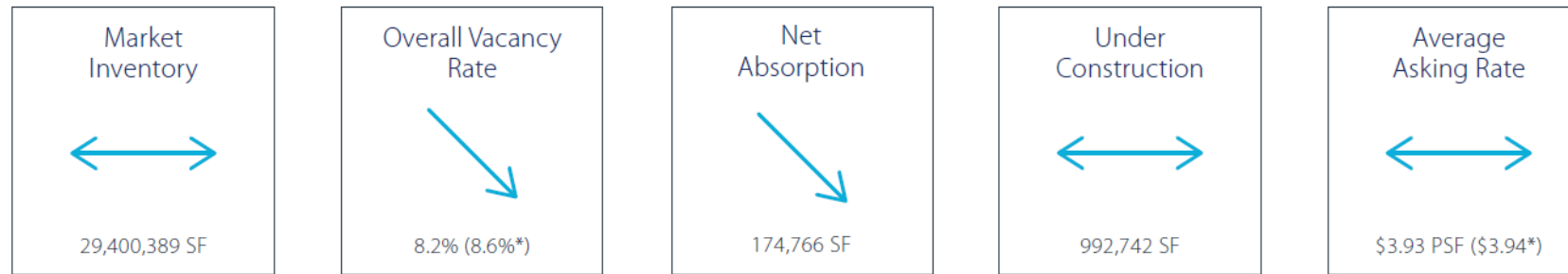
## What to expect:

- Class A Rent Expectations: \$3.50/RSF - \$7/RSF/Month (including utilities)
- Class B Rent Expectations: \$2.75/RSF - \$4.50/RSF (including utilities)
- Landlord-provided construction allowance: \$10/RSF - \$65/RSF
- Landlord expectations for Lease Length (Term): 3 years – 7 years (ties back in to tenant improvements).
- Subleases (if possible)

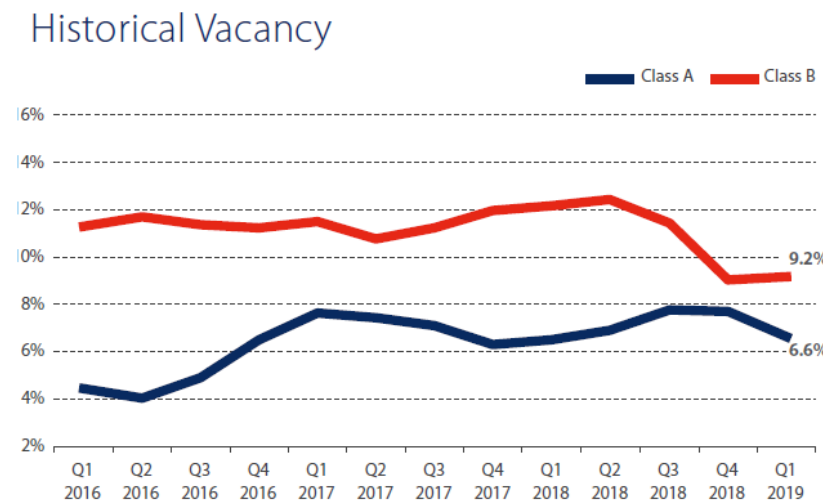
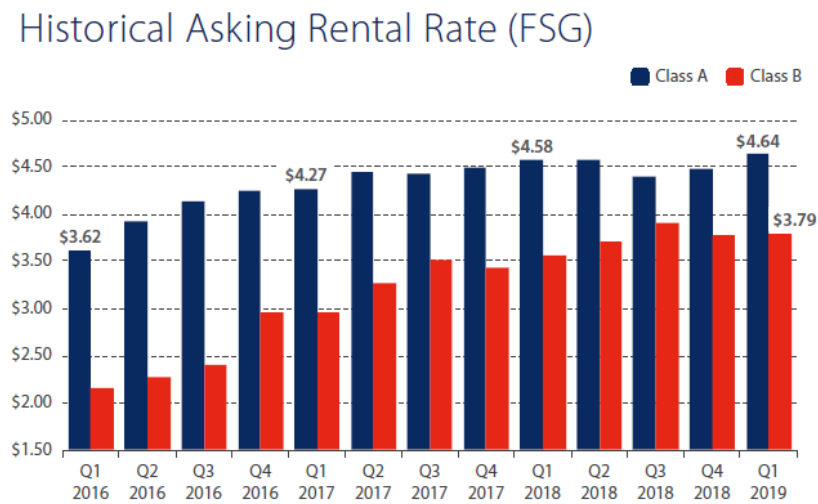
## Where to look:

