

East Bay's lower rents inspire tenants to look

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East Bay office vacancy and rents inched down slightly during the first quarter, giving tenants reason to shop for new space and better rates.

In Oakland, many recent deals involved tenants moving within the same area, including law firms **Foley & Mansfield's** move into **Swig Co.**'s Kaiser Center to take space formerly occupied by **Donahue Gallagher Woods** LLP, which is moving to nearby Lake Merritt Plaza.

Donahue Gallagher Woods, founded in Oakland in 1918, signed a five-year lease for 19,000 square feet on the 25th floor of that building, which is owned by **Beacon Capital**.

"We'd been in Kaiser Center for 25 years and Swig did not offer any upgrades and did not seem motivated to make a better deal," said John Coppinger, a partner with the firm. "The folks here at Lake Merritt Plaza were more aggressive."

Downtown Oakland and Emeryville maintained vacancy levels of 13.8 percent and 11.4 percent — some of the lowest in the region, according to **CB Richard Ellis**.

Vacancy in the Interstates 80/880 corridor nudged up to 16 percent during the first quarter compared with 14.2 percent during the same period last year.

Tenants in the Interstate 680 corridor and Tri-Valley have also been looking to trade up. Touring activity increased by about double compared with a year ago, said Andy Schmitt, a broker with CB Richard Ellis based in Pleasanton, but deal volume has not caught up.

"Tenants want to really want to understand the costs of relocating before they rule out a renewal," Schmitt said. "There's more research being done than deals being done."

Some areas in the outer East Bay with the highest vacancies during the first quarter include Pleasanton at 23.5 percent, Concord at 17.1 percent and Pleasant Hill BART at 21.1 percent. Overall vacancy for Interstate 680 corridor and Tri-Valley office markets was at 17.4 percent for the quarter with asking rates at about \$24 per square foot for Class A space. Vacancy was at 15 percent during the first quarter of 2009.

Less vacant space came on the market during the first quarter, but vacancy will likely stay at the current level or could increase, said Jennifer Collins, a broker with Studley in Walnut Creek.

"A lot of leases are going to be expiring this year and there's a lot of shadow space in the market," she said.

Shadow space refers to space companies have leased but are not occupying. Tenants with leases coming due will likely try to downsize their leases or move to smaller spaces.

"We don't know what else is out there in terms of shadow space," Collins said.



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