

BAY AREA OFFICE REPORT

Yardi® Matrix

Market Analysis

Third Quarter 2017

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern

Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Chris Nebenzahl

Senior Analyst
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Veronica Grecu

Senior Real Estate Market Analyst
Veronica.Grecu@Yardi.com
(306) 955-1855 x7583

Author

Timea-Erika Papp

Associate Editor
Timea-Erika.Papp@Yardi.com

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expense and lease expiration
data is available to Yardi Matrix
subscribers. Please contact
us for details!

For more information please contact:

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

To Subscribe:

Hollie Zepke

Audience Development Specialist
Hollie.Zepke@Yardi.com
(800) 866-1124 x5389

Investor Interest Fuels Bay Area



San Francisco's well-known combination of soaring lease rates and limited availability has pushed office users to seek more affordable options beyond city limits. Demand is as strong as ever, prompting developers to roll out a steady stream of new product. The market's total inventory encompasses 174 million square feet, with an additional 11 million square feet expected to come online by the end of 2017. All told, nearly **48 million square feet** is in the planning and permitting stages.

Roughly **31,000 jobs were added** in the 12 months ending in July, a testament to the Bay Area's reputation for developing talent. The presence of such world-class institutions as Stanford, UC Berkeley and UC San Francisco appeals to employers in search of a well-educated, highly qualified workforce.

Silicon Valley continues to attract tenants along the Caltrain corridor. However, tech giants such as Google, Facebook and Apple are pushing smaller firms and startups to the East Bay, where smaller blocks of space are available. Oakland has been rapidly emerging as a growing tech market, while Richmond posted the metro's highest lease rates at \$84.77 per square foot.

Transaction volume reached **\$4.8 billion** for the past four quarters, as both domestic and foreign investors showed strong interest in the metro's office properties, especially 1980s-vintage assets. Sales volume in Palo Alto alone amounted to \$632 million, an average of \$908 per square foot.