- City Center
- Grand Lake
- Lake Merritt/Uptown
- Oakland Airport
- Jack London Square
- Pill Hill

# Oakland Office Market - 1Q19



\*Compared to previous quarter



## Top Leases

Tenant	Building	Submarket	Square Feet	Type
Novartis	EmeryStation West	Emeryville	62,144	New
Spaces	66 Franklin Street	Oakland-Jack London Square	45,661	New
Gritstone Oncology	EmeryStation West	Emeryville	34,469	New
Big Fish Games	1999 Harrison Steet	Oakland-Lake Merritt/Uptown	20,755	Renewal
Broadly	409 13th Street	Oakland-City Center	20,609	New
CNS	2200 Powell Street	Emeryville	8,761	New
CasaOne	1900 Powell Street	Emeryville	6,683	New
RDH	401-405 14th Street	Oakland-City Center	5,222	New
The Build Group	401-405 14th Street	Oakland-City Center	5,222	New
The Focal Point	1999 Harrison Steet	Oakland-Lake Merritt/Uptown	4,932	New

# San Francisco Office Market - Current Trends

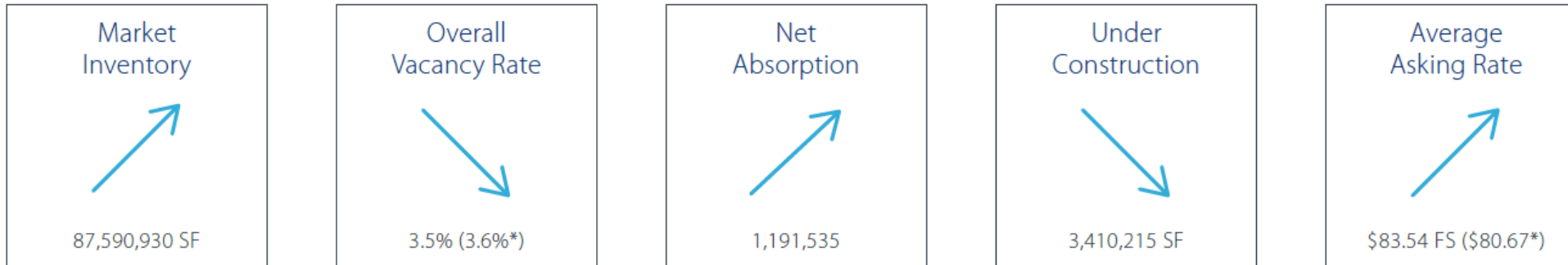
## What to expect:

- Class A Rent Expectations: \$5/RSF - \$10/RSF/Month (including utilities)
- Class B Rent Expectations: \$4/RSF - \$7/RSF (including utilities)
- Landlord-provided construction allowance: \$20/RSF - \$75/RSF
- Landlord expectations for Lease Length (Term): 3 years – 10 years (ties back in to tenant improvements).
- Subleases!

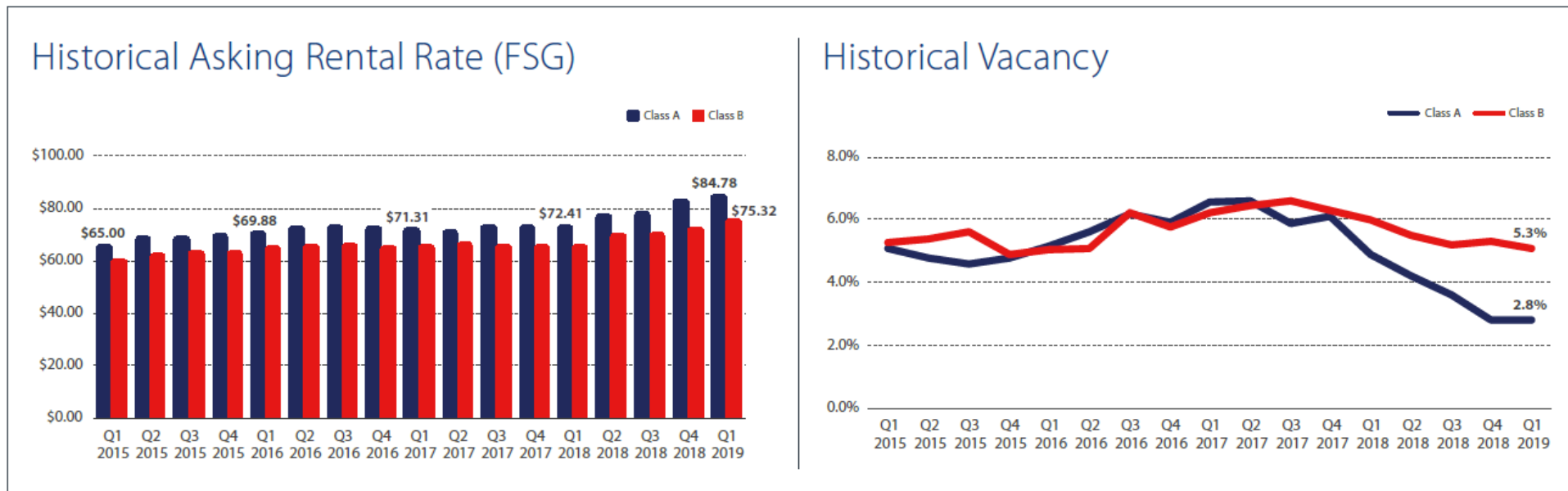
## Where to look:

- Civic Center / Van Ness Corridor
- Jackson Square / North Waterfront
- Mid-Market
- North Financial

# San Francisco Office Market - 1Q19



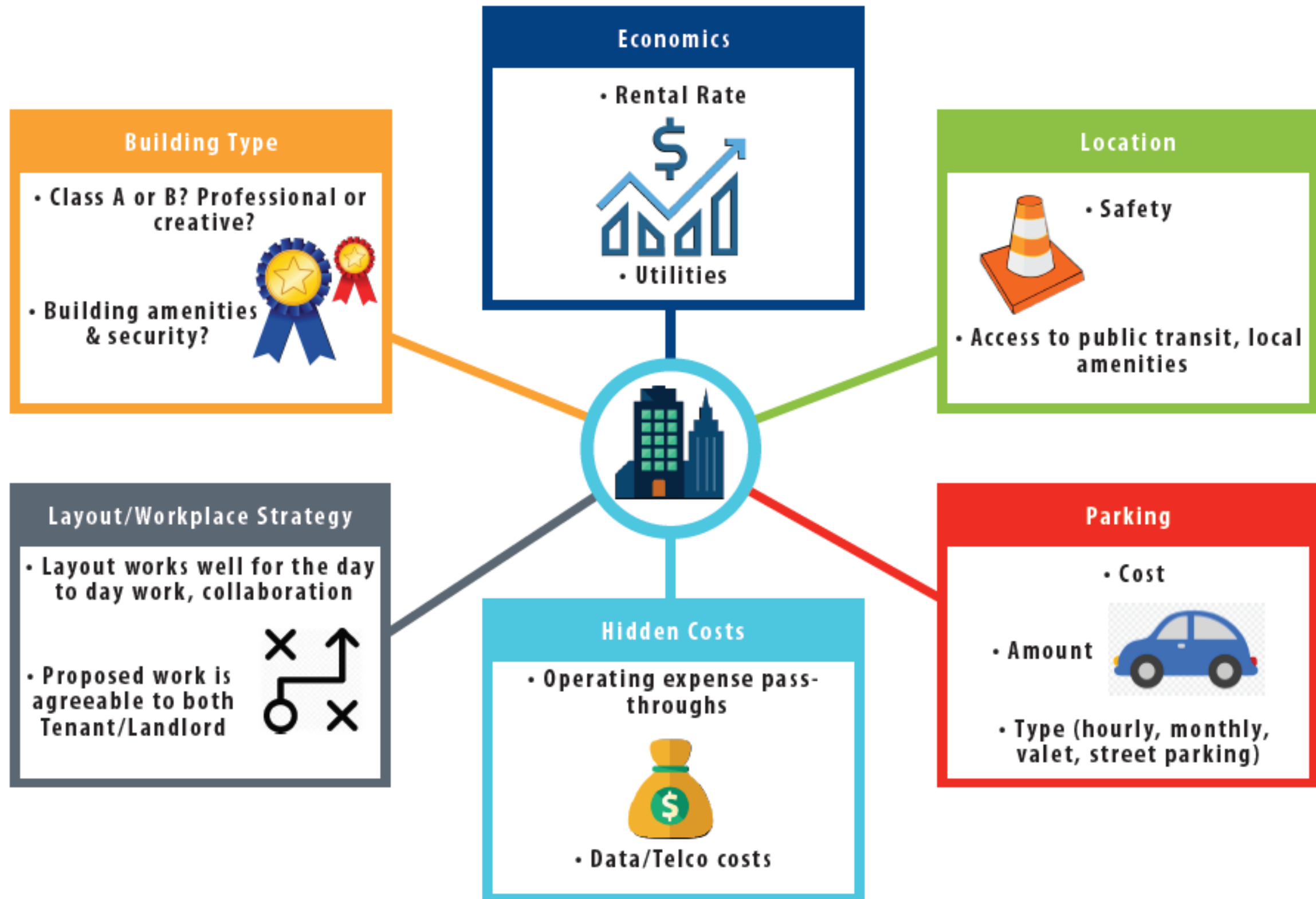
\*Compared to previous quarter



## Top Leases

Tenant	Building	Submarket	Square Feet	Type
Pinterest	88 Bluxome	SOMA	490,000	Direct
Asana	633 Folsom	SOMA	271,640	Direct
Slack	45 Fremont	South Financial District	205,566	Direct
Samsara	2 Henry Adams	Showplace Square	154,000	Direct
Google	215 Fremont	South Financial District	140,079	Direct
Wework	1455 Market	MidMarket	66,056	Direct
Knotel	625 2nd	SOMA	56,271	Direct







# The Solution: Rent Reducing Strategies

## Give the Landlords What They Want!

- Understand leasing goals of specific offices: Base rent or construction cost reduction.



- Focus on reducing landlord's "capital spend" on your proposed lease: Forgo free rent and construction dollars.



- Search for spaces in ready-to-go condition. Consider paying for construction items such as carpet & paint.



## Reimagining Your Dream Office

- Find/Search properties differently than traditional searches.



- What spaces have been sitting for extended periods or are in buildings under renovation?



- Which orgs are relocating or have too much space/Sublease opportunities?



## Utilize Everything You Have to Your Advantage

- Review and prioritization of design goals of "dream office".



- Survey of existing furniture vs. what works best in space.



- Transparent communication with staff on process, locations being considered to build social equity in org.



# Building Rating Systems VS. What's Really Important:

## Building rating system:

- A/B/C system is meant to help, but generally hurts tenant understanding of each building and their perceived value.
- Class A buildings are meant to be more than six stories, built in 1970's or newer, and are steel-frame/Glass curtain construction (no brick buildings).
- Beyond that, the rating system is completely arbitrary.
- Some Class A buildings that fit the aforementioned criteria are not real Class A buildings.
- Class A buildings in Oakland would not be considered Class A buildings in larger markets, such as Manhattan.
- The rise of “brick & timber”, Class B buildings and their rates has caused mass confusion in the rating system.

# Building Rating Systems VS. What's Really Important:

## What's really important in a building:

- Structurally safe building.
- Secure building, with on-site security and property management staff.
- Proximity to public transit.
- Generally safe area/location.
- Building systems (HVAC, plumbing, etc) in good working order.
- Space is “light, bright & Airy”.



# The Role of an Office Broker and Non-Profits:

## Traits of a desirable office broker for a non-profit:

- Experienced: Has worked specifically with non-profits and their funders in the past (understands difference in decision making process, financial statements, etc).
- Market Expert: Has significant experience in the submarkets in question. DT Oakland vs. East Bay in General. Office leasing vs. residential agent.
- Procuring vs. Listing: What role have you played in leases that they have worked on? What percentage of the broker's business is "tenant rep" vs. "landlord rep"?
- Personal: Has integrity, is ethical, and you enjoy being around them!

# The Role of an Office Broker and Non-Profits:

## Traits of a desirable non-profit client for a broker:

- **Loyal:** Understands the time commitment that the broker is putting in on their behalf, and is loyal to that broker as a result (loyalty-driven vs. execution driven).
- **Needs Understanding:** Understands their needs of their own organization (how much space, general layout, location, future growth expectations)
- **Economic/Budget Understanding:** The org knows what its budget is for the new space.
- **General Board Approval:** The org has discussed its plans with their board of directors, and has at least general buy-in in the action plan.